Ocado Retail Limited

Annual Report and Financial Statements for the 53 weeks ended 3 December 2023

COMPANY NUMBER 03875000

ocado

Contents

Chief Executive review

HANNAH GIBSON
Ocado Retail CEO

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

Overall, it was a record-breaking year for us with the number of active customers shopping with ocado.com reaching 998,000

Our performance in FY23

12 months ago I set out Ocado Retail's strategy for growth over the next few years and we are already starting to see positive results. By Q3 FY23, we were back to volume growth and positive Adjusted EBITDA** [A] for the first time since the pandemic. Overall, it was a record-breaking year for us with the number of active customers shopping with ocado.com reaching 998,000, while average orders per week increased to 393,000.

The results for FY23 show that we delivered revenue of £2.4bn*, up 7% on the year. Orders per week were up 4% on ocado.com, reflecting the increase in active customers. Volumes across the whole year are down 0.9% given the drag in the first half due to the continued unwind from the pandemic and the cost-of-living crisis but our trading performance, and our focus on costs, have translated through to our results. Within the growing online channel, Ocado Retail is outpacing the growth of online, increasing our share of the UK online grocery market to 12.7%, up 0.4ppt on last year, based on Nielsen data.

We expect the strong momentum and volume growth to continue from here, and profitability will improve as we fill our capacity and deliver on our strategic initiatives. FY23 statutory loss was £140.5m (FY22: loss of £53.4m).

Our strategy

We launched our Perfect Execution programme in FY23 to make sure every element of our customer proposition and operating model is at its best. Being a great shopkeeper first and foremost was at the heart of this, as well as continuing to deliver for our customers in three key areas: unbeatable choice; unrivalled service; and reassuringly good value, as well as relentlessly focusing on our costs.

- On choice, we built out our selection of Ocado Own Range and new and unique products so customers can get everything they need under one roof – we currently list over 2,000 independent suppliers, We also increased the M&S products on site to 90% of the addressable range so M&S fans can get all they need online. Ocado still offers a market-leading range with a choice of around 50,000 products on site.
- On service, we have driven our Net Promoter Score (NPS) [A] up another 6.2ppt from the close of FY22 to the year end.
- On value, we increased our range of Ocado Own Range products by 8%, we price match baskets to tesco.com through our Ocado Price Promise and we lowered the prices of 1000s of products through our Big Price Drops. This made a real difference to our customers – we increased our value satisfaction score by 7.8%

* FY23 was a 53-week year to 3 December 2023, to aid comparability the headline results, associated commentary and percentage changes are presented on an unaudited 52-week basis unless otherwise stated.
** Adjusted EBITDA is defined as earnings before depreciation, amortisation, impairment, net finance cost, taxation and adjusting items. See Statement of Comprehensive Income for reconciliation and further details.
(A) Alternative performance measures

We also took action on network transformation which has improved our capacity utilisation. At the start of the year we were operating at around 60% capacity. By the end of FY23, we had increased this to over 75% through the closure of our oldest Customer Fulfilment Centre (CFC) in Hatfield and opening a new, smaller site in Luton. Our productivity is improving too, hitting a record picking rate across our CFC network in Q4. This was helped in part by our Luton CFC operating at twice the productivity of Hatfield thanks to the latest technology from Ocado Group.

As we roll out more Ocado Reimagined technology such as on-grid robotic picking, we will also continue to improve site productivity. We predict that the new technology will enable us to fulfil a 50-item order using only 10 minutes of direct labour time. As a comparison, we estimate it takes 70 minutes of labour time to fulfil the same order from a store.

FY24

Throughout the business, we focused relentlessly on costs in FY23, lowering the volumes we need to deliver in order to break even and although we've improved our gross profit, we know there are still lots of opportunities.

In FY24, we are going to continue raising the bar in online grocery and double down on improving our growth and profitability, as our operating model is set up to be increasingly profitable operating at scale. As we continue to grow through marketing optimisation and collaboration with M&S, we will fill more of our capacity, which will improve profitability further. We will also expect to make gains from the improved productivity of new technology and a number of other benefits of scale – unlocking more value.

More broadly in the market, shopping behaviours have normalised post-COVID pandemic and we are now beginning to get back to structural growth in online grocery. We are already seeing online begin to outpace the offline channel, and we expect this channel shift to continue.

We already have some of the most loyal customers in the market and we aim to differentiate ourselves even further as we deliver on our strategy.

We anticipate performance this year to reflect the exit trajectory of FY23 as the business continues to deliver on its growth strategy.

Looking ahead

There is much more to go after in online grocery, and Ocado Retail is well positioned to lead in this channel. We have a roadmap that will play out over a number of years and I'm looking forward to delivering with the great teams at Ocado Retail, Ocado Group and M&S.

Thank you to everyone who has worked so hard in FY23 to achieve these results and deliver the first year of our strategy, and who live by our values day in and day out – always be curious, bring our best selves and challenge what's possible.

Ocado Retail at a glance

Our vision

To never stop making our customers' lives better, by delivering the supermarket of tomorrow, today

Our mission

Together, we are the drivers of change.
We proudly and sustainably deliver joy in every shop; through unbeatable choice, unrivalled service and reassuringly good value

Our performance

FY23 is a 53-week year to 3 December 2023. The comparative period is 52 weeks to 27 November 2022. To aid comparability the headline results, associated commentary and percentage changes are presented on an unaudited 52-week basis unless otherwise stated. See page 7 for reconciliation between 52 and 53 week periods for financial metrics.

Financial metrics

£10.4m
adjusted EBITDA
(FY22: £(4.0)m) [(A)1]

£2,357.5m
revenue
(FY22: £2,203.0m)

£138.9m
Loss before tax
(FY22: loss of £68.9m)

12.7%
share of online UK grocery market (FY22: 12.3%) Nielsen [(A)]

1.7%
share of the UK grocery market (FY22: 1.5%) NIIQ Total Till [(A)]

Serving our customers

393,000
Ocado.com orders per week
(FY22: 378,000) [(A)]

£2.74
average selling price
(FY22: £2.55) [(A)]

998,000
closing active customer base
(FY22: 942,000) [(A)*]

44
items Ocado.com basket size
(FY22: 46) [(A)]

366
tonnes of CO_2 e (scope 1 and 2)
(FY22: 431 tonnes of CO_2 e) [(A)*]

~50,000
average Ocado.com products ranged
(FY22: ~50,000) [(A)]

£121
average basket value for Ocado.com
(FY22: £118) [(A)]

0.43%
of our total food handled in tonnes resulted in food waste (FY22: 0.59%) [(A)]

[(A)] Alternative performance measures | 1 Adjusted EBITDA [(A)] does not include the impact of adjusting items. | * All FY23 metrics are on a 52-week basis to aid comparability, with the exception of tonnes of CO_2e and year end active customers which are both on a 53 week basis.

Financial Review

FY23 is a 53-week year to 3 December 2023. The comparative period is 52 weeks to 27 November 2022. To aid comparability, the headline results, associated commentary and percentage changes are presented on an unaudited 52-week basis unless otherwise stated.

Going into 2023 we were facing a post-Covid-19 pandemic normalisation in online grocery, a cost-of-living crisis, rapid food price inflation and high global energy prices. We responded well to these challenges during the year and made strong progress, accelerating our return to growth and profitability. We launched a "Perfect Execution" programme, to make sure every element of our customer proposition and our operating model is at its best. To us, this means unbeatable choice, unrivalled service and reassuringly good value, as well as relentlessly focusing on our costs.

These initiatives, combined with a focus on costs, have led us back to delivering positive adjusted EBITDA (A) of £10.4m and 7.0% revenue growth in the year as we served more customers than ever.

Revenue

Revenue increased by 7.0% to £2,357.5m (FY22: £2,203.0m) driven by growth in ocado.com, with 4.0% order growth to 393,000 orders per week (FY22: 378,000 orders per week) and 2.7% growth in Average Basket Value to £120.94 (FY22: £117.74).

We continued to win new customers through a focus on offering competitive prices, unrivalled service and product choice. We achieved effective customer acquisition results through vouchering and marketing activity, with our marketing efficiency improving significantly in the year, and improved customer retention through our strengthened customer proposition and focus on service. We continue to focus on consistent and strong operational performance in key areas such as delivering on time and in full. Active customers stood at 998,000 at the end of the year, up by 5.9% from 942,000 at the end of FY22. Ocado grew its share of the online grocery market to 12.7% (FY22: 12.3%, Nielsen; FY23 as at 2 December 2023; FY22 as at 3 December 2022). As our customer base continued to increase, average orders per week grew by 4.0% to 393,000 (FY22: 378,000).

The average basket value grew by 2.7% to £120.94 (FY22: £117.74) driven by the increase in selling price of 7.9% to £2.74 (FY22: £2.54), partly offset by a reduction in the number of items in the basket. In the face of cost-of-living pressures, shoppers managed the

	53 weeks ended 3 December 2023 £m	53 week adjustment £m	52 weeks ended 26 November 2023 £m	Period ended 27 November 2022 £m *Represented	% Change
Revenue	**2,408.8**	**(51.3)**	**2,357.5**	**2,203.0**	**7.0%**
Gross profit	**813.6**	**(17.2)**	**796.4**	**739.7**	**7.7%**
Gross margin %	*33.8%*	*33.5%*	*33.8%*	*33.6%*	*0.2ppts*
Fulfilment and delivery costs[2]	(476.3)	9.2	(467.1)	(463.8)	(0.7)%
Marketing costs[2]	(44.4)	1.4	(43.0)	(57.6)	25.3%
Support costs[2]	(102.1)	1.2	(100.9)	(83.2)	(21.3)%
Fees[2]	(178.8)	3.8	(175.0)	(139.1)	(25.9)%
Adjusted EBITDA (A)[1]	**12.0**	**(1.6)**	**10.4**	**(4.0)**	**£14.4m**

Metrics for 2023 are stated on a 52 week basis for comparative purposes against 2022.
* The cost lines have been represented since the FY22 Financial Review to add clarity on the nature of the costs in Ocado Retail and align with management reporting. During the period, the Company has changed the presentation of £82.2m supplier-funded income which was previously classified as other income to more accurately represent the nature of these transactions given they are rarely distinct from the purchase of goods, see note 2.1. These items are now being reported within cost of sales as they represent a reduction in the cost of goods sold.
[1] Adjusted EBITDA (A) does not include the impact of adjusting items
[2] Fulfilment and delivery, marketing, supporting costs and fees exclude depreciation, amortisation and impairment and adjusting items.

7%
increase in revenue

4%
growth in orders

393,000
orders per week

overall cash spend of their baskets. The average items per basket reduced by 4.5% to 44.2 items (FY22: 46.3).

We remain committed to offering reassuringly good value to customers and did not pass through the full impact of food price inflation to our customers; the average selling price on ocado.com increased by 7.9%, well below UK grocery inflation of 10.4% (Nielsen). We invested in the Ocado Price Promise, which we launched in early 2023 matching customers' shops to Tesco.com on over 10,000 products, including Clubcard prices. This is a key component of our value strategy to support the growth and retention of our customers. Alongside this, we made multiple rounds of price cuts over the year, reducing the prices on thousands of products, to ensure that we continue to combine our unbeatable range and unrivalled service with reassuringly good value for our customers.

Gross profit

Gross profit increased by 7.7% to £796.4m (FY22: £739.7m). Growth was higher than revenue growth (up 7.0%) due to improvements in gross margin from 33.6% in FY22 to 33.8% in FY23. This improvement was driven by improved range and stock management, reduced wastage, and an increase in delivery income following the reduction in lower-priced slots.

Gross profit includes the net benefit of supplier-funded income of £81.6m (FY22: £82.2m) and the cost of vouchers of £24.7m (FY22: £21.1m).

We continue to combine our unbeatable range and unrivalled service with reassuringly good value for our customers.

Fulfilment and delivery costs

CFC costs primarily comprise labour costs in CFCs. Costs reduced by 3.0% to £182.1m (FY22: £187.7m) despite the 4.0% growth in average orders per week. This improved efficiency was achieved by again improving the productivity of our CFC sites. The average UPH for ocado.com improved by 10.4% from 173 to 191. The OSP CFCs (Erith, Andover, Bristol, Bicester, Purfleet and Luton) showed robust improvements in productivity reaching an average of 208 UPH (FY22: 184 UPH), an improvement of 13.0%. All of the mature OSP sites (Erith, Andover, Purfleet and Bristol) achieved an average of over 200 UPH in the period.

	52 week period ended 26 November 2023 £m	Period ended 27 November 2022 £m	% Change
CFC	(182.1)	(187.7)	3.0%
Service delivery	(260.9)	(247.4)	(5.5)%
Utilities	(24.1)	(28.7)	16.0%
Fulfilment and delivery costs	**(467.1)**	**(463.8)**	**0.7%**

Metrics for 2023 are stated on a 52 week basis for comparative purposes against 2022

Service delivery costs comprise labour, fleet, fuel and related costs to enable the delivery of orders to customers. Costs increased by 5.5% to £260.9m (FY22: £247.4m), primarily driven by the growth in number of orders (up 4.0%).

Service delivery costs are driven by the productivity of the delivery ('last mile' operations). This productivity is measured in 'eaches per van', which reduced by 1.2% to 988 eaches (FY22: 1,000) as a result of smaller basket sizes, reducing efficiency in the fleet, and reflected in the service delivery costs growing at a higher amount (up 5.5%) than the growth in orders (up 4.0%).

Utilities costs across CFCs and service delivery decreased by 16.0% to £24.1m (FY22: £28.7m) due to significantly lower unit costs (FY23: 27.1p per kilowatt hour; FY22: 33.2p per kilowatt hour) partially offset by an increase in the volume of electricity used, which was driven by the increased number of live modules year-on-year.

Marketing and support costs

Marketing costs comprise the cost of marketing activities to customers and exclude vouchering costs, which are included within revenue. Activities focused on driving increased awareness of the Ocado value proposition. Costs decreased by £14.6m to £43.0m (FY22: £57.6m) as we optimised the marketing channel mix and improved marketing spend efficiency. As a result, marketing spend as a percentage of revenue decreased to 1.8% (FY22: 2.6%).

Support costs of £100.9m (FY22: £83.2m) comprise head office, customer support and other overhead costs for Ocado Retail. Support costs increased by £17.7m, primarily due to the prior year support costs benefiting from

2.7%
increase in average basket value

4.5%
reduction in average items per basket

the accrual release of management incentive plans. Excluding the impact of these one-offs, underlying support costs reduced year-on-year, driven by headcount rationalisation.

Fees

Fees comprise 1) the OSP fees paid to Technology Solutions, a business of the Ocado Group, for the operation of OSP, 2) logistics management fees and 3) capital recharges paid to Ocado Logistics. Fees of £175.0m (FY22: £139.1m) increased by £35.9m, driven by the additional OSP fees due to Technology Solutions following the opening of the Luton CFC during the year and the annualisation of CFCs which went live during FY22.

Adjusted EBITDA (A)

Adjusted EBITDA (A) for the Retail business was £10.4m (FY22: £4.0m loss). The primary drivers for the £14.4m year-on-year increase were growth in active customers and orders driving trading performance, lower marketing spend from optimisation of the marketing channel mix and savings in utilities costs across our CFCs.

	53 weeks ended 3 December 2023 £m	53 week adjustment £m	52 weeks ended 26 November 2023 £m	Period ended 27 November 2022 £m *Represented	% Change
Adjusted EBITDA (A)[1]	**12.0**	**(1.6)**	**10.4**	**(4.0)**	**£14.4m**
Depreciation, amortisation and impairment	(61.5)	1.1	(60.4)	(61.2)	1.3%
Net finance costs	(28.6)	0.6	(28.0)	(23.7)	(18.1)%
Adjusted (loss)/profit before tax (A)	**(78.1)**	**0.1**	**(78.0)**	**(88.9)**	**12.3%**
Adjusting items (A)	(60.9)	–	(60.9)	20.0	(404.5)%
(Loss)/profit before tax	**(139.0)**	**0.1**	**(138.9)**	**(68.9)**	**(101.6)%**

Metrics for 2023 are stated on a 52 week basis for comparative purposes against 2022.
[1] Adjusted EBITDA (A) does not include the impact of adjusting items.

Adjusting Items
Adjusting items are items that are considered to be significant due to their size/nature, or not in the normal course of business or are consistent with items that were treated as adjusting in the prior periods or that may span multiple financial years.

UK network capacity review
In April 2023, the plan to cease operations at the CFC in Hatfield was announced as part of a wider review of UK network capacity.

As a result, ORL has recorded provisions for restructuring costs of £3.9m at the end of the period, impairment charge of £15.7m (Right-of-Use (RoU) assets £13.9m and PPE £1.8m) and other related costs of closure of £7.5m which include stock and redundancy costs.

These costs have been classified as adjusting on the basis that they are material and relate to sites where no future ongoing trading activities will take place.

Zoom by Ocado strategy and network capacity review
During the period, the Company undertook a strategy and capacity review for the Zoom network, which resulted in recording impairment charges totalling £32.2m (RoU assets £14.4m, PPE £17.6m and intangibles £0.2m) and £0.1m other immaterial costs.

These costs have been classified as adjusting on the basis that they are material and part of a significant strategic review which was a demonstrable commitment in FY23.

Net Insurance proceeds relating to Andover and Erith CFCs
In February 2019 a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The net adjusting income of £1.4m in 2023 (FY22: £22.9m) relates to final payment of the Business Interruption claim in relation to this fire.

	Period ended 3 December 2023 £m	Period ended 27 November 2022 £m
UK network capacity review	(27.1)	–
Zoom by Ocado strategy and network capacity review	(32.3)	–
Net Insurance proceeds relating to Andover and Erith CFCs	1.4	26.4
Loss on disposal of Speciality Stores Limited	–	(1.4)
Transformation of IT and finance systems	(2.6)	(4.0)
Resizing	(0.3)	(1.0)
Total adjusting items (expense) / income	**(60.9)**	**20.0**

In July 2021, a small fire in the Erith CFC resulted in the temporary closure of the site for a few days. During the prior period final insurance reimbursements were received of £3.5m to cover the losses arising from the fire. No further reimbursement was received in FY23 and no further reimbursement is expected.

Loss on disposal of Speciality Stores Limited
In 2021, Ocado Retail completed the sale of Speciality Stores Limited. During the prior period a provision of £1.4m was made against the residual deferred consideration based on the likelihood of receipt. No further charges were recorded in FY23.

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

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

Costs of £1.5m were recognised as adjusting expenditure in 2023 (FY22: £4.0m) in respect of one-off development and the introduction of Ocado Retail IT systems linked to its obligation to transition away from Ocado Group IT services tools and support. This was considered an adjusting cost due to its nature and its materiality. An additional £0.8m of IT assets arising from this project have been capitalised in 2023 (FY22: £6.0m, £11.3m for the project to date).

In the current period, Ocado Retail has also undertaken a programme to replace the current Enterprise Resource Planning ('ERP') with Oracle Fusion. The cumulative costs incurred to date are £1.1m, this programme will continue into 2024.

The Board supported a change programme to drive operational efficiencies.

Resizing
In order to ensure the Company was in the right shape to deliver on our strategic priorities and could be resilient in the current economic environment, the Board supported a change programme

Capital expenditure for the 53-week period totalled £25.2m (FY22: £133.8m).

to drive operational efficiencies and ensure organisational structures were future proofed. Costs of £0.3m were recognised as adjusting expenditure in 2023 (FY22: £1.0m) in relation to this.

Loss before tax

Total depreciation and amortisation charges were £60.4m (FY22: £61.2m), this includes depreciation of PP&E of £13.1m (FY22: £10.0m) increasing due to Luton CFC opening, depreciation of RoU assets of £45.7m (FY22: £49.9m) and amortisation expense of £1.6m (FY22: £1.3m).

Net finance costs of £28.0m (FY22: £23.7m) comprise interest expense on borrowings of £8.1m (FY22: £nil), which increased due to interest expense on the Shareholder loan from M&S and Ocado Group to Ocado Retail, and interest expense on lease liabilities of £20.7m (FY22: £23.9m), offset by income of £0.8m (FY22: £0.2m).

Loss before tax of £138.9m (FY22: loss of £68.9m) is stated after net adjusting items of £60.9m (FY22: £20.0m income).

Balance sheet

Ocado Retail had **cash and cash equivalents** totalling £76.4m (FY22: £24.2m) at the end of the period. This included the impact of the drawdown of £180.0m **Shareholder loan** (FY22: £60.0m), £90.0m provided respectively from each shareholder in the period.

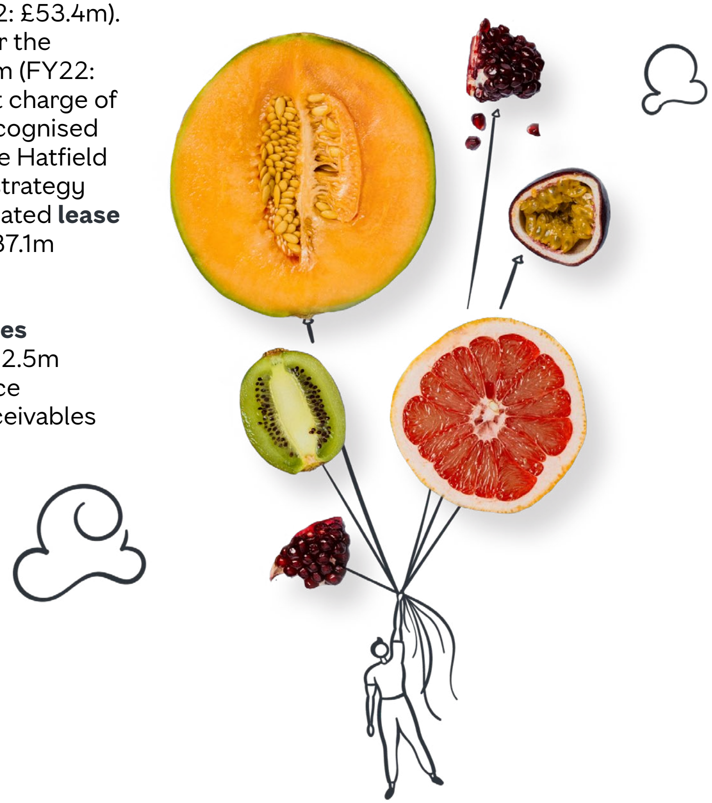
We believe that the period-end cash and cash equivalents and available facilities provide sufficient liquidity to support investment in capital expenditure to meet existing financial commitments, and deliver future growth in the short to medium term. As we implement our growth plans, we expect further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

Capital expenditure for the 53-week period totalled £25.2m (FY22: £133.8m) largely comprising CFC construction costs recharged from Ocado Group, along with design and set-up fees (£9.5m, FY22: £35.5m) largely for the Luton CFC and IT project costs. Capital expenditure decreased by £108.6m due to a reduction in new CFC investment following the openings in FY22 of the Bicester CFC and the Zoom sites in Leeds and Leyton. During the period CFC investment was primarily related to building the new Luton CFC, which opened in the second half of FY23.

Right-of-use assets of £290.0m (FY22: £365.0m) represent the value of assets held under long-term leases, comprising land and buildings of £215.6m (FY22: £263.8m), motor vehicles of £33.7m (FY22: £47.8m) and fixtures, fittings, plant and machinery of £40.7m (FY22: £53.4m). The depreciation charge for the 53-week period was £46.5m (FY22: £49.9m) and an impairment charge of £28.3m (FY22: £nil) was recognised relating to the closure of the Hatfield CFC and Zoom by Ocado strategy and capacity review. Associated **lease liabilities** decreased to £337.1m (FY22: £379.6m).

Trade and other receivables increased by £18.4m to £152.5m (FY22: £134.1m). The balance comprises largely trade receivables (net of expected credit loss allowance) of £73.0m (FY22: £65.7m) and accrued income of £50.2m (FY22: £28.9m) relating to media and promotions and volume related rebates.

Inventories of £84.1m (FY22: £89.1m) comprise Ocado Retail grocery inventory.



Key Performance Indicators

The following table sets out a summary of selected operating information in the 52 week period for ocado.com.

	Period ended 26 November 2023	Period ended 27 November 2022	Variance %
Revenue (£m)	2,357.5	2,203.0	7.0%
Gross profit (£m)	796.4	739.7	7.7%
Adjusted EBITDA (A)1 (£m)	10.4	(4.0)	360.0%
(Loss) / Profit Before Tax (£m)	(138.9)	(68.9)	(101.0)%
Active customers (A) (000s)2	998	942	5.9%
Average orders per week (A) (000s)3	393	378	4.0%
Average basket value (A) (£)4	120.94	117.74	2.7%
Average selling price (A) (£)5	2.74	2.54	7.9%
Average basket size (A) (eaches)	44.2	46.3	(4.5)%
Eaches (A) (millions)	902.6	910.6	(0.9)%
Net promoter score (A) (%)6	66.6	–	–

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

[1] EBITDA adjusted to exclude adjusting items.

[2] Active customers are classified as active if they have shopped at ocado.com within the previous 12 weeks at the statutory year-end date of 3 December 2023. FY22 has been restated from 940,000 to include customers active at trial sites, which were previously excluded.

[3] FY22 has been restated to no longer deduct cancelled orders on the road, to align with management reporting. In the prior year, this metric was reported as 377,100 and under the same methodology, FY23 like-for-like orders per week would be 391,100, up 3.7%.

[4] Average basket value (£) (ABV) is defined as product sales divided by total orders. FY22 has been restated to reflect two changes to the calculation of this KPI. First, we no longer deduct cancelled orders on the road from total orders. Second, we have changed from using gross sales to now using product sales.
The revised approach better reflects the equivalent basket value if purchased in a store to enable better comparability. Under the previous approach FY22 was £118, FY23: £122.

[5] Average selling price (£) ("ASP") is defined as product sales divided by total eaches. FY22 ASP has been restated to reflect two changes to the calculation of this KPI. First, we no longer deduct cancelled eaches on the road from total eaches. Second, we have changed from using gross sales to now using product sales. The revised approach better reflects the equivalent average item price if purchased in a store to enable better comparability. Under the previous approach FY22 ASP was £2.55, FY23: £2.75.

[6] FY23 is the first year that average net promoter score (NPS) has been reported as a KPI. No prior year comparative is available to create an average FY22 metric on a like-for-like basis due to data source limitations. Data sourced from Medallia. Closing FY23 NPS 69.4% (FY22: 63.2%), up 6.2ppt.

(A) Alternative performance measure.

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 Audit Committee as part of its delegated authority from the Board. Risks are measured and reported against set criteria, which consider both the likelihood of occurrence and potential impact to the Company, with clear ownership for mitigation.

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

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

Principal risks

Set out below are the Company's twelve principal risks and uncertainties. In 2023, we applied reassessment to the ten principal risks which remained at the close of 2022 and as a result, two additional principal risks were identified.

> Climate Change was previously identified as an emerging risk in 2022, this is an increasingly important area of focus for the Company.

Climate Change was previously identified as an emerging risk in 2022, this is an increasingly important area of focus for the Company. As a result we consider this now warrants a separate principal risk named 'Climate change and environmental responsibility'. A further principal risk has also been added for 'Talent and Capability'. Talent and Capability is key to our future success, the loss of top performers could undermine business operations and growth plans.

The remaining principal risks remained applicable throughout 2023.

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

We continue to review our risk landscape to identify emerging risks using both internal and external sources. The risks associated with the closure of Hatfield CFC were considered within the 'Retail Proposition' and 'Third party management and service level decline' principal risks over the period. No additional emerging risks were identified in 2023.

What is the risk	Movement from FY22	How we manage the risk
Geopolitical and economic uncertainty		
The Company is exposed to potential adverse external events in the global economic and geopolitical environment, including any ongoing challenges as a result of the cost-of-living crisis, events in Ukraine, tail-end of COVID-19 pandemic, as well as wider global economic uncertainty. These could increase cost, disrupt our supply chain and operations, and the demand for our product.	FY23 reflected ongoing challenges from the cost-of-living crisis however some stabilisation of uncertainty from Ukraine and the COVID-19 pandemic resulted in a net decrease in risk from FY22.	Continuous monitoring of the economic environment and regulatory changes to assess the potential impacts. Maintenance of financial reserves to cushion any operational impact.
Third party management and service level decline		
Reliance on Ocado Group to provide key services (CFCs and service delivery) and support functions and impact on customer service levels.		Agreed service level agreements and oversight by the monthly Steering Committee. Continuing initiatives to improve resilience and operational performance of legacy CFCs, closure of Hatfield CFC and ramping of operations at new CFCs. Ocado Group internal audits performed, which are reviewed and action plans implemented.
Business interruption		
Major service disruption, loss of customer confidence and increased costs arising from a failure of key business systems caused by physical events, such as fire, or technical events, such as an IT outage or mechanical failure through malicious or accidental events.		Rolling internal audit programme over Ocado Group business interruption procedures for CFCs and service delivery. Disaster recovery testing and business continuity plans continue to be progressed and updated. Business interruption insurance to transfer residual risks.
Information security		
Cyber-attack or data breach resulting in business disruption, reputational damage, significant fines or the loss of customer, employee or confidential business information.	Increase in in-house IT services and continued improvement in processes and controls has marginally reduced the overall risk.	Increased ownership of key services and processes, reducing reliance on third parties. No customer payment data is held within Ocado Retail's Databases. Experienced data protection and information security teams, including a Data Protection Officer. Regular horizon scanning – including changes to relevant legislation. Regular mandatory employee training. Audits undertaken by external parties to accurately reflect our position in regards our technical and organisational security measures.

What is the risk	Movement from FY22	How we manage the risk
Corporate compliance		
Ocado Retail must comply with legislative and regulatory requirements including Groceries Supply Code of Practice (GSCOP), data protection, modern slavery and anti-bribery. Failure to comply could negatively impact our business model and risks damage to our reputation, loss of stakeholder support, financial penalties and liability for our employees as well as undermining our ability to operate.	↑ There has been a significant increase in the regulatory environment which includes emerging non-financial and environment reporting requirements and new cyber, AI and data regulations.	Policies and procedures in place including human rights, modern slavery, data protection, anti-bribery and corruption, health & safety, food safety, cyber, and data security. Mandatory induction and annual training for colleagues on key, relevant regulations. In-house legal team and advice sought from external legal firms for specialist areas. Monitoring of regulatory developments to ensure that changes are identified as well as ongoing engagement with regulatory bodies such as the Groceries Code Adjudicator (GCA).
Health and safety		
Risks could arise from food safety, product safety or a health & safety incident. injury to a worker or customer, product design issues or operating failures that could result in business disruption, loss of assets and reputational loss.	→	Experienced legal, food and product technology professionals, and health and safety experts monitor compliance against policies and procedures. Supplier approval and certification processes. Food and product safety policies and quality management with operational procedures. Risk assessments and safe systems of work prepared by qualified staff to raise awareness and knowledge. Rotational inclusion in internal audit programme.
Treasury and funding		
An inability to deliver our business goals, support the capital expenditure programme and/or settle our liabilities due to incorrect forecasting or insufficient facilities.	→	Regular cash flow monitoring and forecasting. RCF and Shareholder loan with intention for further funding.
Retail proposition		
The risk of failing to maintain a retail proposition that appeals to a broad customer base.	→	Refinement and monitoring of value perception underpinned by Ocado Price Promise and our Big Price Drops. Weekly monitoring of price indices. Continued development of Ocado Own Range. Close supplier relationships to ensure awareness of supplier product range. Work closely with M&S teams especially around listing of new products. Continuation of investment and optimisation of the marketing channels to acquire new customers. Service level delivery with Ocado Logistics. Continued improvement of Webshop and apps.

What is the risk	Movement from FY22	How we manage the risk
Shareholder relationship		
Breakdown in engagement and support from Ocado Group and M&S in the operations and future of Ocado Retail which is critical to enable the Company to meet its strategic objectives.	→	Five-year plan and strategy agreed annually by the shareholders. Monthly Board meetings and regular contact between Board members of the three parties.
Ocado Smart Platform (OSP) implementation		
The Ocado Smart Platform is the Ocado Group end-to-end solution for operating online in the grocery market. The migration to the OSP platform will better serve our customers and our colleagues. Projects of this nature have inherent risks which could result in loss of capacity, reduced customer experience, an increase in cost of delivery, and cut over risk in moving on to the new OSP platform and the integration with non-OSP systems.	↓ Successful roll out of the OSP solution to end customers increased in FY23.	Requirements clearly presented and tracked against the OSP roadmap. Dedicated programme team, including both Ocado Retail and Technology Solutions, who work closely together. Monthly Board update attended by Ocado Retail and Technology Solutions. Board has the ultimate decision on the timing of the migration. Transition process is closely monitored with regular updates, including reporting progress to the Ocado Retail Board. Roll out of OSP to ~5% of customers to date.
Talent and Capability		
Difficulty in filling key positions, a loss of top performers and an inability to embed diversity could undermine business operations and growth plans.	New to FY23	Having a strong employer value proposition with effective communication channels. Reporting and analysis of employee turnover with access to temporary labour resources if required. Investing in a new L&D plan for every buyer to increase Ocado specific buying capability. Engagement workstreams focussed on improving key topics highlighted in employee engagement surveys. Regular salary benchmarking exercise to ensure remuneration remains competitive. New bonus and recognition scheme introduced.
Climate change and environmental responsibility		
An inability to reduce the environmental impact of our business and progress towards our targets and managing the consequences of climate change on the business would lead to a failure in meeting the expectations of our customers, colleagues, investors and other stakeholders.	New to FY23	Working internally with buying colleagues and externally with key partners and NGOs including the WWF and Soil Association etc to promote agroecology and support local or seasonal produce, diversifying protein and changing dietary habits. Setting up clear targets to achieve net zero by 2040 and a robust plan for decarbonisation across the business. Introducing climate governance mechanisms supported by robust data to share progress against our targets.

Non-financial and sustainability information

Climate-Related Financial Disclosures (CFD)

As mandated under the Companies Act, the business is reporting on our climate-related financial disclosures. This reflects our actions and processes as at the end of the financial year. We have made significant progress this year to identify and assess the risks and opportunities we face as a business from climate change. We will, in the coming years, further quantify the impacts of climate risks and opportunities and embed these across key business processes.

Governance

Board level

At the highest governance level, our Board of Directors is responsible for the long-term success of the Company. This includes considering climate-related matters when reviewing our strategy, major plans of action, enterprise risk management and financial planning, and monitoring and overseeing progress against goals and targets for addressing climate-related issues. The General Counsel and Chief People Officer is the leadership position with responsibility for climate-related topics and attends the Board as the Company Secretary.

The Audit Committee has responsibility for financial reporting, internal control and risk management across the business, including climate-related risks, and reports to the Board on matters discussed and requiring Board attention.

Management level

The Leadership Team is responsible for the day-to-day running of the business and implementing the strategies agreed with the Board. The Environment, Social and Governance (ESG) Committee has responsibility for defining and supporting the delivery of the ESG strategy. The Committee meets on a quarterly basis to achieve cross functional alignment on climate-related topics. It consists of the Leadership Team member with accountability for sustainability, the Director of Own Brand, Technical and Sustainability and the Sustainability Function Lead. The ESG Committee is attended by senior representatives of the Commercial, Customer and Communications teams.

Delivering on our climate goals requires close collaboration with Ocado Group. The purpose of our joint Climate Action Leadership Group is to deliver on dependencies related to our climate strategy and targets across the two organisations, supported by the Climate Action Management Group which meets every six weeks and updates the Climate Action Leadership Group on a regular basis.

Our ESG governance structure

Board of Directors

Responsible for the long-term success of the company.

Board committees

Each committee chair reports to the Board on matters discussed and topics requiring Board attention.

Audit committee

Reports to the board on Ocado Retail's financial reporting, internal control and risk management systems.

Remuneration committee

Responsible for the remuneration arrangements of the Executive Directors and Senior Management.

Leadership Team

Responsible for the day-to-day running of the business and implementing the strategies the Board has set.

Governance committees

The governance committees report to the Board or Board committees as appropriate.

Capital expenditure group

Reviews and authorises capital expenditure projects, overspends and property expenditure in accordance with agreed limits.

Compliance committee

Monitors the effectiveness of Ocado Retail material compliance programmes.

Health, Safety and Environment committee

Oversees Ocado Retail's health, safety and environment standards and systems and monitors compliance.

ESG committee

Defines Ocado Retail's strategy and is responsible for the governance of the programme and its implementation.

Ocado Retail Ltd, Ocado Group and Ocado Logistics Climate Action Management Group

Aligns and manages the carbon interdependencies.

Other committees

Ensure the implementation of the business strategies.

Strategy

Identified climate risks and opportunities

In 2023, we conducted a detailed scoping process to identify climate-related risks and opportunities across our business and value chain. We engaged with stakeholders across our key functions, including Commercial and Supply Chain, Customer Experience and Risk, on the climate-related risks and opportunities we face as a business across two extreme climate scenarios: a high physical impact scenario aligned with temperatures likely to exceed 4°C of warming by 2050 and a rapid transition scenario aligned with temperatures not likely to exceed 2°C.

This exercise covered all the CFD categories including physical climate risks across our value chain, such as acute risks linked to extreme weather events and chronic risks related to long-term shifts in climate patterns; transition risks including policy and legal, market, technology and reputation risks; and transition opportunities including resource efficiency, energy sources, products/ services, markets and resilience. We then prioritised risks that could have a potential high business impact to assess these in more detail using climate scenario analysis across three time horizons: short term (one to two years), medium term (three to ten years), and long term (more than ten years). These time horizons are based on our business model and align with Ocado Group's time horizons for climate risk assessments.

We assessed physical climate risks across our upstream supply chain in a high physical impact scenario (based on the Intergovernmental Panel on Climate Change (IPCC)'s SSP5-8.5 scenario) with a focus on key sourcing regions (UK, Spain, Italy) and commodities (fruit, vegetables, dairy, beef, poultry). This highlighted that, in this high physical impact scenario, we face acute and chronic physical climate risks across the supply chain, crop and livestock vulnerability risks, and biodiversity risks. The most significant risks include extreme temperatures in the UK and water stress and drought in Southern Europe. We identified that some of our key fresh products face vulnerabilities to climate risk hazards, and that climate change is expected to exacerbate biodiversity risks in the supply chain.

Under a low carbon transition scenario, we face transition risks related to future carbon pricing mechanisms, climate-related reporting requirements, meeting our ESG commitments, regulatory risks related to deforestation in the supply chain, as well as risks and opportunities related to changing consumer demands for low-carbon products.

Impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

The table below highlights the climate-related physical risks and opportunities we have identified across the business in the short, medium and long term, the potential impacts these could have, and our response.

	Description and potential impacts	Our response
Risks relating to changes in the policy and regulatory landscape Short, Medium and Long term	Increased operating costs linked to meeting regulatory requirements around deforestation in the supply chain. Carbon pricing mechanisms could result in higher prices for some of our products.	We have defined a roadmap to deliver on our 'no deforestation' targets (see Metrics and Targets section), and on our decarbonisation targets, and we are collaborating with suppliers to reduce emissions throughout our supply chain.
Reputational risks related to climate targets and climate reporting Medium and Long term	Increased stakeholder scrutiny on our climate targets and transition planning and wider climate reporting could result in higher compliance costs.	We have defined a roadmap for meeting our ESG/ sustainability strategy including decarbonisation targets to 2040.
Technology risks linked to Ocado Group fleet decarbonisation ambitions Short, Medium and Long term	Ocado Group's fleet emissions are included in our proposed near-term and net-zero Scope 3 reduction targets. Decarbonising this part of our footprint relies on technologies and infrastructure that are still being developed as well as associated costs.	We have conducted a site analysis and considered available EV technology to develop a net-zero fleet transition plan based on tranches of electrification. We are exploring opportunities to leverage relevant policy incentives for adopting the required technologies and practices to meet our fleet decarbonisation targets.
Market opportunities from changing customer preferences for products Medium and Long term	Changing customer preferences for low carbon product ranges present transition opportunities in terms of new revenue streams, and risks if we fail to capture this market share.	Through the implementation of our 'sustainable diets' strategy and industry collaboration of product carbon footprinting, we are gradually transitioning from the sale of high carbon food products towards low carbon food products via price and promotion interventions.
Acute and chronic climate risks across our supply chain for fresh product categories Short, Medium and Long term	Extreme temperatures in the UK and water stress and drought in Southern Europe could impact some of our fresh product categories (e.g. fruit and vegetables) and protein categories (poultry, beef, dairy).	We are working with our suppliers to assess vulnerabilities to key physical risk hazards identified and to build resilience to these through relevant mitigation and/ or adaptation measures, for example by supporting the Water Stewardship Programme in our supply locations at risk.

Climate risk is one of our principal risks, which are considered and managed with greater scrutiny than risks managed at a functional level.

The aforementioned listed risks and associated impacts have not had a material impact on the FY23 financial statements including the accounting judgements and estimates.

Resilience

Once we had identified and assessed climate-related risks and opportunities, we explored the resilience of our strategy to these under the same scenarios and time horizons, and identified three areas of focus to strengthen the resilience of our business strategy to climate change: meet our decarbonisation targets, engage with our suppliers on their decarbonisation journeys and resilience to physical climate risks, and review changes to our product portfolio considering both future market changes and physical climate risks. We will review the scenario analysis for appropriateness on an annual basis to ensure the information is relevant and up-to-date. Finally, we will continue to support Ocado Group on building and retrofitting CFCs to make them resilient to physical climate risks.

Risk Management

Processes for identifying and assessing climate-related risks

We combine a bottom up and top-down approach to identifying and assessing climate-related risks as part of our overall approach to risk management.

The Sustainability Function Lead reviews a long list of climate-related risks and opportunities identified across the value chain on an annual basis, considering changes in the regulatory landscape related to climate change and assesses whether any need to be reviewed in more detail based on potential business vulnerability, potential business impacts and the potential magnitude of change in frequency and/ or magnitude of climate-related hazards or transition events. If we identify that we have a high level of vulnerability to a climate-related risk or opportunity, or that a climate-related risk or opportunity could have a high potential impact on the business, then we assess it using climate scenario analysis.

Processes for managing climate-related risks and how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

If a climate-related risk is identified as potentially material to the business, it is added to the Sustainability Risk Register, with material risks incorporated into the company-wide risk register, thus integrating within our enterprise risk management process. The incorporation into principal risks is assessed on a risk-by-risk basis by the Financial Controller and Chief Finance Officer. These risks are assessed based on different elements and reviewed with the senior leadership team on an annual basis, with decisions made on whether to mitigate, transfer, accept, or control these risks.

This bottom-up approach is combined with a comprehensive top-down approach which is led by the Risk Management team on an annual basis. Climate risk is one of our principal risks, which are considered and managed with greater scrutiny than risks managed at a functional level.

Metrics and Targets

Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions.

We have been calculating our full carbon footprint across Scope 1, 2 (location-based) and Scope 3 emissions since 2021. Ocado Retail is reporting against the Streamlined Energy and Carbon Reporting (SECR) framework and the methodology used is the World Business Council for Sustainable Development (WBCSD)/ World Resources Institute (WRI) Greenhouse Gas Protocol, and the UK Government's environmental reporting guidelines, including SECR guidance (see table below).

Carbon Emissions (Tonnes of CO_2e)	53 weeks ended 3 December 2023		52 weeks ended 27 November 2022	
Scope 1 emissions (combustion of natural gas and refrigerants)	119.6	31.1%	146.6	32.2%
Scope 2 emissions (purchase of electricity by the company for its own use including for the purpose of transport)	246.4	64.0%	284.2	62.5%
Total Scope 1 & 2 emissions	**366.0**	**95.1%**	**430.8**	**94.8%**
Scope 3 emissions (consumption of fuel for the purpose of business travel)	19.0	4.9%	23.8	5.2%
Total Scope 1, 2 & 3 emissions	**385.0**	**100.0%**	**454.6**	**100.0%**

Targets to manage climate-related risks and opportunities and metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
We have defined key targets under each of the pillars of our sustainability strategy.

Climate action
In 2019, we announced our commitment to achieve net zero across our Scope 1, 2 and 3 greenhouse gas emissions by 2040, in line with our commitment to meet British Retail Consortium (BRC)'s Climate Action Roadmap. Separately, we have a validated SBTi target of 90% reduction in Scope 1, 2 and 3 emissions from energy and industry by 2040, as well as near term targets, including a 42% reduction in absolute Scope 1 and 2 emissions, and a 42% reduction in absolute Scope 3 emissions from energy and industry by 2030. The key metrics we use to track our decarbonisation journey including emissions intensity per 100,000 orders fulfilled, purchased electricity from renewable sources and total annual energy consumption (see the table below).

Sourcing with integrity
We have committed to a 30% reduction in absolute Scope 3 Forest, Land, Agriculture (FLAG) emissions by 2030 and 72% reduction by 2040. We have also committed to 'no deforestation across primary deforestation-linked commodities by 2025' and are signatories to the UK Soy Manifesto with the aim to have 100% verified deforestation and conversion free (DCF) soy across our supply chain by 2024.

Healthy sustainable diets
We are increasing the sales of plant-based proteins to redress the balance with animal proteins.

Food waste reduction and community
We aim to reduce food waste in our own operation by 20% by 2025 and by 50% by 2030 (against a 2022 baseline), with 100% of edible food surplus to be redistributed by 2025, whilst ensuring our community programme delivers a lasting impact that benefits the community.

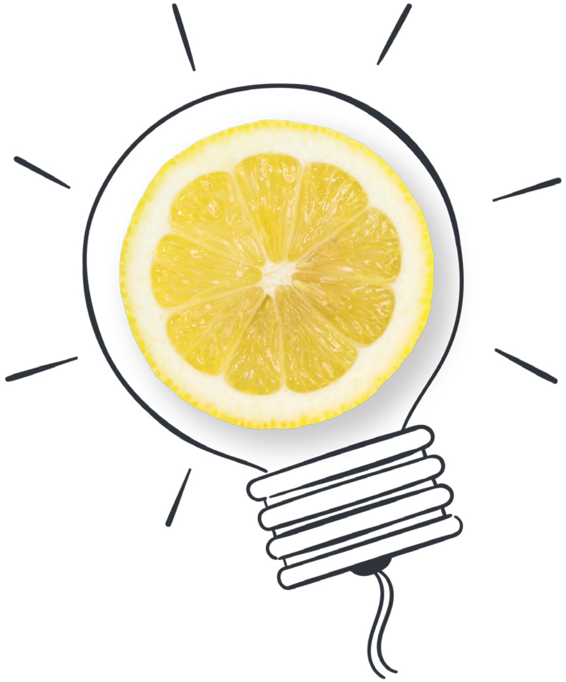
Responsible packaging
We aim to remove 20% of all packaging from all our systems by 2030, increase the average recycled content of plastic in OB packaging to 30% by 2025 and integrate sustainable packaging thinking into packaging design from the outset.

Metric	2023	2022
Emissions Intensity per 100,000 Orders Fulfilled	1.8 tonnes CO_2e	2.2 tonnes CO_2e
Purchased Electricity from Renewable Sources	100%	100%
Total Energy Consumption	1,697,458 kWh	2,368,441 kWh

Section 172 (1) Statement

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

The principles underpinning section 172 are not only considered at Board level, they continue to be embedded throughout Ocado Retail, as shown below. Building positive relationships through strong engagement, collaboration and dialogue with stakeholders to deliver long-term sustainable success continues to be a key area of focus for the Board, and all decisions take into account the impact on stakeholders. The following summarises how the directors had regard to the respective elements of Section 172 in their fulfilment of their duties in the period ended 3 December 2023.



The need to act fairly as between members of the Company

Our approach	Examples of how we have had regard to this factor during the period
Ocado Retail is led by an effective and committed Board with a range of knowledge and experience, who embrace a culture of openness and transparency at Board meetings. Both shareholders have equal representation on the Board which, together with the Company's shareholders' agreement and articles of association, enable the dissemination of core information and ensure an ongoing dialogue with its shareholders on key business issues.	Strengthening collaboration with our Shareholders on an operational level remained a key priority in this financial period. The Board was kept up to date with strategic performance packs circulated to shareholders throughout the year. Members of the Board also attended the Company's annual Strategy Day, a review of the Company's strategy and priorities, their fit in the wider context of the retail industry, and their alignment with each shareholder's goals and priorities. All Board decisions were made with representation from both Shareholders and all related party transactions were approved in accordance with the relevant governing documents. Representatives of both shareholders make up the Audit Committee which provides oversight of the key principal risks affecting the Company, and likewise the Remuneration Committee supporting the Company on the performance, remuneration and long-term incentive plans of the executive directors and leadership team. As in the previous year particular attention was also paid during the course of the year to further improving our relationships with both shareholders. This has led to better understanding and useful collaboration for the benefit of all.

The likely consequence of any decision in the long term

Our approach	Examples of how we have had regard to this factor during the period
The Company is committed to driving positive change with accelerated growth. All Board decisions are made for the long-term benefit of the Company's stakeholders, as well as contributing to wider society. The Company's key stakeholders are its customers, employees, suppliers, shareholders, communities, the environment and its regulators. The views and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. The Company's mission is that together, we are the drivers of change. We proudly and sustainably deliver joy in every shop; through unbeatable choice, unrivalled service and reassuringly good value. This mission, coupled with the new strategic priorities and performance framework, are key considerations in the actions and decision-making of the Board, and its oversight of the implementation of these into the operations of the Company. The risk management process is designed to improve the likelihood of delivering the business objectives, protect the interests of key stakeholders, enhance the quality of decision-making, and assist in the safeguarding of assets, including people, finances, property and reputation. The process is supported by a risk methodology which enables the Company to clearly identify, prioritise and monitor our risks through a set of enhanced risk identification, categorisation and prioritisation mechanisms.	The Board is responsible for setting the strategic direction of the Company in both the long and short term. It monitors performance against the annual budget metrics on an ongoing basis, along with receiving reports from CEO and CFO each month. The Board regularly considers the allocation of capital in order to support the strategy of the Company, with capital requests over an agreed limit requiring the Board's approval. The board also approves all external financing of the Company. A primary focus of the Strategy Day (mentioned above) was to reflect on Company strategy for 2024 to 2027, to seek alignment on the equilibrium between growth and profitability, and to focus on delivering value for both Shareholders and Stakeholders. Over this period the Board has reviewed and considered a number of relevant matters, such as the appointment of a new CFO and CCO, the UK network capacity review, strategy and network capacity review for Zoom by Ocado, the launch of the Ocado Price Promise, the closure of Hatfield CFC, the ongoing IT migration from Ocado Group, increased M&S product ranging on the Ocado site, the reduction of power consumption at CFCs and various strategic marketing campaigns. They were all examined with the longer term success of the Company and all of its stakeholders at the forefront of consideration. Network capacity reviews incorporated assessment and engagement with relevant key stakeholders, for example the key supplier. The appointment of Mathew Ankers as CFO in September 2023 established key financial priorities for the short to medium term backed by the Board, which will feed into the long term success of the company. The Audit Committee, delegated to by the Board, is responsible for the review and approval of the risk management framework that identifies the Company's key strategic and emerging risks. The Audit Committee is also responsible for the review of the effectiveness of risk management, the systems of internal control, and the monitoring of the quality of financial statements and consideration of any findings reported by the auditor, Deloitte LLP, in relation to the control environment and its financial reporting procedures. This year, the focus of the Audit Committee continued to be on growing and monitoring the compliance function within the Company, which includes, inter alia, GSCOP, Data Protection, Technical Compliance, Health & Safety, Information Security and Business Continuity.

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 our best selves and challenge what's possible; these are deemed to be the recipe for Ocado Retail's success. While the Company's People Strategy has continued to evolve, the three pillars that shape the work the People Team do have remained: · Building the unique capabilities required for our business · Driving personal growth · Boosting engagement and wellbeing These pillars are underpinned by a continuous focus on colleague experience, with the aim to achieve: · A high performing culture, where colleague performance is connected to the performance of our business and our ability to deliver for our customers. A culture where we're able to continually raise the bar on potential and can reward and recognise colleagues in a meaningful way. · Connection with the values that underpin our business, threading through all the initiatives we're putting into place and highlighting the importance of our culture in driving our success. · Clear opportunities for colleagues to develop at ORL – whether that's developing the skills and capabilities we need to drive our organisational priorities or to help them better understand how they can grow careers at ORL. · An environment where everyone can thrive, where we encourage everyone to be their best self by focusing on their careers while keeping a balance with the things that are important to them in and outside of work. The Company is an equal opportunities employer and makes every effort to ensure all potential and existing Colleagues, along with suppliers and customers, are treated fairly and equally. The Board continues to encourage every colleague to have a voice, with monthly engagement pulse surveys and ongoing support for our People Networks, who are vital for amplifying diverse voices. Moreover, open and ongoing dialogue and questioning is proactively encouraged between colleagues and senior management or the Board, with specific channels of communication open for transparency throughout the business. Colleagues are regularly updated on decisions made following their feedback through regular internal communications from the CEO and leadership team.	Our People Strategy, which was previously adopted by the Board has been expanded to include the Company's approach on engagement, reward, recognition, learning and development, wellbeing and inclusion and diversity. The Board has a keen focus on engagement, which was highlighted by the introduction of an Engagement Steering Group to drive engagement activity across the business, including specialists within the People Team as well as leaders across the business. This has been a key enabler of a number of people focused initiatives this year. This group has been supported by targeted efforts to raise the bar on internal communications, with the establishment of a cross-functional working group who align to lead on communication with colleagues. Collaboration from these groups has enabled the successful rollout of refreshed Mission, Vision and Values within the business, with all colleagues participating in senior leadership-led workshops to embed these changes. Along with this, the Company has introduced a new intranet that unifies tools and provides colleagues with effortless access to the most important information. Colleagues continue to receive updates on the Company's performance and strategy through bi-weekly huddles and 6-monthly face-to-face 'Townhalls'. Within these sessions, small suppliers are promoted and greater insight into our customers' experience is encouraged. Together, these efforts have led to a significant shift in colleague understanding and belief in our strategy, with a 1.1 increase (from 6.9 to 8.0/10) in colleague engagement scores relating to strategy, moving us from the bottom 5% to the top 25% of benchmarked retail businesses. Learning & Development remain a key priority for the Company, with a focus on ensuring that colleagues are provided opportunities to build both the skills relevant to their specific role and also those that will support their career development. These are offered through a Shared Skills Programme, open for all colleagues, alongside academies specific to our Customer, Data & Insights and Commercial functions. Boosting engagement and wellbeing remains vital to the Company's People Strategy. This year, a Blended Working policy was introduced to reinforce the Company's hybrid working approach while ensuring the workplace and ways of working both reflect the needs of the business and support colleagues to bring their best selves. Along with this, a complete refresh of all People Policies was completed, making a number of changes that are progressive in the ways that matter most to our colleagues, e.g. the introduction of gender neutral language, providing carers with five paid days off for caring responsibilities per year, additional support for colleagues on a fertility journey, flexible bank holidays, and more. A focus on Reward & Recognition has been key to driving a high performance culture. This year, a new flexible benefits platform was introduced, empowering colleagues with greater flexibility over current and newly introduced benefits. Moreover, a new, structured Ocado Bonus Plan was designed and introduced to drive performance and engagement by providing a clearer link between the contribution colleagues make and the bonus they receive. Colleague recognition remains a high priority, with the introduction of a celebration platform where peer-to-peer recognition is encouraged. Inclusion is another area of the Board's interest. The Board oversees the Company's Gender Pay Gap reporting and sponsors the colleague networks in place across the business. Colleague engagement continues to be one of the Company's key priorities, during the period the Company conducted monthly pulse surveys with colleagues to provide an informed picture of how colleagues feel about the business which is reported to the Board. A full employee survey was also complete with additional questions to seek a more rounded view of the colleague experience. An average of 75% of colleagues participate in monthly pulse surveys. Survey results are played back both at a Company level and also at a more local team level, driving action plans to focus on key engagement issues the survey identifies.

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

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. We aim to achieve this by focusing on five core pillars: climate action, sourcing with integrity, healthy and sustainable diets, food surplus and communities and responsible packaging. We are committed to work with fellow retailers, suppliers, the UK Government and other stakeholders to accelerate the retail industry's progress towards Net Zero. We are a founding member of the British Retail Consortium's Climate Action Roadmap. Further information in relation to carbon and energy usage can be found in the Strategic Report.	**Environment** To support our ambitions for 2040, we set emission reduction targets aligned with the Science Based Target initiative (SBTi) framework. We have taken the important steps to calculate our emissions footprint in line with the GHG Protocol, identified our operational boundary approach, calculated our scope 1, 2 and 3 emissions against a 2021 baseline, and initiated a detailed carbon reduction strategy. Our targets have been validated by SBTi. We continue to work closely with Ocado Group to decarbonise our fleet by 2035 as part of the strategy. Sourcing the quality products our customers want with fairness and integrity is vital to us. Our position in the retail industry gives us a unique opportunity to ensure the impact on people, the environment and the welfare of animals is positive and sustainable in the long-term. We are on a journey to make healthy sustainable eating easier for our customers, whatever their dietary requirements, by inspiring and helping them make healthier choices. Food waste and hunger are urgent environmental and humanitarian challenges. At Ocado Retail, we recognise our responsibility and prioritise reducing food waste and increasing redistribution to address these pressing issues. Since 2022 we have been working with Ocado Logistics to improve the collection of food waste data and also to start reporting in line with the Food Waste Loss Protocol (FWLP). The FWLP methodology measures food waste as a percentage of "food handled" by weight in tonnes. Using FY22 as our baseline, we have set a target to halve food waste by 2030 and to reduce it by 20% by 2025, with 100% of edible food surplus to be redistributed by 2025. In 2022, 0.59% of food handled in our operations ended up as waste. In 2023, food waste was reduced to 0.43%, which represents a 27% reduction against the baseline. Assuming this performance is maintained we will achieve our 2025 target. 72% of our food surplus is effectively redistributed to local charities, staff canteens, staff sales and the Company Shop. Inedible food that cannot be redistributed is sent to anaerobic digestion and diverted from landfill. Our aspiration is to achieve industry-leading levels of food waste. Over the coming year, we will continue to reduce our operating food waste by optimising forecasts, ordering and promotions. Additionally, we continue to work with Ocado Group and OSP to improve process efficiency and maximise our redistribution. Embedding circularity to reduce our environmental impact is a key focus for our packaging strategy. Since 2021, we have reviewed the packaging of our Ocado Own Range lines to eliminate 148 tonnes of packaging with 93% of our packaging now recyclable. We have also eliminated 25 million units of unnecessary packaging components. We are a multiple industry award winner including The Grocer Gold Award and UK Packaging Award with the inclusion of serialised 2D barcodes on our Ocado Own Range milk to demonstrate the feasibility of a digital deposit return scheme and the ability to dynamically communicate with our customers.

The impact of the Company's operations on the environment and the community (Continued)

Our approach	Examples of how we have had regard to this factor during the period
	Community The Company continues to support a network of food partners and social enterprises working towards ending food poverty in the UK through grocery donations of groceries, financial contributions and provision of operational assets including vans. During the period, the Company made charitable donations amounting to £1.1m (2022: £1.9m). Additional cash donations to environmental causes of £0.4m (2022 £0.4m) were made in addition to charitable stock donations valued at £10.7m (FY22: £11.4m). This was part funded (£2.5m, 2022: £2.8m) by customers through our You Give We Give initiative. Notably, in 2023 the donations helped fund a number of projects with our key charity partners: the Felix Project and the Community Shop. The Felix Project Since 2019, we have partnered with The Felix Project, the UK's largest surplus food redistributor, supporting over 1,000 charities and schools. In its best year ever, in 2023 The Felix Project delivered 32 million meals to over 1,000 community organisations in the most deprived parts of London. Ocado contributed food for 1.9 million of those, together with cash to support their activities and we are currently providing them depot space at the Park Royal Spoke. Community Shop Through Community Shop, we provide local communities across the country with access to affordable, high-quality surplus food and household products, along with life-changing personal development support. Over the course of the year Ocado Retail funded the launch of a new Community Shop in Bewsey. This is the fifth store Ocado has funded, increasing their reach to support the 10% most deprived communities. We launched Family Cook Clubs to teach cooking skills and promote food education. Additionally, we partnered with M&S at Christmas to provide 1,500 meal bundles to the Community Shop helping over 4,500 people in the most deprived communities to enjoy Christmas at home. Our colleagues also play a key role supporting charitable causes and communities. Last year, a number of colleagues took part in our 'donate a day' initiative whereby they have an extra day of annual leave to spend time volunteering with one of our charity partners and local community groups. We support our colleague fundraising through fund matching. Ocado Retail will match individual fundraising for a charity of their choice up to £500, every year and team fundraising (two or more Ocado Retail employees) up to £1,000.

The need to foster the Company's business relationships with suppliers, customers and others

Our approach	Examples of how we have had regard to this factor during the period
We pride ourselves on being a progressive retailer, so it's important to us that every Ocado Retail supplier (established and prospective) feels equally supported and fairly treated by us. Our suppliers are essential for us to provide a full range of quality products that allow us to offer customers an excellent range and service. The Company maintains a supplier application website to aid the retail listing process. Our unique model means that we are able to onboard the smallest of suppliers and grow with their business. We have clear modern slavery policies incorporated within the Company's Responsible Sourcing Code of Practice and actively engage with suppliers to prevent modern slavery and human trafficking in our business operations and supply chains. We respond to the Groceries Code Adjudicator's annual supplier survey by creating action plans to address any highlighted areas of improvement. Collaborative engagement with suppliers is key to ensure relationships are conducted fairly and lawfully, in line with the requirements of the GSCOP. Customers are vital for the long term success of the Company and are at the heart of everything that we do. Customer feedback data is now shared throughout the Company to make it a stronger element of our business performance by enabling the Board and colleagues to better understand and meet customer needs.	Various communication channels allow for constant dialogue with suppliers, including through a dedicated supplier website and supplier surveys. Supplier forums are also held on specific issues. This period also marked a significant milestone with the holding of the Company's first in-person supplier conference since before the COVID-19 pandemic. Suppliers were introduced to the Company's FY23 strategy, allowing direct engagement with the Company and its expert panel, further strengthening our relationship with the suppliers and emphasising our commitment to transparency. With the continuing support of the Board and senior management, the dedicated GSCOP Code Compliance Office (CCO) works very closely with the buying team to ensure compliance, professionalism and responsiveness between our teams and suppliers. The CCO reports into the Compliance Committee quarterly (which feeds up to the Audit Committee), and is also invited to report directly into the Audit Committee. Regular update reports are provided to the Audit Committee, as delegated by the Board, in relation to GSCOP and compliance. For further information, please view our GSCOP Annual Statement at https://ocadoretail.com. The Company has processes in place to prevent and eradicate modern slavery in its supply chain. Details are available in the Company's Modern Slavery Statement, which was overseen by the Board and is available on the Company's website. This year the Company also extended the remit of its Anti-Slavery policy to GNFR suppliers, joined the Seasonal Workers Scheme Taskforce and the SEA Alliance which aims to strengthen human rights due diligence in the global seafood supply chain. The Company receives customer feedback in a number of ways, including through emails, social media activity and advertising. The Customer Hub is open seven days a week to assist customers with any queries. The Board and senior management have further focused this year on the Company's value proposition and, in expanding Ocado's Own Range and the number of Marks & Spencer products it hosts, on the provision of additional value and choice to customers. Regular update reports are provided to the Board including on trading figures, customer behaviour and new and ongoing initiatives with customers. These can be used to inform key decisions.

The desirability of maintaining a reputation for high standards of business conduct

Our approach	Examples of how we have had regard to this factor during the period
Our values and leadership behaviours are a vital part of our culture, helping us ensure that through our conduct we do the right thing for the business and our stakeholders. The Board leads by example to promote this culture, by maintaining high standards of ethics and integrity, and ensures that the necessary policies and procedures are put in place. We are committed to maintaining the highest standards of ethical conduct and integrity in our business practices and we have in place compliance policies and processes to ensure these standards are embedded across the business. Communications from the leadership team emphasise both the importance of these commitments and compliance with requirements. These are reinforced with both targeted training and communications to ensure colleagues are reminded of their obligations.	The Company has implemented policies on Anti Tax Evasion and Delegation of Authority. • the Anti-Tax Evasion Policy sets out the Company's commitment to ethical and legal practices in the payment of tax. • our Delegation of Authority policy clearly delineates the hierarchical requirements for both approval and signature on differentiated matters, contracts and financial spending limits. This reduces the Company's risk, enhances the chain of command, promotes the efficient operation of the business of the Company and maintains appropriate internal controls. Following on from the Company's previous Annual Statement where a commitment was made to provide Compliance training and a mandatory Code of Conduct for all employees, both the training and the Code of Conduct were implemented. Human Rights & Modern Slavery, as well as Sustainability KPIs are reviewed on a quarterly basis to underscore not only the Company's commitment to transparency, but also to reinforce and enhance internal governance. The Company continues to partner with Stronger Together, a multi-stakeholder business-led initiative aiming to reduce modern slavery. It is also a member of the Food Network for Ethical Trade, focused on bringing about positive change in working conditions in global food supply chains, and the British Retail Consortium, where it has a place on both the BRC's Responsible Sourcing Group and its Ethical Labour Working Group. Noted again are the Company's extension of its anti-slavery policy and its membership of the SWST and SEA Alliance. Third Party vendor management is now managed by the Company, replacing the process that was previously managed by Ocado Group plc. This brings any risks associated with vendor choices under the control of the Company. Mandatory cyber security training was rolled out within the Company. Our Cyber Security team also use third party software to create phishing simulations to help test our internal security processes. The approval of a cyber security programme has also been a key focus of the Company to ensure all employees receive ongoing training in this key area. This period, the GCA (Groceries Code Adjudicator) published the results of the Annual Supplier Survey which is an opportunity for suppliers to submit confidential feedback and a valuable opportunity for suppliers to tell the GCA about any issues they are facing with retailers. The Company's performance was positive, particularly given the challenging trading environment this period.

Groceries Supply Code of Practice (GSCOP/the Code)

Summary of Annual Compliance Report 2022 – 2023

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 28th November 2022 to 3rd December 2023.

Background

During the last financial year, we continued to develop our proposition by opening one new Customer Fulfilment Centre and closing an existing site, reviewing our approach to product recalls and withdrawals, updating our Supply Ocado site for prospective supplier applications, migrating to a new haulier for our Primary Network operation, implementing a new finance system for payments and trialling new training for suppliers. Throughout these processes, the various teams engaged with the CCO to understand the Code requirements in order to define the approach to take when dealing with our suppliers to ensure we work in a collaborative and transparent way.

Ocado Retail has met all reporting requirements through timely submission of the Annual Compliance Report for 2022 to the CMA and submission of the Progress Update Reports to the GCA during 2023. The CCO has provided ad-hoc updates to the GCA when requests have been made for further information and has supported the GCA throughout the year.

During the course of the year we have:

- maintained our approach to strong governance with each of our supplier-facing teams
- undertaken annual refresher training for 757 colleagues from Ocado Retail and Ocado Group
- held in-depth training sessions for 92 colleagues in supplier-facing roles
- delivered tiered negotiation training that has been held for 58 colleagues in the Buying Team
- held ongoing CCO Listening Sessions for suppliers to share feedback or obtain advice

Supplier Survey

The results of the Groceries Code Adjudicator's annual Supplier Survey highlighted that the majority of our suppliers, 94%, rated Ocado Retail Limited positively for overall compliance with the Code. We were pleased that we improved on our performance from the previous year, maintaining ninth position, which is particularly encouraging during a year of challenging market conditions that continued to see unprecedented levels of cost price increases.

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 four escalations informally as follows:

- Three complaints were received and resolved by internal teams (level one)
- One complaint was received by the CCO (level two)

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. The complaint received by the CCO was raised at the end of the financial year and therefore remained open.

Key Contacts

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

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

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

Approved by the Board and signed on its behalf by:

MATHEW ANKERS
Director, 30 May 2024

Directors' Report

The Directors present their Annual Report and Financial Statements of Ocado Retail Limited (the "Company") for the 53 week period ended 3 December 2023. This report must be read in conjunction with the Strategic Report on pages 3 to 29.

Board of Directors

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

Hannah Gibson
Tim Steiner
Stuart Machin
Stephen Daintith
Adam Dobbs
Jeremy Townsend
(appointed 26 January 2023)
Mathew Ankers
(appointed 22 September 2023)
James Matthews
(appointed 26 April 2023)
Jonathan Wiseman
(Company Secretary)
Niall McBride
(resigned 19 January 2023)
Lawrence Hene
(resigned 26 April 2023)

Political donations and expenditure

No political donations or expenditure was made by the Company to any political party, organisation or candidate during the period (FY22: £Nil).

Charitable donations

During the period the Company made charitable donations amounting to £1.1m (FY22: £1.9m). Additional cash donations to environmental causes of £0.4m (FY22: £0.4m) were made in addition to charitable stock donations valued at £10.7m (FY22: £11.4m). This was part funded (£2.5m, FY22: £2.8m) by customers through our You Give We Give initiative.

Research and development

No research and development is undertaken by the Company.

Streamlined Energy and Carbon Reporting

Ocado Retail's Streamlined Energy and Carbon Reporting disclosures can be seen in the Strategic Report on pages 3 to 29.

Risk management

The Company's risk management policies for managing financial risk to the extent that is material to assessing the financial performance or position of the Company are summarised in the principal risks and uncertainties section of the Strategic Report on pages 3 to 29.

Equal opportunities

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

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

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

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

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

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

Stakeholder and employee engagement

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

Financial instruments

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

Results and dividends

The Company's statutory results for the period are set out in the Statement of Comprehensive Income on page 36.

The Directors do not propose to pay a dividend for the period (FY22: £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 page 4.

Branches

There are no branches of the Company.

Going Concern

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

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

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

Directors' interests

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

Directors' insurance and indemnities

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

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this Annual Report confirms that:

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

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

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

Approved by the Board and signed in its behalf by

MATHEW ANKERS

Director,
30 May 2024

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 year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the results of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

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

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

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 3 December 2023 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; 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.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the feasibility and availability of financing facilities and required support from parent entities including nature of loan agreements, facilities, repayment terms and covenants.
- Assessment of business model and medium-term risks
- Assessment over the feasibility and reasonableness of assumptions used in the forecasts
- Assessment of management's downside sensitivity analysis

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but 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 and IT specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud through the possible manipulation of the accuracy and occurrence of promotional income, and our specific procedures performed to address it are described below:

- Independently requesting a sample of supplier confirmations to validate the amounts recorded throughout the period and on the balance sheet at period end. Where responses were not received, we performed alternative procedures, including inspecting management's correspondence with the supplier, recalculating the amount of commercial income from the arrangement, and assessing the volume and value of credit notes raised post-period end.
- Traced samples selected to the relevant invoices and verifying subsequent payment in the bank statements (where applicable) or reviewed post-year-end invoices and payment history to determine whether amounts could have been netted or have been netted previously.
- Assessing the recoverability of a sample of unsettled balances included on the balance sheet for valuation.

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.

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 year 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 a re 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.

HEATHER BYGRAVE FCA

(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 30 May 2024

Statement of Comprehensive Income

For the 53 week period ending 3 December 2023

	Notes	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m Represented*
Revenue	2.2	2,408.8	**2,203.0**
Cost of sales		(1,595.2)	(1,463.3)
Gross profit		**813.6**	**739.7**
Distribution costs		(696.3)	(646.9)
Administrative expenses		(166.8)	(158.0)
Operating loss before adjusting items		**(49.5)**	**(65.2)**
Adjusting items (charge) / income	2.6	(60.9)	20.0
Operating loss		**(110.4)**	**(45.2)**
Finance income	4.2	0.8	0.2
Finance costs	4.2	(29.4)	(23.9)
Loss before taxation	**2.3**	**(139.0)**	**(68.9)**
Taxation	2.5	(1.5)	15.5
Loss for the period and total comprehensive expense		**(140.5)**	**(53.4)**

* During the period, the Company has changed the presentation of £82.2 million supplier funded income which was previously classified as other income to more accurately represent the nature of these transactions given they are rarely distinct from the purchase of goods, see note 2.1. These items are now being reported within cost of sales as they represent a reduction of the cost of goods sold.
All amounts are derived from continuing operations. There are no recognised gains or losses other than those recognised in the Statement of Comprehensive Income.
Non-GAAP measure: Adjusted earnings before interest, taxation, depreciation, amortisation, impairment and adjusting items (Adjusted EBITDA).

	Notes	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m Represented*
Operating loss		(110.4)	**(45.2)**
Adjustments for:			
Adjusting items expense / (income)	2.6	60.9	(20.0)
Amortisation of intangible assets	3.2	1.6	1.3
Depreciation of property, plant and equipment	3.3	13.4	10.0
Depreciation of right-of-use assets	3.4	46.5	49.9
Adjusted EBITDA [A]		**12.0**	**(4.0)**

Balance Sheet as at 3 December 2023

	Notes	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m Represented*
Intangible assets	3.2	14.2	15.1
Property, plant and equipment	3.3	223.6	234.4
Deferred tax asset	2.5	–	1.5
Right-of-use assets	3.4	290.0	365.0
Non-current assets		**527.8**	**616.0**
Inventories	3.5	84.1	89.1
Trade and other receivables	3.6	152.5	134.1
Cash and cash equivalents	3.7	76.4	24.2
Current assets		**313.0**	**247.4**
Total assets		**840.8**	**863.4**
Trade and other payables	3.8	(270.1)	(225.7)
Lease liabilities	3.9	(37.1)	(40.2)
Provisions	3.10	(3.9)	–
Borrowings	4.1	–	(10.0)
Current liabilities		**(311.1)**	**(275.9)**
Net current assets / (liabilities)		**1.9**	**(28.5)**
Lease liabilities	3.9	(300.0)	(339.4)
Provisions	3.10	(18.7)	(16.5)
Borrowings	4.1	(180.0)	(60.0)
Non-current liabilities		**(498.7)**	**(415.9)**
Total liabilities		**(809.8)**	**(691.8)**
Net assets		**31.1**	**171.6**
Share capital	4.3	–	–
Share premium	4.3	360.3	360.3
Other reserves	4.3	9.2	9.2
Accumulated Losses		(338.4)	(197.9)
Shareholders funds		**31.1**	**171.6**

The financial statements on pages 36 to 54 were authorised for issue by the Board of Directors and signed on its behalf by:

MATHEW ANKERS
Director, Ocado Retail Limited

Company Registration Number 03875000 (England and Wales) 30 May 2024

Statement of Changes in Equity

For the 53 weeks ended 3 December 2023

	Share capital £m	Share premium £m	Other reserves £m	Accumulated Losses £m	Total equity £m
Balance at 28 November 2021	–	360.3	9.2	(144.5)	225.0
Loss for the period and total comprehensive expense	–	–	–	(53.4)	(53.4)
Balance at 27 November 2022	–	360.3	9.2	(197.9)	171.6
Loss for the period and total comprehensive expense	–	–	–	(140.5)	(140.5)
Balance at 3 December 2023	**–**	**360.3**	**9.2**	**(338.4)**	**31.1**

Notes to the Financial Statements

Section 1: Basis of preparation

General information

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

The financial year represents the 53 weeks ended 3 December 2023. The prior financial year represents the 52 weeks ended 27 November 2022.

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 Zoom by Ocado. Further information on the nature of the company's operations and its principal activities are set out in the Strategic Report on pages 3 to 29.

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

Basis of preparation

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

The financial statements contain information about Ocado Retail as an individual company. Ocado Group plc is the largest and smallest group of undertakings to consolidate these financial statements as of 3 December 2023. 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 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. Note 1.2 provides further details of the going concern assumption and considerations.

Exemptions

After considering the Application Guidance to FRS 100, the Company has taken advantage of the disclosure exemptions permitted under FRS 101 given that it is included in the consolidated financial statements of Ocado Group plc. The consolidated financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom, including the interpretations issued by the 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, new Standards effective in the year, Standard, amendments and interpretations adopted by the Company and/or not yet effective, 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.

Accounting policies

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within finance income or finance costs. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within operating loss.

1.1 Basis of preparation

Critical estimates, judgements and assumptions

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

Critical accounting judgements

Adjusting items

Management believes that separate presentation of the adjusting items provides useful information in the understanding of the financial performance of the Company. Management exercises judgement in identifying and determining the classification of certain transactions as adjusting items by considering the nature, occurrence and the materiality of the amounts involved in those transactions. Note 2.6 provides further details on current year adjusting items and their adherence to the policy.

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.

Key estimation uncertainties

Impairment assessment - network capacity reviews

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on the higher of value in use and fair value less costs to sell. The value in use method requires the Company to determine appropriate assumptions in relation to the cash flow projections (which is a key source of estimation uncertainty) and the discount rate used to discount the assumed cash flows to present value.

The Company has undertaken a significant strategic programme to review its network capacity for both ocado.com and Zoom by Ocado. This has resulted in an impairment charge of £59.4m (FY22: £nil) in the year. The most significant judgement that impacts the charge is the assumptions related to the future use of the sites, including estimation of rental income, where applicable. Further impairment charges may be recorded in future years, depending on the crystallisation of underlying assumptions. A delay of 12 months in the use of site assumptions would result in an additional impairment charge of £3.7m. See notes 2.6 and 3.4 for further details.

Other estimates, assumptions and judgements are applied by the Company, including those relating to identifying adjusting items. These estimates, assumptions and judgements are also evaluated on an ongoing basis, but are not deemed significant.

1.2 Going concern basis

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis. There has been no material uncertainty identified which would cast significant doubt upon the Company's ability to continue using the going concern basis of accounting for a minimum of 12 months following the approval of these financial statements.

In assessing going concern and determining whether there are material uncertainties, the Directors take into account the Company's business activities, cash flows, solvency, liquidity and net current liability positions, borrowing facilities, including Shareholder loans and support confirmations from Shareholders, together with factors that are likely to affect its future development and position, and the Company's principal risks and likely effectiveness of any mitigating actions (see more information on pages 13 to 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 budget and forecasts up to May 2025 and the strategic plan adjusted for latest capital expenditure plans. The Directors concluded that going concern would be maintained under the base case scenario, with sufficient headroom.

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

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

Section 2: Results for the period

2.1 Accounting policies

Revenue

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

Identification of the Performance Obligations

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

Determining the Transaction Price

Customers pay in full at point of sale. The transaction price is based on the aggregation of all order values shown net of any material adjustment for expected returns or expected future redemption of marketing vouchers in accordance with IFRS 15 guidance on variable consideration. Standard delivery charges and carrier bag receipts are included in the transaction price. The 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. 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, consideration for advertising services and volume-related rebates are received in connection with the promotion or purchase of goods for resale from those suppliers. These items represent a reduction to cost of sales as these are rarely distinct from the purchase of goods. Consideration for advertising services is recognised over the particular time period for which the service is provided on an accruals basis. Advertising services are agreed on either a fixed or variable volume basis. An adjustment is made at the period end to accrue the amount in relation to media campaigns that may span the period end. Agreements for volume rebates which also span across the period end date are estimated on a volume basis.

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

Distribution costs

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.

A significant portion of the distribution costs are charged to the Company by an Ocado Group entity.

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

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

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

2.3 Loss before taxation

	Notes	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Loss before taxation is stated after (charging)/crediting the following:			
Cost of inventories recognised as an expense		(1,664.7)	(1,532.5)
Depreciation and amortisation		(61.5)	(61.2)
Adjusting items (expense)/income	2.6	(60.9)	20.0
Impairment of receivables		(0.8)	(1.1)
Employment costs	2.4	(45.0)	(22.5)

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

	53 weeks ended 3 December 2023 £'000	52 weeks ended 27 November 2022 £'000
Audit of the Company's financial statements	525.0	522.0
Non-audit services	–	–
Total	**525.0**	**522.0**

2.4 Employee information

During the period the average monthly number of employees was 841 (FY22: 916), being head office and Customer Hub staff.

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

Remuneration disclosed below includes amounts paid to the highest paid executive director of £448.4k (FY22: £1,791.5k). Decrease in total remuneration noted due to timing of qualifying services not covering a large proportion of FY23 for new directors and FY22 costs included compensation for loss of office. No defined contribution pension payments were made on behalf of the three (FY22: three) executive directors.

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Employment costs	38.4	35.9
Value Creation Plan – see note 3.10	–	(19.0)
Long term incentive plan – see note 3.10	1.2	–
Social security costs	4.0	4.1
Other pension costs	1.4	1.5
Total	**45.0**	**22.5**

	53 weeks ended 3 December 2023 £'000	52 weeks ended 27 November 2022 £'000
Directors' remuneration is disclosed as follows:		
Remuneration for qualifying services	587.6	2,831.3
Company pension contributions to defined contribution schemes	–	–

2.5 Taxation

Accounting policies

The tax charge for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case the tax is also recognised directly in equity.

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 from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Recognition, therefore, involves judgement regarding the prudent forecasting of future taxable profits of the business and in applying an appropriate risk adjustment factor. The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of that asset to be recovered. Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

A deferred tax asset has been recognised on unutilised current year trading losses to the extent that they will be utilised against future taxable amounts resulting from the reversal of deferred tax liabilities.

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

Taxation – Statement of Comprehensive Income

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Recognised in the Statement of Comprehensive Income		
UK corporation tax on loss	–	(9.1)
Adjustments in respect of prior periods	–	(2.7)
Total current corporation tax credit	**–**	**(11.8)**
Deferred tax		
Origination and reversal of temporary differences	2.8	(7.0)
Effect of change in UK Corporation Tax rate	–	–
Adjustments in respect of prior periods	(1.3)	3.3
Total deferred tax	**1.5**	**(3.7)**
Income tax charge / (credit)	**1.5**	**(15.5)**

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Loss before tax	**(139.0)**	**(68.9)**
Effective tax charge at the UK tax rate of 23% (FY22: 19%)	(32.0)	(13.1)
Effect of:		
Non-deductible items	6.7	–
Non-taxable income	(0.1)	(3.0)
Losses on which no deferred tax is recognised	30.4	–
Effect of change in UK Corporation Tax rate	(2.2)	–
Adjustments in respect of prior period	(1.3)	0.6
Income tax charge / (credit)	**1.5**	**(15.5)**

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

The main rate of UK Corporation Tax was increased from 19% to 25% with effect from 1 April 2023. The effect of timing differences arising in the year on current tax has been calculated at the average rate for the year of 23%, however the effect on deferred tax has been calculated at 25% (the rate expected to be in force when the timing differences reverse). The difference between the current tax and deferred tax rates has resulted in a reduction of £2.2m in the total income tax charge.

A deferred tax asset on unutilised tax losses carried forward has been recognised only to the extent that losses can be utilised against future taxable amounts resulting from other reversing temporary differences. The gross value of losses on which no deferred tax asset has been recognised is £121.7 million (tax value £30.4 million) (FY22: £nil). All tax losses, both recognised and unrecognised, can be carried forward indefinitely.

Taxation – Balance Sheet

Movement in the deferred tax asset / (liability) is as follows:

	Tax losses £m	Accelerated capital allowances £m	Share based payments £m	Other short-term timing differences £m	Total £m
As at 28 November 2021	**–**	**(8.5)**	**4.8**	**1.5**	**(2.2)**
Recognised through Statement of Comprehensive Income	17.9	(9.3)	(4.8)	(0.1)	3.7
As at 27 November 2022	**17.9**	**(17.8)**	**–**	**1.4**	**1.5**
Recognised through Statement of Comprehensive Income	(6.4)	4.7	0.3	(0.1)	(1.5)
As at 3 December 2023	**11.5**	**(13.1)**	**0.3**	**1.3**	**–**

2.6 Adjusting items

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
UK network capacity review[1]	(27.1)	–
Zoom by Ocado strategy and network capacity review[1]	(32.3)	–
Net Insurance proceeds relating to Andover and Erith CFCs[2]	1.4	26.4
Loss on disposal of Speciality Stores Limited[3]	–	(1.4)
Transformation of IT and finance systems[3]	(2.6)	(4.0)
Resizing[3]	(0.3)	(1.0)
Total adjusting items (expense) / income	**(60.9)**	**20.0**

[1] Costs have been deducted from distribution costs.
[2] Net proceeds deducted from other income, this would have been presented as other income on the Statement of Comprehensive Income.
[3] Costs have been deducted from administrative expenses.

UK network capacity review
In April 2023, the plan to cease operations at the CFC in Hatfield was announced as part of a wider review of UK network capacity.

As a result, ORL has recorded provisions for restructuring costs of £3.9 million at the balance sheet date. Impairment charges of £15.7 million (RoU assets £13.9 million and PPE £1.8 million) and other related costs of closure of £7.5 million which include stock and redundancy costs were recognised throughout the period. Impairment has been calculated utilising a 5.2% discount rate based on the underlying features of the lease.

These costs have been classified as adjusting on the basis that they are material and relate to sites where no future ongoing trading activities will take place.

Zoom by Ocado strategy and network capacity review
During the period, the Company undertook a strategy and capacity review for the Zoom network, which resulted in recording impairment charges totalling £32.2 million (RoU assets £14.4 million, PPE £17.6 million and intangibles £0.2 million) and £0.1 million other immaterial costs. Impairment has been calculated utilising a 10.6% discount rate based on the underlying features of the lease.

These costs have been classified as adjusting on the basis that they are material and part of a significant strategic review which was a demonstrable commitment in FY23.

Net Insurance proceeds relating to Andover and Erith CFCs
In February 2019 a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The net adjusting income of £1.4 million in 2023 (FY22: £22.9 million) relates to final payment of the Business Interruption claim in relation to this fire.

In July 2021, a small fire in the Erith CFC resulted in the temporary closure of the site for a few days. During the prior period final insurance reimbursements were received of £3.5m to cover the losses arising from the fire. No further reimbursement was received in FY23.

Loss on disposal of Speciality Stores Limited
In 2021, Ocado Retail completed the sale of Speciality Stores Limited. During the prior period a provision of £1.4m was made against the residual deferred consideration based on the likelihood of receipt. No further charges were recorded in FY23.

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

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

£1.5 million of costs were recognised as adjusting expenditure in 2023 (FY22: £4.0 million) in respect of one-off development and the introduction of Ocado Retail IT systems linked to its obligation to transition away from Ocado Group IT services tools and support. This was considered an adjusting cost due to its nature. An additional £0.8 million of IT assets arising from this project have been capitalised in 2023 (FY22: £6.0 million, £11.3 million for the project to date).

In the current period, Ocado Retail has also undertaken a programme to replace the current Enterprise Resource Planning ('ERP') with Oracle Fusion. The cumulative costs incurred to date are £1.1 million, this programme will continue into 2024.

Resizing
In order to ensure the Company was in the right shape to deliver on our strategic priorities and could be resilient in the current economic environment, the Board supported a change programme to drive operational efficiencies and ensure organisational structures were future proofed. Costs of £0.3 million were recognised as adjusting expenditure in 2023 (FY22: £1.0 million) in relation to this. This was considered an adjusting cost due to its nature.

Section 3: Assets and liabilities

3.1 Accounting policies

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

Trade and other receivables
Trade receivables are non-interest bearing and are on commercial terms. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for expected credit losses.

Other receivables are non-interest bearing and are recognised initially at fair value, and subsequently at amortised cost, reduced by appropriate allowances for estimated expected credit losses.

Allowance for expected credit losses
An allowance for expected credit losses 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.

An allowance for expected credit losses is recognised in the Statement of Comprehensive Income within administrative expenses.

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

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

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

Trade and other payables
Trade and other payables are initially recognised at fair value and subsequently at amortised cost, using the effective interest rate method.

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

3.2 Intangible assets

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

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

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

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

Estimation of Useful Life
The charge in respect of periodic amortisation is derived by estimating an asset's expected useful life and the expected residual value at the end of its life. The useful life is determined by management at the time the asset is acquired and brought into use and is reviewed for appropriateness regularly.

For computer software licences (excluding SaaS arrangements), the useful life represents management's view of the expected period over which the Company will receive benefits from the software.

For unique software products developed and controlled by Ocado Retail, useful life is based on historical experience with similar products within Ocado Group as well as anticipation of future events which may affect their useful life, such as changes in technology.

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

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

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

	Internally Generated Assets £m	Assets Under Development £m	Other Intangible Assets £m	Total Intangible Assets £m
Cost				
At 27 November 2022	11.9	3.9	0.8	16.6
Additions	0.9	–	–	0.9
At 3 December 2023	**12.8**	**3.9**	**0.8**	**17.5**
Accumulated amortisation				
At 27 November 2022	(1.1)	–	(0.4)	(1.5)
Amortisation	(1.3)	–	(0.3)	(1.6)
Impairment	(0.2)	–	–	(0.2)
At 3 December 2023	**(2.6)**	**–**	**(0.7)**	**(3.3)**
Net book value				
At 27 November 2022	10.8	3.9	0.4	15.1
At 3 December 2023	**10.2**	**3.9**	**0.1**	**14.2**

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.

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

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

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

3.3 Property, Plant and Equipment

Accounting Policies

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

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

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

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

Freehold buildings and leasehold properties
30 years, or the lease term if shorter

Fixtures and fittings
5 – 10 years, or the lease term if shorter

Plant and machinery
3 – 20 years, or the lease term if shorter

Motor vehicles
2 – 7 years, or the lease term if shorter

Land
Held at cost and not depreciated

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

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

Estimation of Useful Life

Depreciation is provided at rates estimated to write off the cost of the relevant assets less their estimated residual values by equal annual amounts over their expected useful lives. Residual values and expected useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

The charge in respect of periodic depreciation is derived by estimating an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Statement of Comprehensive Income.

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

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

Included within property, plant and equipment is work-in-progress for land and buildings of £4.7 million (FY22: £63.3 million) and fixtures, fittings, plant and machinery of £1.4 million (FY22: £14.4 million).

	Land and Buildings £m	Fixtures, Fittings, Plant and Machinery £m	Total £m
Cost			
At 27 November 2022	156.0	92.0	248.0
Additions	10.8	13.5	24.3
Asset write off	(2.0)	(0.3)	(2.3)
At 3 December 2023	**164.8**	**105.2**	**270.0**
Depreciation and impairment			
At 27 November 2022	(3.7)	(9.9)	(13.6)
Depreciation charge	(6.0)	(7.4)	(13.4)
Impairment charge	(10.8)	(8.6)	(19.4)
At 3 December 2023	**(20.5)**	**(25.9)**	**(46.4)**
Net book value			
At 27 November 2022	152.3	82.1	234.4
At 3 December 2023	**144.3**	**79.3**	**223.6**

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. If required, assets will be remeasured to reflect modifications, with corresponding adjustments reflected in lease liabilities.

	Land and Buildings £m	Fixtures, Fittings, Plant and Machinery £m	Motor vehicles £m	Total £m
At 27 November 2022	263.8	53.4	47.8	365.0
Additions	1.2	–	3.5	4.7
Remeasurements	(2.8)	(1.7)	–	(4.5)
Reclassification	0.9	(0.9)	–	–
Depreciation	(19.6)	(9.7)	(17.2)	(46.5)
Impairment	(27.9)	(0.4)	–	(28.3)
Disposals	–	–	(0.4)	(0.4)
At 3 December 2023	**215.6**	**40.7**	**33.7**	**290.0**

3.5 Inventories

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Goods for resale	84.1	89.1

3.6 Trade and other receivables

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Trade receivables	74.4	68.5
Less: allowance for expected credit losses	(1.5)	(2.8)
Net trade receivables	**72.9**	**65.7**
Corporation tax receivable	19.2	32.3
Other receivables	0.9	1.9
Prepayments	5.5	2.8
Amounts due from group undertakings	3.8	2.5
Accrued income	50.2	28.9
Total trade and other receivables	**152.5**	**134.1**

Included in trade receivables is £59.1 million (FY22: £52.5 million) due from suppliers in relation to commercial and media income. Within accrued income is £21.5 million (FY22: £12.5 million) to be invoiced to suppliers in relation to supplier-funded promotional activity and £10.9 million (FY22: £6.2 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 allowance 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 customers and suppliers, which are considered of a good credit quality, as well as VAT and corporation tax receivables. The Company creates an allowance for expected credit losses in respect of monies due from customers and suppliers.

Trade receivables and trade payables are recognised and presented on a gross basis within the balance sheet. Certain trade receivables and trade payables are subject to counterparty offsetting or enforceable master netting arrangements. Each agreement between the Company and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. The master netting agreements regulate settlement amounts in the event a party defaults on their obligations. Of the £74.5 million recognised within accounts receivable £33.3 million (FY22: £31.9 million) will be subject to future netting arrangements.

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

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Cash at bank and in hand	76.4	24.2

3.8 Trade and other payables

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Trade payables	134.8	112.8
Accruals	83.3	84.5
Other payables	1.2	–
Amounts due to group undertakings	43.9	21.7
Other taxation and social security	1.0	1.1
Deferred income	5.9	5.6
Total trade and other payables	**270.1**	**225.7**

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

Within accruals is goods received not invoiced of £58.0m (FY22: £58.1m). At the period end the Company is required to estimate goods received not invoiced based on the stock purchases and invoices received. Confirmation of the majority of amounts is received by six months post period end, however some amounts can be confirmed over twelve months after the period ends. Estimation is applied in relation to cost price increases, therefore a top-up provision is recognised.

In the prior period, the Company reassessed the estimation of the provision based on the analysis of historical trend data as 1% which remains consistent in FY23. A change of 0.1% in this estimation would have resulted in an additional charge of £1.9m.

3.9 Lease liabilities

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

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

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

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

Assets funded through lease liabilities are capitalised as appropriate, and are depreciated 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.

Lease liability

	Land and Buildings £m	Fixtures, Fittings, Plant and Machinery £m	Motor vehicles £m	Total £m
At 27 November 2022	273.1	56.8	49.7	379.6
Additions	–	–	3.5	3.5
Termination	–	–	(0.3)	(0.3)
Remeasurements	(2.5)	(0.8)	–	(3.3)
Interest	15.1	3.8	1.4	20.3
Payments	(30.9)	(12.0)	(19.8)	(62.7)
At 3 December 2023	**254.8**	**47.8**	**34.5**	**337.1**

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Lease liabilities due:		
Within one year	37.1	40.2
Between one and two years	35.3	36.9
Between two and five years	69.9	83.9
Over five years	194.8	218.6
Total lease liabilities	**337.1**	**379.6**
Minimum lease payments due:		
Within one year	54.8	60.7
Between one and two years	51.4	55.1
Between two and five years	109.8	129.4
Over five years	290.2	331.4
Total minimum lease payments due	506.2	576.6
Less: future finance charges	(169.1)	(197.0)
Present value of lease liabilities	**337.1**	**379.6**
Current	37.1	40.2
Non-current	300.0	339.4

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 (FY22: £Nil).

3.10 Provisions

Dilapidations

Provisions for dilapidations are made in respect of properties where there are obligations to return these properties to the condition and state they were in when the Company obtained the right to use them. These are recognised on a property by property basis and are based on the Company's best estimate of the likely committed cash outflow. Where relevant, these estimated outflows are discounted to net present value. Timing of utilisation of dilapidations provision is 3-22 years.

Long term incentive plan (LTIP)

Within the period a conventional LTIP was implemented for the senior leadership team of the Company. Payments under the awards made during FY23 will vest in July 2026. Awards are always expected to be made against a three year measurement period so, for example, awards made in FY24 will vest in July 2027 and so on. There is no requirement that awards will be made each year to management but it is expected that they will be unless the scheme is replaced. Provision is calculated based on assumed performance over the scheme term. This replaces the value creation plan which was cancelled in the prior period.

Operating provisions

During the period, the plans to cease operations at the CFC in Hatfield and Zoom site in Leeds were announced as part of a wider review of UK network capacity for both ocado.com and Zoom by Ocado. Provisions of £3.9 million were recognised at the period end in relation to this which are expected to be utilised over the next 3 years.

	Dilapidations £m	LTIP £m	Operating provisions £m	Total provisions £m
As at 27 November 2022	16.5	–	–	16.5
Charge to the Statement of Comprehensive Income				
– Additional provision	0.2	1.2	3.9	5.3
– Unwinding of discounting	0.8	–	–	0.8
As at 3 December 2023	**17.5**	**1.2**	**3.9**	**22.6**
Current	–	–	3.9	3.9
Non-current	17.5	1.2	–	18.7

Section 4 — Capital structure and financing costs

4.1 Borrowings

	3 December 2023 £m	27 November 2022 £m
Shareholder loans	180.0	60.0
Revolving credit facility	–	10.0
Borrowings	**180.0**	**70.0**
Current	–	10.0
Non-current	180.0	60.0

Revolving credit facility
Ocado Retail entered into a three-year Revolving Credit Facility (RCF) of £30 million in December 2019. The RCF had an extended maturity date of 19 December 2023.

Interest was payable on the amounts drawn down at a margin of 2.75% per annum plus the applicable reference rate. The company was subject to certain financial covenants under this facility. As at 3 December 2023 £nil of the facility was drawn down (FY22: £10.0 million).

Shareholder loan
On 5 August 2019, Ocado Retail entered into a Shareholder loan Facility of £60 million, £30 million respectively from each shareholder. In the period, this facility was extended by £125 million, taking the total facility size to £185 million with each shareholder committed to £92.5 million.

At the period end £180 million was drawn down, £90 million per shareholder (FY22: £60 million). The Shareholder loan is due to mature in August 2039 and incurs interest at SONIA + 4% per annum.

4.2 Finance income and costs

	53 weeks ended 3 December 2023 £m	52 weeks ended 27 November 2022 £m
Interest income on cash balances	0.8	0.2
Finance income	**0.8**	**0.2**
Interest on lease liabilities	(21.1)	(23.9)
Other finance costs	(8.3)	–
Finance costs	**(29.4)**	**(23.9)**
Net finance costs	**(28.6)**	**(23.7)**

4.3 Share capital and reserves

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

Share capital and reserves
The issued, authorised and fully paid up share capital and share premium accounts are set out to the right:

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 to the right:

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

	Ordinary shares Number	Share Capital £m	Share premium £m
At 3 December 2023 and 27 November 2022	**100**	**–**	**360.3**

Other reserves

	Capital contributions reserve	Fair value reserve £m	Total other reserves £m
At 3 December 2023 and 27 November 2022	**9.0**	**0.2**	**9.2**

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

Section 5: Other notes

5.1 Commitments

Capital commitments

There are no contracts placed for future capital expenditure, but not provided for in the financial statements at period end (FY22: £Nil).

5.2 Contingent liabilities

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

5.3 Related party transactions

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

During the period the Company paid net recharges of £995.1 million (FY22: £936.5 million) to Ocado Operating Limited for goods and services provided, including the Ocado Smart Platform fee.

During the period the Company paid net £42.2 million (FY22: £38.0 million) to Marks and Spencer plc for goods provided.

During the period the Company paid net recharges of £nil (FY22: £0.1 million) to Ocado Innovation Limited for goods and services provided.

	Included within trade payables £m	Included within interest payable £m	Included within borrowings £m	Included within amounts due to group undertakings £m	Included within amounts due from group undertakings £m
Ocado Operating Limited	–	–	–	(42.7)	3.6
Ocado Holdings Limited	–	–	(90.0)	(1.2)	–
Ocado Central Services Limited	–	–		–	0.2
Marks and Spencer Holdings Limited	–	(1.2)	(90.0)	–	–
Marks and Spencer plc	(2.8)	–	–	–	–
Gist Limited	(0.3)				
Jones Food Company Limited	–	–	–	(0.1)	–

During the period the Company paid net recharges of £0.4 million (FY22: £1.3 million) to Ocado Central Services for goods and services provided.

During the period the Company paid net £1.2m (FY22: £nil) to Gist Limited, a member of the Marks and Spencer Group, for services provided.

During the period the Company paid net £7k (FY22: £nil) to Jones Food Company, a member of the Ocado Group, for goods provided.

5.4 Post balance sheet events

Facilities

The £30 million RCF expired on 19 December 2023 and it has been replaced with a new facility for £30 million held jointly between Lloyds Bank PLC, BNP Paribas, Bank of China Limited signed on 9th May 2024.

Interest is payable on the amounts drawn down at a margin of 3.25% per annum plus the applicable reference rate. The company is subject to certain financial covenants under this facility.

5.5 Ultimate controlling party

In August 2019, Marks and Spencer Holdings Limited acquired a 50% stake in Ocado Retail to form a new 50:50 joint venture with Ocado Holdings Limited. The Shareholders have concluded that Ocado Holdings Limited still controls Ocado Retail, since it holds 50.0% of the voting rights of the Company and an agreement signed by the shareholders grants the Ocado Group determinative rights, after agreed dispute-resolution procedures, in relation to the approval of the Company's business plan and budget and the appointment and removal of the Company's Chief Executive Officer who is responsible for directing the relevant activities of the business. The Company's controlling party is Ocado Holdings Limited, a company incorporated in the United Kingdom. Ocado Group plc is the largest and smallest group of undertakings to consolidate these financial statements as of 3 December 2023 and the ultimate controlling party. 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.

Ocado Group's current intention is to give up its tie-breaking rights to M&S in early April 2025. There will be no change in economic interest of either shareholder in Ocado Retail Limited, or any consideration paid by M&S, as a result of this proposed change. After giving up the tie-breaking rights we expect that the results of Ocado Retail Limited will cease to be consolidated into the results of Ocado Group plc and will instead be consolidated within the results of Marks and Spencer Group plc. Ocado Group will then follow equity accounting for Ocado Retail as an investment from this point onwards.

Company Information

Directors

Hannah Gibson
Tim Steiner
Stuart Machin
Stephen Daintith
Adam Dobbs
Jeremy Townsend (appointed 26 January 2023)
James Matthews (appointed 26 April 2023)
Mathew Ankers (appointed 22 September 2023)
Lawrence Hene (resigned 26 April 2023)
Niall McBride (resigned 19 January 2023)

Company Secretary

Jonathan Wiseman

Company number

03875000

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Statutory auditor

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