

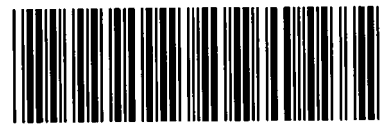


# Ocado Retail Ltd

Annual Report and Financial  
Statements for the 52-weeks  
ended 28th November 2021

COMPANY NUMBER 03875000

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# Contents

Strategic Report	
Chief Executive Review	3
Highlights from 2021	6
Financial Review	7
Key Performance Indicators	11
Principal Risks and Uncertainties	11
Covid-19	17
Section 172(1) Statement	17
GSCOP Summary of Annual Compliance Report 2020 – 2021	23
Directors' Report	25
Directors' Responsibilities Report	30
Independent Auditor's Report	31
Statement of Comprehensive Income	36
Balance Sheet	37
Statement of Changes in Equity	38
Notes to the financial statements	39
Company Information	69

# Strategic Report

## Chief Executive Review



I have the pleasure of presenting the Annual Report and Financial Statements for Ocado Retail Limited's (Ocado Retail) second financial year as a 50:50 joint venture between Ocado Group and Marks & Spencer Group (M&S).

First and foremost, our thoughts are with the Ukrainian people, and everyone impacted by Russia's invasion of their country. The human tragedy unfolding in Ukraine, and the refugee crisis along its borders, has shocked the world. In March 2022, Ocado Retail contributed £150,000 to the DEC Ukraine Appeal to help provide food, first aid, shelter, medicine, clothes and other aid to those most in need.

### Transforming Ocado Retail

FY21 was a period of many firsts for Ocado Retail as we rapidly transformed and grew the business.

We completed a full first year of partnership with M&S, having completely switched over to the M&S range in September 2020. Customers continue to love this, with M&S products making up 29% share of basket (29% for the period September - November 2020). We completed an in-depth review of all of our 39 departments, across all ~50,000 products. We expanded our own-brand range, launching ~115 new lines in total, and launched "Rising Stars" competition for small suppliers, while expanding our exclusive partnerships (e.g. Hawksmoor, Pizza Pilgrims, Charlotte Tilbury etc.) to ensure we are offering choice and value where it matters most to our customers, and doing this while strengthening our supplier relationships.

We refreshed our Ocado brand identity across our vans, 80,000+ uniform items, own-brand products and on-site content. We launched our first through-the-line "There's an Ocado Just For You" brand campaign, showcasing the breadth of our range where customers can get their essential everyday favourites, M&S, and unique innovative branded products from us at the same time. We scaled our digital marketing approach and expanded into more social channels during the period. We relaunched SmartPass (our delivery subscription offer), and launched our first "Ocado Trends of the Year" report.

These efforts increased our brand awareness by 8 percentage points and we were named the fastest growing retail brand in the UK by Kantar, growing our brand value by 72% to \$5.7 billion.

We opened three new customer fulfilment centres (CFCs) in Bristol, Andover and Purfleet in FY21, doubling the number of CFCs, and adding significant new capacity as the new sites ramped up faster than ever before.

We launched Crunch, our data and insights service platform, to maximise the potential of our unique, best-in-class customer data and making this available to our suppliers. We onboarded hundreds of suppliers onto our Citrus media platform, allowing them to more easily invest their media spend, and help them grow their business with us.

We have fully in-sourced our Customer Hub - our contact centre - to ensure we are responding to our customer needs more proactively and quickly. We have started implementing our IT transformation roadmap, and collaborated closely with our colleagues at Ocado Group to plan for our migration to Ocado Smart Platform in FY22.

We are committed to be the most sustainable supermarket in the UK. We maintained market-leading low levels of food waste (~0.6%) in the grocery industry, we removed 84 tonnes of plastic from our own brand products, and we have become the first grocer globally to have a net zero head office.

### **The market and our performance**

The elevated levels of demand for online grocery experienced during the pandemic have continued, with the online channel representing around 12-13% of grocery sales in the UK by the end of FY21, and expected to rise to 18% by the middle of this decade.

We delivered a record customer growth of 22% to 832,000 active customers by the end of FY21, demonstrating the continued strong demand for our market-leading online grocery offer. Our customer net promoter score continues to lead among large UK grocery competitors by more than 15 percentage points by the end of FY21. Customer orders per week were up 12% versus the prior period, but while positive, this was impacted by the Erith fire incident and the changing conditions in the post-lockdown UK labour market, which constrained the capacity we had available.

Reflecting the easing of restrictions and return to the office, average basket size fell by 6% compared with FY20 (but up 20% versus FY19). The net impact of these trends was that headline sales were up 6% in FY21 versus FY20 (up 45% versus FY19).

**Looking ahead: Investing to deliver strong growth**

FY22 will be a transformative period for us. We will continue to deliver great value to our customers. We are starting our migration onto the Ocado Smart Platform, and with it the transformation of our IT capabilities, which will enable better customer and colleague experiences.

We are accelerating the expansion of Zoom by Ocado, our rapid delivery proposition. We expect to open four new sites in the next 18 months, with our next site in Canning Town to go live in the second quarter of FY22. We will open a new CFC in Bicester that will provide an additional 30,000 orders per week at capacity, and explore new sites to meet the growing demand. We are exploring how we incorporate elements of the innovative and pioneering Ocado Re:Imagined technology into future sites to drive efficiencies.

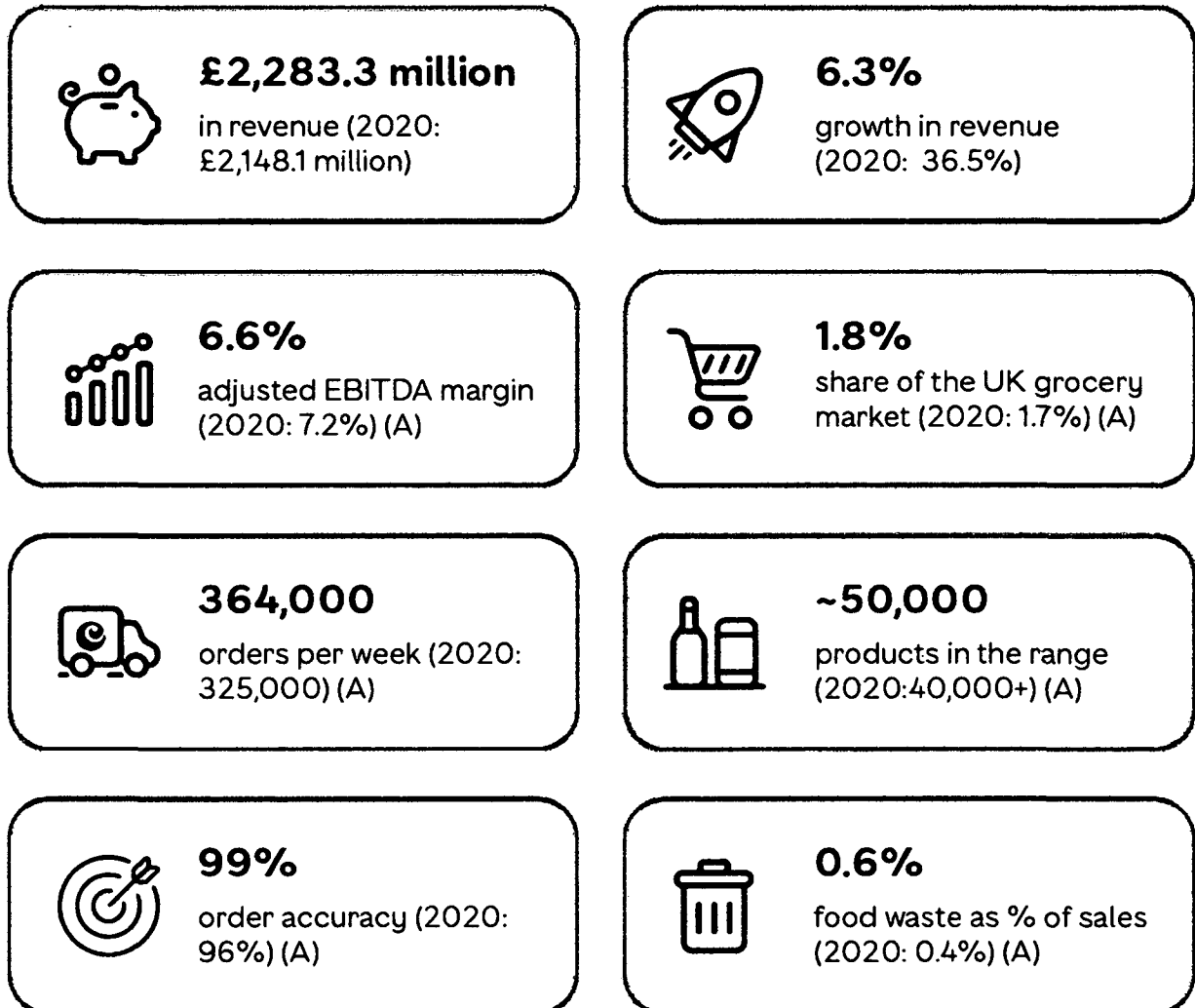
With the pandemic unwinding in the UK, but with ongoing challenging market conditions and global economic uncertainties, our priority is to consistently deliver the widest range of groceries, at great value with a market-leading customer experience. At the same time, we strive to do good for our community and continue to make Ocado Retail a fantastic place for our colleagues to work.

What continues to set Ocado Retail apart is the amazing team that delivers all of this. I am very grateful to all of our Ocado colleagues for their efforts and achievements throughout the year. Thank you everyone for an excellent FY21, and always being curious, bringing your best self, and challenging what's possible.

Melanie Smith CBE, CEO



Highlights from 2021



We are Ocado Retail, the world's largest dedicated online supermarket.

(A) Alternative performance measures

## Financial Review

In 2021, we built on the exceptional performance of 2020, growing sales and delivering strong margins. Retail Revenue grew by 6.3% period-on-period and was 45.1% higher than 2019 pre-pandemic levels.

Adjusted EBITDA decreased marginally from £154.4 million in 2020 to £151.0 million in 2021 (2019: £6.4 million), due to the impact of the Erith fire, and an increase in labour incentives and costs, as lower labour availability impacted capacity in a challenging post-lockdown UK labour market. Customer behaviours started to reverse back to pre-pandemic levels as basket size reduced (but still bigger than pre-pandemic levels), and shape of the week started to return.

Three new CFCs opened in the year in Bristol, Andover and Purfleet, which will add capacity of around 170,000 orders per week at maturity, and will bring total capacity for Ocado Retail to over 600,000 orders per week. Andover and Purfleet have had the fastest ramp-up of orders of any CFC built to date, taking advantage of continued strong customer demand. Despite labour constraints on our capacity, strong customer demand and additional capacity from our new CFC in Bicester, which will open during 2022, we expect continued revenue growth in 2022.

	Period ended 28 November 2021 £ million	Period ended 29 November 2020 £ million	% Change
<b>Revenue</b>	<b>2,283.3</b>	<b>2,148.1</b>	<b>6.3%</b>
Gross profit and other income <sup>1,2</sup>	820.5	723.8	13.4%
Distribution costs <sup>2,3</sup>	(569.9)	(493.0)	15.6%
Marketing (non-voucher) costs <sup>4</sup>	(40.3)	(22.1)	82.4%
Other administrative costs <sup>3</sup>	(59.3)	(54.3)	9.2%
<b>Adjusted EBITDA<sup>5</sup></b>	<b>151.0</b>	<b>154.4</b>	<b>(2.2)%</b>

<sup>1</sup> Other Income includes Transitional Services Agreement income relating to the sale of Fetch in addition to supplier funding income.

<sup>2</sup> Payment processing costs of £14.5 million (2020: £13.9 million) have been reclassified from distribution costs to cost of sales, to more accurately reflect the nature of these costs

<sup>3</sup> Distribution and administrative costs exclude depreciation, amortisation and impairment

<sup>4</sup> Marketing costs exclude vouchers

<sup>5</sup> Adjusted EBITDA does not include the impact of exceptional items

## Revenue

Revenue grew by 6.3% period-on-period and was 45.1% higher than 2019 levels as customer demand for online grocery remained strong. As lockdown restrictions were lifted through Spring 2021, customer behaviour began to move back towards pre-pandemic levels. With consumers returning to the office and spending less time at home, this resulted in a return to a more pre-covid peak day shopping profile with an average basket value of £129 for 2021 (2020: £137).

Revenue growth in the second half was impacted by temporarily reduced capacity following a fire in a small section of the Erith CFC, and the labour shortages in the UK retail industry. However, with increased capacity from our three new CFCs and more normalised shopping behaviour, average orders per week for the full period grew to 364,000 (+12.0% period-on-period). We invested in marketing activity to expand our active customer base to 832,000 (+22.4% period-on-period from 680,000 at the end of 2020).

## Gross profit and other income

Gross profit excluding other income grew by 12.2% to £735.5 million given higher order volumes, improved product mix, changes in sourcing arrangements and cost savings. Other income of £85.0 million, which largely comprises supplier funding income and also Fetch Transitional Services Agreement income, grew by 24.1% compared to 2020 due to business growth and sourcing negotiations. The change in classification of payment processing costs from distribution costs to cost of sales has brought the gross margin down by 0.6% for both 2020 and 2021.

**Distribution costs** primarily consist of fulfilment and delivery operation costs which are provided to Ocado Retail by the UK Logistics operation of Ocado Group.

Distribution costs increased by 15.6% to £569.9 million compared to a growth in average orders per week in the period of 12.0%. The higher rate of cost growth compared to order volume growth reflects the cost inefficiencies incurred due to the relative immaturity of the three new CFCs launched in the period, the decrease in basket size and additional temporary incentives to attract and retain colleagues in the competitive labour market in that period.

**Marketing costs** increased by £18.2 million to £40.3 million, increasing as a percentage of revenue to 1.8% (2020: 1.0%) with the launch of our first ever multi-media brand campaign in May, "There's An Ocado Just For You", increasing brand awareness and underpinning new customer acquisition. The number of active customers increased by 22.4% period-on-period to 832,000. In the prior period, marketing spend was lower than historic levels primarily due to very low levels of new customer acquisition during the pandemic.

**Other administrative costs** (excluding marketing costs and depreciation) increased by £5.0 million to £59.3 million, supporting underlying and future business growth. Key investments have included strengthening the buying team, which contributed to a strong margin performance in the period. This expenditure was partially offset by a reduction in costs relating to the senior management incentive scheme, compared to the prior year.

#### Exceptional Items

	Period ended 28 November 2021 £ million	Period ended 29 November 2020 £ million
Andover CFC net income	9.0	40.1
Erith CFC	(6.8)	-
Loss on disposal of Speciality Store Limited ("Fetch")	(9.6)	-
Development of ORL IT systems	(4.6)	-
<b>Total exceptional (charge) / credit</b>	<b>(12.0)</b>	<b>40.1</b>

#### 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 £13.1 million in the period (2020: £27.0 million) for business interruption losses have been received. An additional £10.0 million has been received subsequent to the period end. Total income recognised to date, including prior periods, is £50.7 million (2020: £40.1 million), and associated costs of £1.6 million (2020: £Nil).

#### Erith CFC

In July 2021, a 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, triggered by a specific set of circumstances that was the only outcome of its type over the course of the billions of moves made collectively by the 400 series bots operating in Erith. The 400 series bot has now been modified and upgraded to remove the risk of recurrence of this type of incident.

The impact of stock write-offs and other incremental costs associated with the Erith fire and recognised to date are £6.8 million (2020: £Nil) which has been treated as exceptional.

#### **Loss on disposal of Speciality Stores Limited (“Fetch”)**

On 31 January 2021, Ocado Retail Limited completed the sale of the entire share capital of Specialty 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 the period. See note 2.6 for further details.

#### **Development of ORL IT systems**

£4.6 million of costs were recognised as exceptional expenditure in 2021 in respect of one-off development and introduction of ORL 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 £5.1 million of IT assets arising from this project have been capitalised in 2021.

#### **Balance Sheet**

Ocado Retail had **cash and cash equivalents** totalling £132.2 million (2020: £155.9 million) at the end of the period. We believe that the year-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 £443.7 million (2020: £250.9 million) driven by growth in CFCs and fleet to support our expanding network.

**Net deferred tax** moved by £6.3 million from a net asset of £4.1 million to a net liability of £2.2 million mainly due to the net impact of the capital allowance super-deduction and the future UK corporate tax rate change, both announced in the March 2021 Budget.

## Key performance indicators

The following table sets out a summary of selected operating information, including our alternative performance measures, for the financial periods 2021 and 2020.

	Period ended 28 November 2021	Period ended 29 November 2020	Variance %
Revenue (£ million)	2,283.3	2,148.1	6.3%
Gross Profit <sup>1</sup> (£ million)	735.5	655.3	12.2%
Adjusted EBITDA <sup>2</sup> (£ million)	151.0	154.4	(2.2)%
Profit Before Tax (£ million)	85.7	146.0	(41.3)%
Average orders per week <sup>3</sup>	364,000	325,000	12.0%
Active customer base <sup>4</sup>	832,000	680,000	22.4%
Average basket value <sup>4</sup> (£)	129.1	137.2	(5.9)%

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.

<sup>1</sup> Payment processing costs of £14.5 million (2020: £13.9 million) have been reclassified from distribution costs to cost of sales, to more accurately reflect the nature of these costs

<sup>2</sup> EBITDA adjusted to exclude exceptional items

<sup>3</sup> Average orders per week includes all orders for ocado.com and Zoom.

<sup>4</sup> Customers are classified as active if they have shopped on ocado.com within the last 12 weeks of the financial year

<sup>5</sup> 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.

## 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 Group, 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 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 principal risks and uncertainties. In 2021, we have made the following changes to our principal risks. The Principal Risk 'M&S transition' was considered to be no longer appropriate as the transition had successfully taken place in 2020 but given M&S is such a key supplier that there should be a new Principal Risk 'M&S as a supplier partner'.



The risk in relation to capacity constraints was removed as a principal risk as part of the interim review process in 2021 following the increased capacity provided by additional CFC's.



An additional risk was identified as part of the bi-annual review for the transition onto the new Ocado Smart Platform. This was previously classified as an emerging risk at the commencement of 2021. The remaining principal risks remained applicable throughout 2021.



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.



 <b>Macro economics</b>		
<b>What is the risk</b> The Company is exposed to potential negative changes in the global economic and geopolitical environment, including any ongoing challenges as a result of Brexit, the Covid-19 pandemic and wider global economic uncertainty.	<b>Movement from PY</b> 	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>• Ongoing engagement with regulators and external bodies.</li> <li>• Continuous monitoring of the economic environment and regulatory changes to assess the potential impacts.</li> </ul>



 <b>Third party management and service level decline</b>		
<b>What is the risk</b> Reliance on Ocado Group to provide key services (CFCs and service delivery) and support functions and impact on customer service levels.	<b>Movement from PY</b> 	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>• Agreed service level agreements and performance indicators in place within contracts monitored on a weekly basis and overseen by the Steering Committee comprising both Ocado Group and Ocado Retail executives who meet on a monthly basis.</li> <li>• Continuing initiatives to improve resiliency and operational performance of legacy CFCs and ramping of operations at new CFCs.</li> </ul>



 <b>Business interruptions</b>		
<b>What is the risk</b> Major service disruption, loss of customer confidence and increased costs arising from a failure at key locations caused by physical events, such as fire, or technical events, such as an IT outage or mechanical failure through malicious or accidental events.	<b>Movement from PY</b> 	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>• Rolling internal audit programme provides assurance over Ocado Group business interruption procedures for CFCs and service delivery.</li> <li>• Disaster recovery testing and business continuity plans continue to be progressed and updated.</li> <li>• Business interruption insurance to transfer residual risks.</li> </ul>



 <b>Corporate compliance</b>		
<b>What is the risk</b> 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.	<b>Movement from PY</b>  	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>• Implementing a compliance framework of policies and procedures and employee training.</li> <li>• 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).</li> <li>• Seeking specialist advice for regulatory issues as needed.</li> </ul>



 <b>Information security</b>		
<b>What is the risk</b> Cyber-attack or data breach resulting in business disruption, reputational damage, significant fines or the loss of customer, employee or confidential business information.	<b>Movement from PY</b>  	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>• Provision of services by Ocado Group for a number of key functions. Systems regularly tested by third parties.</li> <li>• No customer payment card data is held in Ocado Retail's databases.</li> <li>• Data Protection Officer.</li> <li>• In-sourcing of Information Security function.</li> <li>• Regular mandatory employee training.</li> </ul>



 <b>Capacity constraints</b>		
<b>What is the risk</b> There is a risk of delay in the generation of additional capacity to sustain growth.	<b>Movement from PY</b>  	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>• Significant capacity increased in 2021 with the opening of three new CFCs in Bristol, Andover, Purfleet, doubling the number of CFCs.</li> <li>• Supported five year plan outlining capacity and capital expenditure requirements.</li> </ul>
Although in the early part of 2021 this risk was increased from 2020, the increased capacity provided by additional CFC's then resulted in this risk being removed as a principal risk as part of the 2021 interim review.		



 <b>Marks &amp; Spencer as a supplier partner</b>		
<b>What is the risk</b> This is a new risk in the year. We need to ensure the range and offering remains compatible with and complementary to the full Ocado Retail product range to ensure continuous expansion and refinement of product ranges.	<b>Movement from PY</b> 	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>Regular review and adjustment to current product range and the new product pipeline.</li> </ul>

 <b>Food/health safety</b>		
<b>What is the risk</b> Health, safety and wellbeing risks that can lead to harm to a retail customer of our product or a worker in our workplace. Risks could arise from food safety, product safety or a health & safety incident.	<b>Movement from PY</b> 	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>Experienced technical professionals and experts monitor compliance against food and product safety policies and procedures.</li> <li>Supplier approval and certification process.</li> <li>Risk assessments and safe systems of work prepared by qualified staff to raise awareness and knowledge.</li> </ul>

 <b>Treasury and funding</b>		
<b>What is the risk</b> An inability to support the capital expenditure programme due to incorrect forecasting or insufficient facilities.	<b>Movement from PY</b> 	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>Regular cash flow monitoring and forecasting.</li> <li>Ability to obtain additional funding.</li> </ul>

 <b>Retail proposition</b>		
<b>What is the risk</b> The risk of failing to maintain a retail proposition that appeals to a broad customer base and sustains growth rates.	<b>Movement from PY</b>  	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>• Refinement and monitoring of value perception.</li> <li>• Continued development of Ocado own-label range.</li> <li>• Closer supplier relationships on product range.</li> <li>• Continuation of investment and optimisation of the marketing channels to acquire new customers.</li> </ul>

 <b>Shareholder relationship</b>		
<b>What is the risk</b> Breakdown in relationship between Ocado Group and M&S or with ORL which is critical to enable the Company to meet its strategic objective.	<b>Movement from PY</b>  	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>• Five year plan and strategy agreed annually by the shareholders.</li> <li>• Monthly Board meetings and contact between Board members of the three parties.</li> </ul>

 <b>Ocado Smart Platform (OSP) implementation</b>		
<b>What is the risk</b> Ocado Smart Platform is the Ocado Group end-to-end solution for operating online in the grocery market. A new risk in 2021 crystallised with the planned migration to OSP platform, to better serve our customers and our colleagues. Projects of this nature have inherent risks which could result in loss of capacity, reduction to customer experience, or an increase in cost of delivery.	<b>Movement from PY</b>  	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>• Ongoing monitoring and review by the project Steering Committee and regular review meetings with Operational Management within Ocado Group.</li> </ul>

## **Covid-19**

The Covid-19 pandemic has resulted in high levels of demand for online grocery retail worldwide. In the UK, the very high levels of demand experienced in the prior period have begun to normalise, with a shift in customer buying patterns across the week, albeit demand remains considerably higher than pre-pandemic.

Financially, the impact has been positive for the business, with revenue up 45.1% in FY 2021 versus pre-pandemic levels in FY 2019, although there were some short-term operational challenges due to lockdown restrictions.

Longer-term, increased demand as a result of the channel shift to online retail is expected to be positive. Throughout the period of the pandemic, we have not taken advantage of any of the Covid-19 support measures offered by the UK or any overseas government.

## **Section 172(1) Statement**

The Board believes that, individually and together, they have acted in the 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. Engaging with stakeholders to deliver long term success is 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 factors set out below in their fulfilment of their duties in the period ended 28 November 2021.

**The likely consequence of any decision in the long term**

**Our approach**

All Board decisions are made with the Company's sustainable success at the forefront, which is ultimately 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 wow customers through an incredible combination of unbeatable range, effortless convenience and fair value and this forms the basis of all actions. This mission, along with the Company's values, purpose and strategy 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.

**Examples of how we have had regard to this factor during the period**

The Board is responsible for setting the strategic direction of the Company in both the long and short term. The Board approved the Company's rolling five year plan (2021-2025) in the financial period as well as the annual budget and monitors performance against these metrics on an ongoing basis. 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.

This period the Board has reviewed and considered a number of relevant matters, such as the opening of further CFC sites, accelerating the expansion of Zoom by Ocado and the migration to the Ocado Smart Platform, all with the longer term success of the Company and all of its stakeholders at the forefront.

The Audit Committee, delegated to by the Board, is responsible for the review and approval of the risk management framework which 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.

**The need to act fairly as between members of the Company**

**Our approach**

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.

**Examples of how we have had regard to this factor during the period**

All Board decisions were made with representation from both shareholders. All related party transactions were approved in accordance with the relevant governing documents.

Representatives of the 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 reviewing the performance of the leadership team.

**The interests of the Company's employees**

**Our approach**

**Examples of how we have had regard to this factor during the period**

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.

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.

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 intention is that there will be no hiding place for discrimination of any kind at Ocado Retail and we are proud that 60% of the leadership team is female. The Board encourages and supports a range of networks including Partners in Pride, Women's network, Working Family network, Mind and Body network and Multi-Ethnic network.

Our people strategy, key to supporting the wider business strategy, was taken to the Board for review and approval during the financial year. The strategy includes the Company's approach on engagement, learning and development and inclusion and diversity.

In January 2021, a new General Counsel and Chief People Officer was appointed. He attends Board meetings in his capacity as Company Secretary and is a member of the senior leadership team in his capacity as Chief People Officer and ensures colleagues' views are represented at these levels.

All colleagues receive updates on the Company's performance and strategy through bi-weekly live-streamed huddles. As well as presentations on business performance and initiatives, colleagues are encouraged to ask any questions to the senior management (including the executive board members). On the huddles colleagues are also encouraged to nominate other colleagues in recognition of good work and support.

In the last period the Company has also introduced an annual "town hall", where the Company's strategy for the following period is presented by senior management and there is an open mic Q&A engagement with colleagues.

The health and safety of colleagues (and other visitors to our sites) has remained paramount, particularly in the continuation of the pandemic period during the period. Directors and senior management continue to review this area on a regular basis, and adapt ways of working in accordance with national guidance. The Board continued to monitor measures such as temperature checking and testing of colleagues for Covid-19 to ensure safety to continue trading. In addition, a Health & Safety committee, chaired by the General Counsel, has been established to monitor compliance in this area.

There has been a key focus from the Board and senior management on ensuring good mental health of colleagues. Many initiatives were set up for colleagues last period, including Peer Support, a small group of dedicated colleagues who offer mental health support, and the introduction of the Unmind app, a mental wellbeing programme using clinically-backed digital tools for proactively improving mental wellbeing.

Breakfast with the leadership team is another initiative supported by the Board, whereby small groups of colleagues have breakfast with a member of the senior leadership team, to ensure views of colleagues are actively taken into consideration upon strategic decisions.

Staff engagement is one of the Company's key priorities, the Company regularly conducts employee surveys to provide an informed picture of how colleagues feel about the business which is reported to the Board. ~90% (2020: 80%) of colleagues took part in this period's employee surveys.

**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**

Our suppliers are essential to be able to provide a full range of quality products to allow us to offer customers an excellent range and service. The Company maintains a supplier application website to aid the retail listing process and thereby make us more accessible for Small to Medium-sized Enterprises (SMEs).

All of the Company’s suppliers are required to comply with the Company’s Responsible Sourcing Code of Practice which requires them to provide good working conditions, respect workers’ human rights, and be subject to appropriate ethical monitoring.

Collaborative engagement with suppliers is key to ensure relationships are conducted fairly and lawfully, in line with the requirements of the Groceries Supply Code of Practice (GSCOP).

Customers are vital for the long term success of the Company and are at the heart of everything that we do. Listening to customers helps better understand their needs so these can continue to be met.

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 brand suppliers.

The Board takes seriously its willingness to help nurture and support new and innovative brands. As the Covid-19 pandemic continued this period, support continued to many small suppliers who required financial support and changed terms of payment to be immediate.

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.

This period the new Groceries Code Adjudicator (GCA) visited us as part of his aim to experience retailers’ practices under the ‘seeing is believing’ initiative. The GCA spent time with various teams and engaged with colleagues.

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 2021 Modern Slavery Statement which was overseen by the Board and available on the Company’s website. This period a new training module has been updated and developed for colleagues.

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 and senior management fully in-sourced the Hub this period from Ocado Group, in order to give customers the best experience possible from colleagues who truly understand our mission and values.

Regular update reports are provided to the Board including trading figures, customer behaviour and new and ongoing initiatives, which informs key decisions.

The Board and senior management have focused this period in expanding Ocado’s own range to provide value to customers, and have also explored more exclusive partnerships to ensure we are offering choice, two pillars of importance to customers.

**The impact of the Company's operations on the community and the environment**

**Our approach**

**Examples of how we have had regard to this factor during the period**

The Company is committed to meeting the needs of customers without compromising quality of life for future generations. This is achieved by focusing on four core areas: food waste, carbon impact, packaging waste, and sourcing with integrity.

There is a commitment to work with fellow retailers, suppliers, the UK Government and other stakeholders to accelerate the retail industry's progress towards a Net Zero UK, ahead of the Government's 2050 target. 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.

The Board is committed to ensuring that no edible food goes to landfill and all edible food is redistributed. Food waste accounts for just 0.6% (2020: 0.4%) of sales for Ocado Retail in the UK, compared to industry average of 2-3%. The majority of this food is redistributed to local charities, staff canteens, staff sales and Company Shop. Only a very small percentage of food items from the CFCs could not be redistributed. All such inedible food is sent to anaerobic digestion and diverted from landfill, saving the associated carbon.

The Eco Shop continued to grow this period making it simpler for customers to make greener choices when they shop. The 'B Corp Certified' aisle was newly introduced to feature those brands that meet the highest levels of social and environmental standards.

Embedding circularity to reduce our environmental impact is a key focus for our packaging strategy, reviewed by the board. In the past year, we have reviewed the packaging of our Ocado Own Brand lines to eliminate 13 tonnes of paper and board, 84 tonnes of plastic and use 75 tonnes less virgin plastic with 49 tonnes now recyclable. We have also eliminated 18 million units of unnecessary packaging. A great example of circularity is the Company's closed loop carrier bag recycling scheme, where bags are handed back to delivery drivers from customers' homes and recycled for future deliveries.

Ocado Retail is the first supermarket globally to have a net zero head office following an agreement with Climeworks, a Swiss company providing the service of permanent carbon dioxide removal via direct air capture and storage technology. Through this new agreement, the Company has paid for over 1000 tonnes of carbon dioxide to be removed from the atmosphere, the equivalent of what it will emit over the next seven years at its HQ in Hatfield, Hertfordshire.

Our position in the retail industry gives a unique opportunity to ensure the impact on people, the welfare of animals and the environment is positive and sustainable in the long-term. The Company has partnered with The Waste and Resources Action Programme (WRAP) since 2016, donating £100k per annum towards sustainability and recycling education projects. The Company continues to support a network of food partners and social enterprises working towards ending food poverty in the UK through donations of groceries, money and vans.

During the period the Company made charitable cash donations amounting to £1.6 million (2020: £2.9 million), which included £0.9 million donations arising from the plastic bag levy fund (2020: £Nil). Additional donations of stock valued at £8.4 million (2020: £5.4 million) were also made. This was part funded (£3.7 million, 2020: £4.0 million) by customers through our You Give We Give initiative.

**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 (continued)**

	<p>Notably, In 2021 donations helped fund the launch of a new Community Shop in Beechwood. 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.</p> <p>Our colleagues also play their part by being granted an additional day of annual leave to work with food partners or social enterprises.</p>
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**The desirability of the Company maintaining a reputation for high standards of business conduct**

**Our approach**

**Examples of how we have had regard to this factor during the period**

<p>The Directors strive through their own behaviours to set a strong tone from the top for senior management and the wider workforce. The Board leads by example in its actions to promote this culture, by maintaining high standards of ethics and integrity, and ensures that the necessary policies and procedures are put in place.</p> <p>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.</p> <p>Our collection of policies ensures everyone understands how the Company conducts its business, and explains the values and principles underlying Ocado Retail.</p>	<p>The Board has approved the Company's policies on Modern Slavery, responsible sourcing code of practice, human rights, whistleblowing and anti-bribery.</p> <p>This period a new quarterly Compliance Committee has been set up, monitoring the effectiveness of ORL's material compliance programmes, including GSCOP Code Compliance, Data Protection, and Product Technical.</p> <p>The responsible sourcing code of practice stipulates that goods must be produced lawfully, through fair and honest dealing, in decent working conditions, and without exploiting the people who made them. Our human rights policy includes provisions forbidding any use of forced, bonded or involuntary prison labour; ensuring that workers are not required to lodge deposits or identity papers with their employer; that child labour shall not be used and that suppliers shall contribute to programmes that provide remedies for incidents of child labour that conform to the provisions of the relevant International Labour Organization (ILO) standards.</p> <p>Our whistleblowing policy is designed to enable our colleagues to raise legitimate concerns in relation to any danger, fraud or other illegal or unethical conduct in the workplace, without fear of being subject to any detriment, victimisation or disciplinary action. Our anti-bribery policy sets out <i>our responsibilities, and of those working for us, in observing and upholding our position on bribery, corruption and money laundering issues.</i></p> <p>We have a suite of compulsory training programmes for new joiners, along with annual refresher courses. This period we have updated a number of our training modules, including Competition Law training and our anti-bribery and corruption training, all of which are compulsory for all colleagues.</p>
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## **Groceries Supply Code of Practice (the Code) Summary of Annual Compliance Report 2020 - 2021**

We recognise the crucial role that our suppliers play in meeting the expectations of our customers 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 30th November 2020 to 28th November 2021.

### **Background**

We previously reported in 2020 that Ocado Retail undertook its biggest operational change to date by launching the public-facing element of the joint venture between Ocado Group and M&S. This involved the changeover to selling M&S products, alongside becoming responsible for sourcing all of our branded products for the first time in our history, as we worked to reset and establish the new proposition.

During the last financial year, we continued to develop the proposition further, undertaking a comprehensive range review, opening three new Customer Fulfilment Centres and building our teams in terms of both size and capability. Throughout these processes, the various teams were briefed on the Code requirements and the approach to take when dealing with our suppliers to ensure we work in a collaborative and transparent way.

Ocado Retail has met all reporting requirements through timely submission of the Annual Compliance Report for 2020 to the CMA and submission of the Progress Update Reports to the GCA during 2021. 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 period.

During the course of the period we have:

- maintained our approach to strong governance with each of our supplier-facing teams
- undertaken annual refresher training for 762 colleagues from Ocado Retail and Ocado Group
- held in-depth training sessions for 117 colleagues in supplier-facing roles
- developed tiered negotiation training that has been delivered to 72 colleagues in the Buying Team
- launched 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, 90%, rated Ocado Retail Limited positively for overall compliance with the Code. Whilst this was a modest decline on our previous performance that took us back to the level achieved in 2019, the big period of change we went through in 2020 naturally impacted on our suppliers and their perceptions.

We are grateful to our suppliers for taking the time to provide their 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 any issues that arise, 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 three escalations informally as follows:

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

The three 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 Senior Buying Manager for their category. Alternatively, any payment or invoicing issues can be directed to [payables@ocadoretail.com](mailto: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, please contact our Code Compliance Officer (CCO), Robert Skelton, by email at [gscop@ocadoretail.com](mailto:gscop@ocadoretail.com).

Contact details for the Groceries Code Adjudicator (GCA) along with more information about GSCOP can be found [here](#).

For further information, please view our GSCOP Annual Statement at [ocadoretail.com](http://ocadoretail.com).

Approved by the Board and signed on its behalf by:



**Niall McBride**

Director, 13 June 2022

## Directors' Report

The Directors present their Annual Report and Financial Statements of Ocado Retail Limited (the "Company") for the 52 week period ended 28 November 2021. This report must be read in conjunction with the Strategic Report on pages 3 to 24.

### 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:

Melanie Smith

Niall McBride

Tim Steiner

Stephen Rowe

Duncan Tatton-Brown

Eoin Tonge

Lawrence Hene

Stuart Machin

Jonathan Wiseman (Company Secretary) (appointed 11 January 2021)

### Political donations and expenditure

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

### Charitable donations

During the period the Company made charitable cash donations amounting to £1.6 million (2020: £2.9 million), which included £0.9 million donations arising from the plastic bag levy fund (2020: £Nil). Additional donations of stock valued at £8.4 million (2020: £5.4 million) were also made. This was part funded (£3.7 million, 2020: £4.0 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 Limited is reporting against the Streamlined Energy and Carbon Reporting (SECR) framework for the reporting period from 30th November 2020 to 28th November 2021. Ocado Retail Limited 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 UK Government environmental reporting guidelines including SECR guidance. An operational control approach has been taken. We have used the UK Government greenhouse gas conversion factors for company reporting 2021. Scope 2 emissions from purchased electricity are reported using a location-based approach, with emissions also calculated using a market-based approach.

Ocado Retail Limited total energy consumption for 2020-21 is 1,697,458 kWh. This includes the company's share of electricity and natural gas usage for the Company's two office locations in Hatfield and Sunderland, and transport fuels for business travel in employee-owned cars and hire cars. We do not currently have operational control for our distribution services, and the energy and associated emissions for these operations are reported by Ocado Group.

For comparison the energy consumption reported for the previous SECR period 2019-20 was 1,378,537kWh.

For 2020-21, the total carbon emissions associated with our reported energy use are 343.41 tonnes CO<sub>2</sub>e. For comparison, the total carbon emissions reported for the previous SECR period 2019-20 were 297.36 tonnes CO<sub>2</sub>e. The breakdown by emission scope is show below:

<b>Carbon Emissions (Tonnes of CO<sub>2</sub>e)</b>	<b>52 weeks ended 28 November 2021</b>	<b>52 weeks ended 29 November 2020</b>
Scope 1 emissions	116.73	91.39
Scope 2 (location-based) emissions	215.17	198.27
Scope 3 emissions – business travel where responsible for fuel	11.51	7.70
<b>Scope 1, 2 (location-based) and 3 emissions</b>	<b>343.41</b>	<b>297.36</b>

For 2020-21, our emissions intensity, measured as the total scope 1, 2 and 3 emissions relative to the total number of orders fulfilled is 1.82 tonnes CO<sub>2</sub>e per 100,000 orders fulfilled. For comparison, the emissions intensity for the period 2019-20 was 1.77 tonnes CO<sub>2</sub>e per 100,000 orders fulfilled. The intensity metric for 2019-20 reporting period has been updated to include Zoom orders, as these were not accounted for in the previous 2019-20 SECR report.

Ocado Retail Limited's purchased electricity is from 100% renewable sources. The total greenhouse emissions calculated using a market-based approach for scope 2 for 2020-21 are 128.24 tonnes CO<sub>2</sub>e.

Ocado Retail Limited has not taken any energy efficiency actions this period. It is also our intention to include a framework for the Task Force for Climate-Related Financial Disclosure ("TCFD") as part of our FY22 reporting.

### **Risk management**

The Company's risk management policies for managing financial risk to the extent 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 3 to 24.

### **Equal opportunities**

ORL 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.

This year, we also launched our Transitioning at Work Policy. Our value behaviour: 'we are inclusive' means that colleagues considering, exploring or commencing a transition journey, have our full support. This policy aims to provide guidance and a support framework for our transitioning colleagues with the flexibility to adapt to the needs of the individual.

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 24.

### **Financial instruments**

Details are included in notes 3.6, 3.7, 3.9, and 3.10 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 36. The Directors do not propose to pay a dividend for the period (2020: £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 in the Chief Executive Review.

### **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. Further details regarding the adoption of the going concern basis 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



**Niall McBride**

Director

13 June 2022

## 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; and
- 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.

# 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 28 November 2021 and of its profit 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"; and
- 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, and
- 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 and financial statements, 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 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](http://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.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. 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 relevant internal specialists such as tax, valuations and IT specialists regarding the opportunities and incentives that

## Independent Auditor's Report to the Members of Ocado Retail Limited

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 performed to address it are described below:

- testing whether amounts recognised were accurate and recorded in the correct period, by agreeing the inputs and recalculating the commercial income in a sample of individual supplier agreements;
- circularising a sample of suppliers to test whether the arrangements recorded were complete and testing the accuracy by reconciling the amount confirmed to income recognised; where responses were not received, we completed alternative procedures such as agreement to underlying contractual arrangements ; and
- assessing the adequacy of the disclosures made in relation to commercial income in the Company's financial statements.

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

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

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

# Independent Auditor's Report to the Members of Ocado Retail Limited

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

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

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

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

### Matters on which we are required to report by exception

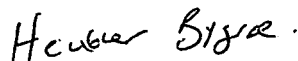
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

### Use of our report

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



### Heather Bygrave FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

Date: 13th June 2022

## Statement of Comprehensive Income

For the 52 week period ending 28 November 2021

		52 weeks ended 28 November 2021	52 weeks ended 29 November 2020 Restated *
	Notes	£ million	£ million
<b>Revenue</b>	2.2	<b>2,283.3</b>	<b>2,148.1</b>
Cost of sales		(1,547.8)	(1,492.8)
<b>Gross profit</b>		<b>735.5</b>	<b>655.3</b>
Other income		85.0	68.5
Distribution costs		(569.9)	(493.0)
Administrative expenses		(138.2)	(111.4)
<b>Operating profit before exceptional items</b>		<b>112.4</b>	<b>119.4</b>
Exceptional items (charge)/income	2.6	(12.0)	40.1
<b>Operating profit</b>		<b>100.4</b>	<b>159.5</b>
Finance income	4.1	0.1	-
Finance costs	4.1	(14.8)	(13.5)
<b>Profit before taxation</b>	2.3	<b>85.7</b>	<b>146.0</b>
Taxation	2.5	(17.0)	(24.7)
<b>Profit for the period and total comprehensive income</b>		<b>68.7</b>	<b>121.3</b>

All amounts are derived from continuing operations. Non-GAAP measure: Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (Adjusted EBITDA).

\* Payment processing costs of £14.5 million (2020: £13.9 million) have been reclassified from distribution costs to cost of sales, to more accurately reflect the nature of these costs

		52 weeks ended 28 November 2021	52 weeks ended 29 November 2020 Restated
	Notes	£ million	£ million
Operating profit		100.4	159.5
Adjustments for:			
Exceptional costs / (income)	2.6	12.0	(40.1)
Depreciation of property, plant and equipment	3.3	3.1	2.0
Depreciation of right-of-use assets	3.4	35.5	33.0
<b>Adjusted EBITDA</b>		<b>151.0</b>	<b>154.4</b>

**Balance Sheet** as at 28 November 2021

	Notes	28 November 2021 £ million	29 November 2020 £ million
Intangible assets	3.2	5.6	0.6
Property, plant and equipment	3.3	127.4	68.8
Deferred consideration		0.7	-
Deferred tax asset	2.5	-	4.1
Right-of-use assets	3.4	434.6	240.8
<b>Non-current assets</b>		<b>568.3</b>	<b>314.3</b>
Inventories	3.5	81.6	56.1
Trade and other receivables	3.6	132.9	297.3
Cash and cash equivalents	3.7	132.2	155.9
Asset held for sale	3.8	-	4.2
<b>Current assets</b>		<b>346.7</b>	<b>513.5</b>
<b>Total assets</b>		<b>915.0</b>	<b>827.8</b>
Trade and other payables	3.9	(216.1)	(404.3)
Lease liabilities	3.10	(30.8)	(26.0)
<b>Current liabilities</b>		<b>(246.9)</b>	<b>(430.3)</b>
<b>Net current assets</b>		<b>99.8</b>	<b>83.2</b>
Lease liabilities	3.10	(412.9)	(224.9)
Provisions	3.11	(36.0)	(22.1)
<b>Non-current liabilities</b>		<b>(448.9)</b>	<b>(247.0)</b>
<b>Total liabilities</b>		<b>(695.8)</b>	<b>(677.3)</b>
<b>Net assets</b>		<b>219.2</b>	<b>150.5</b>
Share capital	4.2	-	-
Share premium	4.2	360.3	360.3
Other reserves	4.2	9.2	9.2
Accumulated Losses		(150.3)	(219.0)
<b>Shareholder's funds</b>		<b>219.2</b>	<b>150.5</b>

The financial statements on pages 36 to 68 were authorised for issue by the Board of Directors and signed on its behalf by:

*Niall McBride*

**Niall McBride**

Director, Ocado Retail Limited, Company Registration Number 03875000 (England and Wales)

13 June 2022

## Statement of Changes in Equity

For the 52 weeks ended 28 November 2021

	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings / (accumulated losses) £ million	Total equity £ million
<b>Balance at 1 December 2019</b>	-	<b>360.3</b>	<b>9.2</b>	<b>(341.7)</b>	<b>27.8</b>
Adjustment arising from Group restructuring	-	-	-	1.4	1.4
Profit for the period and total comprehensive income	-	-	-	121.3	121.3
<b>Balance at 29 November 2020</b>	-	<b>360.3</b>	<b>9.2</b>	<b>(219.0)</b>	<b>150.5</b>
Profit for the period and total comprehensive income	-	-	-	68.7	68.7
<b>Balance at 28 November 2021</b>	-	<b>360.3</b>	<b>9.2</b>	<b>(150.3)</b>	<b>219.2</b>

# Notes to the Financial Statements

## Section 1: Basis of preparation

### General information

Ocado Retail Limited (hereafter “the Company”) 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 9EX.

The financial period represents the 52 weeks ended 28 November 2021. The prior financial period represents the 52 weeks ended 29 November 2020.

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 24.

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 Limited 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 at 28 November 2021. 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") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, 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](http://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 from 1 January 2020 and therefore effective for the Company for the financial period beginning 30 November 2020, and concluded that they are either not relevant to the Company or that they would not have a significant impact on the Company's financial statements:

#### **New standards, amendments and interpretations issued**

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Amendments to IFRS 3: Definition of a Business

Amendments to IFRS 9, IAS 39, IFRS 7: Interest Rate Benchmark Reform

Amendments to IAS 1 and IAS 8: Definition of Material

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 16 "Leases" in relation to Covid-19-related rent concession

Amendments to IFRS 3 "Business Combinations"

### IFRIC Agenda Decision – Configuration or customisation costs in a cloud computing arrangement

The Company has adopted the interpretation published in the financial year by the International Financial Reporting Interpretations Committee's ("IFRIC") interpretation on accounting for configuration or customisation costs in cloud computing or software as a service ("SaaS") arrangement. The interpretation resulted in a charge of £4.6 million to administration expenses as an exceptional item in the period. This does not constitute a change to accounting policy for the Company as it was the application of an accounting policy to a kind of transaction or event that did not occur previously or were immaterial.

### 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 20 November 2020, and have not been adopted early.

Standard	Description	Effective date
IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 39	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Amendments to IAS 16	Property, Plant & Equipment – Proceeds before Intended Use	1 January 2022
Amendments to 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
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 12	Income taxes – 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 income statement within finance income or finance costs. All other foreign exchange gains and losses are presented in the income statement within operating profit.

### **1.1 Basis of preparation**

#### **Critical estimates, judgements and assumptions**

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

### **Key estimation uncertainties**

#### *Cost of sales*

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 end.

#### *Employee benefits*

In the prior period a cash settled incentive scheme was implemented for senior leadership linked to long-term valuation creation, the Value Creation Plan ("VCP"). The accounting charge was determined under IFRS 2 "Share-based Payment". Provisions for employee incentive schemes relate to the VCP and include the cost of employer's national insurance. See note 3.11 for more details.

### **Significant 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 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 Group 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 and liquidity positions and borrowing facilities, 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 3 to 16).

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 FY22 budget and strategic plan adjusted for latest capital expenditure plans. In the event that the pace of growth in CFC roll-out is slower than anticipated, the impact on cash flows in the short-term would be positive and is therefore not considered a risk for the purposes of going concern. 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. Going concern could be maintained with the current available facilities. Further mitigating actions could be applied during the assessment period through the delay of capital expenditure for new CFC's which would further increase the cash position.

After making appropriate enquiries and having considered the business activities as set out in the Strategic Report on pages 3 to 24, the facts described above and 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 categorisation of certain costs. Payment processing costs of £14.5 million (2020: £13.9 million) have been reclassified from distribution costs to cost of sales, to more accurately reflect the nature of these costs. There is no impact on the Company's balance sheet.

The effect of the above restatement on the Income Statement is as follows:

	52 weeks ended 29 November 2020 (as previously reported)	Reclassification	52 weeks ended 29 November 2020 (restated)
	£ million	£ million	£ million
<b>Revenue</b>	<b>2,148.1</b>	-	<b>2,148.1</b>
Cost of sales	(1,478.9)	(13.9)	(1,492.8)
<b>Gross profit</b>	<b>669.2</b>	<b>(13.9)</b>	<b>655.3</b>
Other income	68.5	-	68.5
Distribution costs	(506.9)	13.9	(493.0)
Administrative expenses	(111.4)	-	(111.4)
<b>Operating profit before exceptional items</b>	<b>119.4</b>	-	<b>119.4</b>
Exceptional items income	40.1	-	40.1
<b>Operating profit</b>	<b>159.5</b>	-	<b>159.5</b>
Finance costs	(13.5)	-	(13.5)
<b>Profit before taxation</b>	<b>146.0</b>	-	<b>146.0</b>
Taxation	(24.7)	-	(24.7)
<b>Profit for the period and total comprehensive income</b>	<b>121.3</b>	-	<b>121.3</b>

## **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 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, however such adjustments are not typically material.

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, human resources, 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 Income Statement, are items that due to their material and/or non-recurring nature have been classified separately in order to draw them to the attention of the reader of the financial statements and to avoid distortion of underlying performance. This facilitates comparison with prior periods to assess trends in financial performance more readily. The Company applies judgement in identifying the significant non-recurring items of income and expense that are recognised as exceptional.

## 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 Profit before taxation

		52 weeks ended 28 November 2021	52 weeks ended 29 November 2020
	Note	£ million	£ million
Profit before taxation is stated after (charging)/crediting the following:			
Cost of inventories recognised as an expense		(1,539.3)	(1,457.8)
Depreciation		(38.6)	(35.0)
Exceptional Items (charge) / income	2.6	(12.0)	40.1
Impairment of receivables		(1.1)	(0.7)
Net foreign exchange loss		-	(0.1)
Employment costs	2.4	(39.8)	(37.5)

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

	52 weeks ended 28 November 2021	52 weeks ended 29 November 2020
	£ '000	£ '000
Audit of the Company's financial statements	441.9	319.0
Non-audit services	-	-
<b>Total</b>	<b>441.9</b>	<b>319.0</b>

## 2.4 Employee information

During the period the average monthly number of employees was 645 (2020: 362) being head office and customer hub staff.

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 28 November 2021	52 weeks ended 29 November 2020
	£ million	£ million
Employment costs	30.4	20.4
Value Creation Plan	5.0	14.0
Social security costs	3.5	2.2
Other pension costs	0.9	0.9
<b>Total</b>	<b>39.8</b>	<b>37.5</b>

	52 weeks ended 28 November 2021	52 weeks ended 29 November 2020
	£ '000	£ '000

Directors' remuneration is disclosed as follows:

Remuneration for qualifying services	1,551.2	2,147.3
Company pension contributions to defined contribution schemes	-	24.2

Remuneration disclosed above includes amounts paid to the highest paid executive director of £839.4k (2020:£1,245.2k). Defined contribution pension payments of £Nil (2020: £24.2k) were made on behalf of two (2020: two) executive directors.

## 2.5 Taxation

### Accounting policies

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

#### *Current taxation*

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

#### *Deferred taxation*

Deferred tax is recognised using the balance sheet 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.

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 – Income statement**

	52 weeks ended 28 November 2021 £ million	52 weeks ended 29 November 2020 £ million
Recognised in the income statement		
UK corporation tax on profit	10.8	18.4
Adjustments in respect of prior periods	(0.1)	-
<b>Total current tax</b>	<b>10.7</b>	<b>18.4</b>
Deferred tax		
Origination and reversal of temporary differences	5.5	7.5
Effect of change in UK Corporation Tax rate	0.6	(1.2)
Adjustments in respect of prior periods	0.2	-
<b>Total deferred tax</b>	<b>6.3</b>	<b>6.3</b>
<b>Income tax charge</b>	<b>17.0</b>	<b>24.7</b>

The tax on the Company's profit 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 28 November 2021 £ million	52 weeks ended 29 November 2020 £ million
<b>Profit before tax</b>	<b>85.7</b>	<b>146.0</b>
Effective tax charge at the UK tax rate of 19% (2020: 19%)	18.3	27.8
Effect of:		
Non-deductible items	(2.0)	0.2
Temporary differences on which no deferred tax is recognised	-	(2.1)
Effect of change in UK Corporation Tax rate	0.6	-
Group relief claimed	-	(1.2)
Adjustments in respect of prior period	0.1	-
<b>Income tax charge</b>	<b>17.0</b>	<b>24.7</b>

**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
<b>As at 1 December 2019</b>	<b>10.2</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>10.4</b>
Recognised through Statement of Comprehensive Income	(11.4)	0.3	2.7	0.9	(7.5)
Effect of change in UK corporation tax rate	1.2	-	-	-	1.2
<b>As at 29 November 2020</b>	<b>-</b>	<b>0.5</b>	<b>2.7</b>	<b>0.9</b>	<b>4.1</b>
Effect of change in UK corporation tax rate	-	(2.1)	1.1	0.4	(0.6)
Recognised through Statement of Comprehensive Income	-	(6.9)	1.0	0.2	(5.7)
<b>As at 28 November 2021</b>	<b>-</b>	<b>(8.5)</b>	<b>4.8</b>	<b>1.5</b>	<b>(2.2)</b>

Legislation substantively enacted in the Finance Bill 2020 amended the UK corporation tax rate to 19% with effect from April 2020. This rate was applied, where applicable, to the Company's deferred tax balance at the prior year end.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate was substantively enacted on 24 May 2021. The deferred tax liability has increased by £0.6 million as a result, with an equivalent charge made to the income statement in the period ended 28 November 2021.

**2.6 Exceptional items**

	52 weeks ended 28 November 2021 £ million	52 weeks ended 29 November 2020 £ million
Andover CFC net income	9.0	40.1
Erith CFC	(6.8)	-
Loss on disposal of Speciality Store Limited	(9.6)	-
Development of IT	(4.6)	-
<b>Total exceptional (cost) / income</b>	<b>(12.0)</b>	<b>40.1</b>

**Andover CFC**

In February 2019 a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The exceptional income relates to the Business Interruption claim in relation to this fire.

**Erith CFC**

In July 2021, a 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. The impact of stock write-offs and other incremental costs associated with the fire and recognised to date are £6.8 million (2020: £Nil) which has been treated as exceptional.

**Loss on disposal of Speciality Stores Limited**

On 31 January 2021, Ocado Retail Limited completed the sale of the entire share capital of Specialty 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 the period. As part of this transaction, a number of intra-Group balances were waived which were treated as capital contributions between the relevant companies.

**Development of ORL IT systems**

£4.6 million of costs were incurred in 2021 in respect of one-off development and introduction of ORL 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.

### **Section 3: Working capital**

#### **3.1 Assets and liabilities**

##### **Accounting policies**

##### **Inventories**

Inventories comprise goods held for resale, fuel 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. Fuel stocks are valued at calculated average cost. 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 income statement 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.

### **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 ORL 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

	Internally Generated Assets £ million	Assets Under Development £ million	Total Intangible Assets £ million
<b>Cost</b>			
At 29 November 2020	0.5	0.2	0.7
Additions	-	5.1	5.1
<b>At 28 November 2021</b>	<b>0.5</b>	<b>5.3</b>	<b>5.8</b>
<b>Accumulated amortisation</b>			
At 29 November 2020	(0.1)	-	(0.1)
Amortisation	(0.1)	-	(0.1)
<b>At 28 November 2021</b>	<b>(0.2)</b>	<b>-</b>	<b>(0.2)</b>
<b>Net book value</b>			
At 29 November 2020	0.4	0.2	0.6
<b>At 28 November 2021</b>	<b>0.3</b>	<b>5.3</b>	<b>5.6</b>

#### 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.

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 profit or loss.

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 profit or loss 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 profit or loss.

#### **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 Income Statement.

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
<b>Cost</b>			
At 29 November 2020	34.6	36.4	71.0
Additions	20.7	43.1	63.8
Disposals	(3.8)	-	(3.8)
<b>At 28 November 2021</b>	<b>51.5</b>	<b>79.5</b>	<b>131.0</b>
<b>Accumulated depreciation</b>			
At 29 November 2020	(0.9)	(1.3)	(2.2)
Charge for the period	(1.5)	(1.6)	(3.1)
Disposals	1.7	-	1.7
<b>At 28 November 2021</b>	<b>(0.7)</b>	<b>(2.9)</b>	<b>(3.6)</b>
<b>Net book value</b>			
At 29 November 2020	33.7	35.1	68.8
<b>At 28 November 2021</b>	<b>50.8</b>	<b>76.6</b>	<b>127.4</b>

### 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
<b>Cost</b>				
At 29 November 2020	193.6	39.9	55.2	288.7
Additions	178.3	38.9	25.8	243.0
Disposals	(18.1)	-	(0.1)	(18.2)
<b>At 28 November 2021</b>	<b>353.8</b>	<b>78.8</b>	<b>80.9</b>	<b>513.5</b>
<b>Accumulated depreciation</b>				
At 29 November 2020	(21.8)	(8.2)	(17.9)	(47.9)
Charge for the period	(14.0)	(6.2)	(15.3)	(35.5)
Disposals	4.4	-	0.1	4.5
<b>At 28 November 2021</b>	<b>(31.4)</b>	<b>(14.4)</b>	<b>(33.1)</b>	<b>(78.9)</b>
<b>Net book value</b>				
At 29 November 2020	171.8	31.7	37.3	240.8
<b>At 28 November 2021</b>	<b>322.4</b>	<b>64.4</b>	<b>47.8</b>	<b>434.6</b>

### 3.5 Inventories

	28 November 2021 £ million	29 November 2020 £ million
Goods for resale	81.6	56.1

**3.6 Trade and other receivables**

	28 November 2021 £ million	29 November 2020 £ million
Trade receivables	67.9	66.7
Less: provision for impairment of trade receivables	(0.9)	(1.1)
<b>Net trade receivables</b>	<b>67.0</b>	<b>65.6</b>
Other receivables	26.6	20.4
Prepayments	1.8	0.2
Amounts due from group undertakings	11.6	192.9
Accrued income	25.9	18.2
<b>Total trade and other receivables</b>	<b>132.9</b>	<b>297.3</b>

Included in trade receivables is £50.9 million (2020: £56.3 million) due from suppliers in relation to commercial and media income. Within accrued income is £9.0 million (2020: £7.0 million) to be invoiced to suppliers in relation to supplier funded promotional activity and £10.8 million (2020: £10.5 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 receivables. 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**

	28 November 2021	29 November 2020
	£ million	£ million
Cash at bank and in hand	132.2	155.9

**3.8 Asset held for sale**

In 2020, ORL recognised an asset held for sale for £4.2 million, this represented the carrying value of a UK property previously used in the Company's distribution network that it was in the process of selling. The transaction completed in November 2021 and no gain or loss was recognised.

**3.9 Trade and other payables**

	28 November 2021	29 November 2020
	£ million	£ million
Trade payables	94.1	102.7
Accruals	79.5	104.7
Amounts due to group undertakings	35.8	190.2
Corporation Tax	-	1.4
Other taxation and social security	0.8	0.6
Deferred income	5.9	4.7
<b>Total trade and other payables</b>	<b>216.1</b>	<b>404.3</b>

Deferred income represents the value of delivery income received under the Ocado Smart Pass scheme allocated to future periods.

Amounts due to group undertakings are unsecured, interest free and are repayable on demand.

**3.10 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.

## Notes to the Financial Statements

	28 November 2021 £ million	29 November 2020 £ million
<b>Lease liabilities due:</b>		
Within one year	30.8	26.0
Between one and two years	33.2	24.9
Between two and five years	92.1	61.6
Over five years	287.6	138.4
<b>Total lease liabilities</b>	<b>443.7</b>	<b>250.9</b>
<b>Minimum lease payments due:</b>		
Within one year	55.2	38.7
Between one and two years	56.3	36.6
Between two and five years	151.8	90.7
Over five years	453.7	212.1
	717.0	378.1
Less: future finance charges	(273.3)	(127.2)
<b>Present value of lease liabilities</b>	<b>443.7</b>	<b>250.9</b>
Current	30.8	26.0
Non-current	412.9	224.9

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 (2020: £Nil)

### 3.11 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 will be settled in cash and includes a market-based performance condition relating to the value of the Company. Therefore, it has been accounted for as cash-settled in accordance with IFRS 2 "Share-based Payment".

The Plan has a performance period of six years from the date of grant, with awards vesting in accordance with a vesting schedule, subject to annual caps and underpins. The underpin is defined as growth of 9.0% per annum in the value of the Company, and there are three measurement dates at which awards can be "banked", the first being in July 2022. There is a maximum potential allocation of 4.00% of value above the hurdle, of which 3.90% has been allocated to employees/secondes.

At each reporting date, following a valuation in accordance with IFRS 2, based on the updated actual performance of the Company and the accounting cost will be trued up until the last such date where the total accounting cost will reflect the final pay-out under the VCP. This means that the final accounting cost of the VCP will not be known until after the final measurement date. However, by using a Monte Carlo model, based on the latest available valuation reports at each reporting date, the accrued amounts and the final cost of the VCP will converge.

During the period, the Company recognised the cost of the VCP in the Income Statement, which includes employer's NIC which is payable on the value of the cash award on vesting.

	Dilapidations £ million	VCP £ million	Deferred tax liability (Note 2.5) * £ million	Total provisions £ million
As at 29 November 2020	8.1	14.0	(4.1)	18.0
Additions	6.1	5.0	0.6	11.7
Charge to the statement of comprehensive income	0.6	-	5.7	6.3
<b>As at 28 November 2021</b>	<b>14.8</b>	<b>19.0</b>	<b>2.2</b>	<b>36.0</b>

\* Deferred tax credit of £4.1 million in 2020 was disclosed as a non-current asset with total provisions of £22.1 million on the face of the balance sheet.

**Section 4 – Capital structure and financing costs****4.1 Finance income and costs**

	52 weeks ended 28 November 2021 £ million	52 weeks ended 29 November 2020 £ million
Interest income on cash balances	0.1	-
<b>Finance income</b>	<b>0.1</b>	<b>-</b>
Interest on lease liabilities	(14.7)	(13.5)
Other finance costs	(0.1)	-
<b>Finance costs</b>	<b>(14.8)</b>	<b>(13.5)</b>
<b>Net finance costs</b>	<b>(14.7)</b>	<b>(13.5)</b>

**4.2 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
<b>At 29 November 2020 and 28 November 2021</b>	<b>100</b>	<b>-</b>	<b>360.3</b>

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:

	Capital contributions reserve £ million	Fair value reserve £ million	Total other reserves £ million
<b>At 29 November 2020 and 28 November 2021</b>	<b>9.0</b>	<b>0.2</b>	<b>9.2</b>

**Other reserves**

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 (2020: £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**

The Company has taken advantage of the exemption permitted by FRS 101.8 not to disclose related party transactions with entities that are wholly owned by Ocado Retail Limited.

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.

Company	Included within trade payables £ million	Included within amounts due to Group undertakings £ million	Included within amounts due from Group undertakings £ million
Ocado Operating Limited	-	(29.2)	11.6
Ocado Innovation Limited	-	(2.2)	-
Marks and Spencer plc	(2.7)	-	-

During the period the Company paid net recharges of £573.4 million (2020: £532.2 million) to Ocado Operating Limited for goods and services provided, including the Ocado Smart Platform fee.

During the period the Company paid £37.3 million (2020: £14.6 million) to Marks and Spencer plc for goods provided.

During the period the Company recharged £Nil (2020: £0.1 million) to Ocado Innovation Limited for goods and services provided.

Provisions for doubtful debts of £Nil (2020: £Nil) related to the amount of outstanding balances at period end. £Nil expense (2020: £Nil) was recognised during the period in respect of bad or doubtful debts due from related parties.

### **5.4 Post balance sheet events**

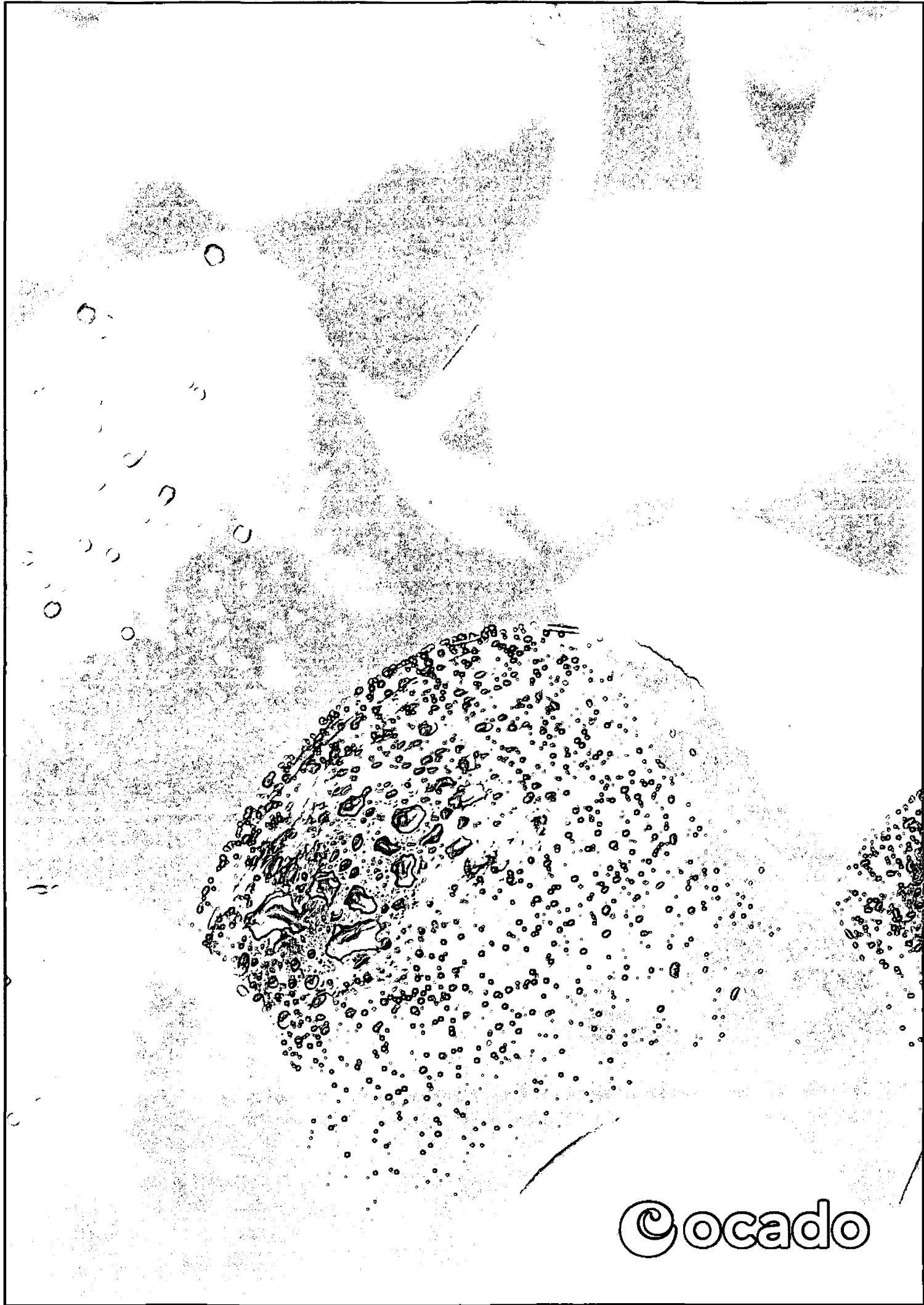
There have been no events of note, which have affected the Company since the Balance Sheet date

### **5.5 Ultimate controlling party**

In August 2019, Marks and Spencer Holdings Limited acquired a 50% stake in Ocado Retail Limited 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 Limited, 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 at 28 November 2021. The consolidated financial statements of Ocado Group plc can be obtained from Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL, United Kingdom, or from its corporate website, [www.ocadogroup.com](http://www.ocadogroup.com).

## Company Information

Directors	Melanie Smith Niall McBride Tim Steiner Stephen Rowe Duncan Tatton-Brown Eoin Tonge Lawrence Hene Stuart Machin
Company Secretary	Jonathan Wiseman (appointed 11 January 2021)
Company number	03875000
Registered office	Apollo Court 2 Bishop Square Hatfield Business Park Hatfield Hertfordshire United Kingdom AL10 9EX
Independent auditor	Deloitte LLP London



Cocado