CHANGING THE WAY THE WORLD SHOPS®

WWW.OCADOGROUP.COM

OCADO GROUP PLC

ANNUAL REPORT AND ACCOUNTS

FOR THE 52 WEEKS ENDED 2 DECEMBER 2018

OUR MISSION AND PURPOSE

CHANGING THE WAY THE WORLD SHOPS

We are transforming shopping, making it as easy and efficient as possible. We are online grocery pioneers. We have unique knowledge and inspired people delivering the best possible service to all our customers and continuous advantage to our partners with our innovative technologies and shared expertise.

Strategy

Driving growth: continually enhancing the value of our proposition for our retail customers and Solutions partners.

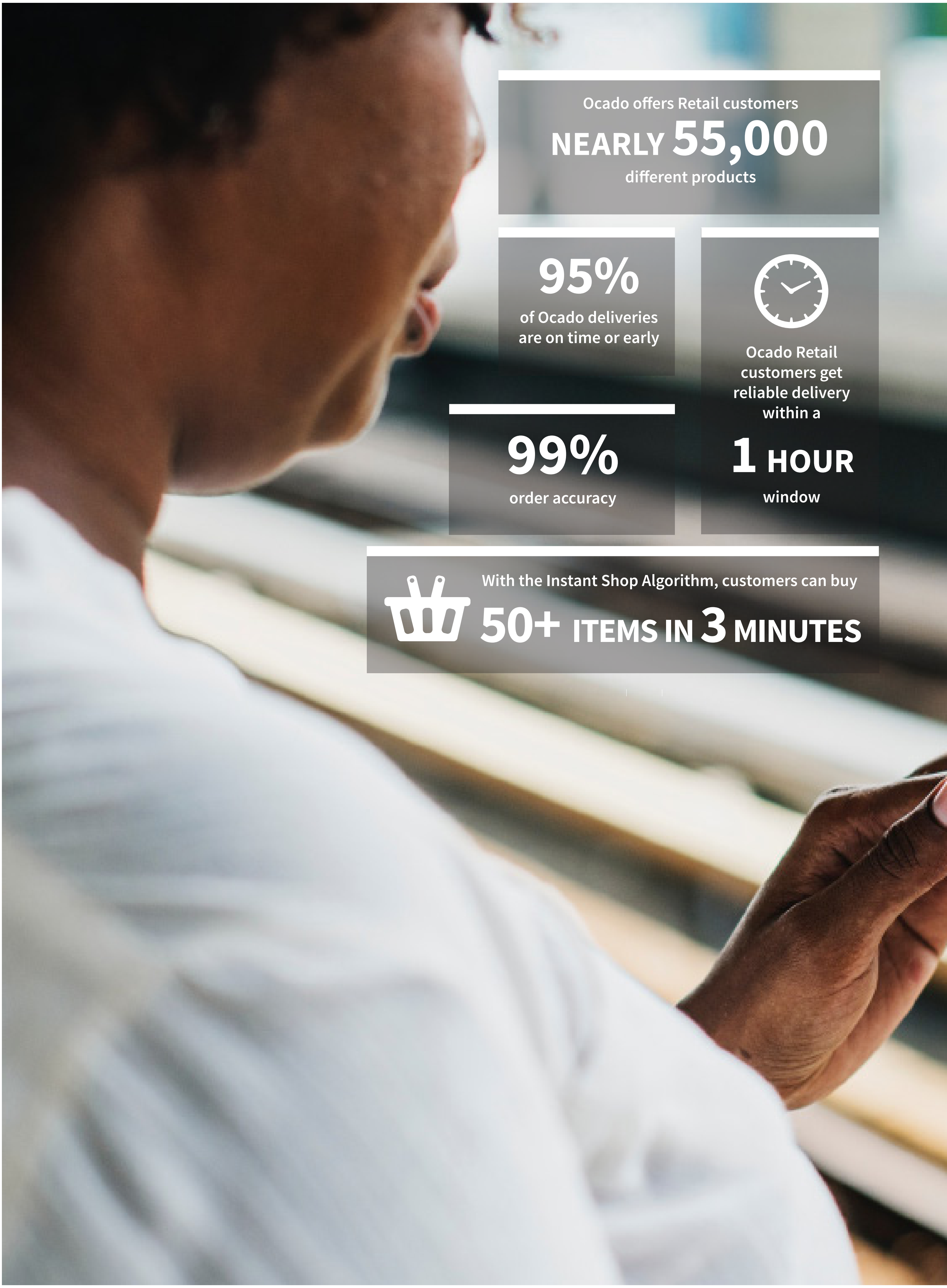
Maximising efficiency: always striving to develop our technology and operations, to consistently improve our economic and operating performance.

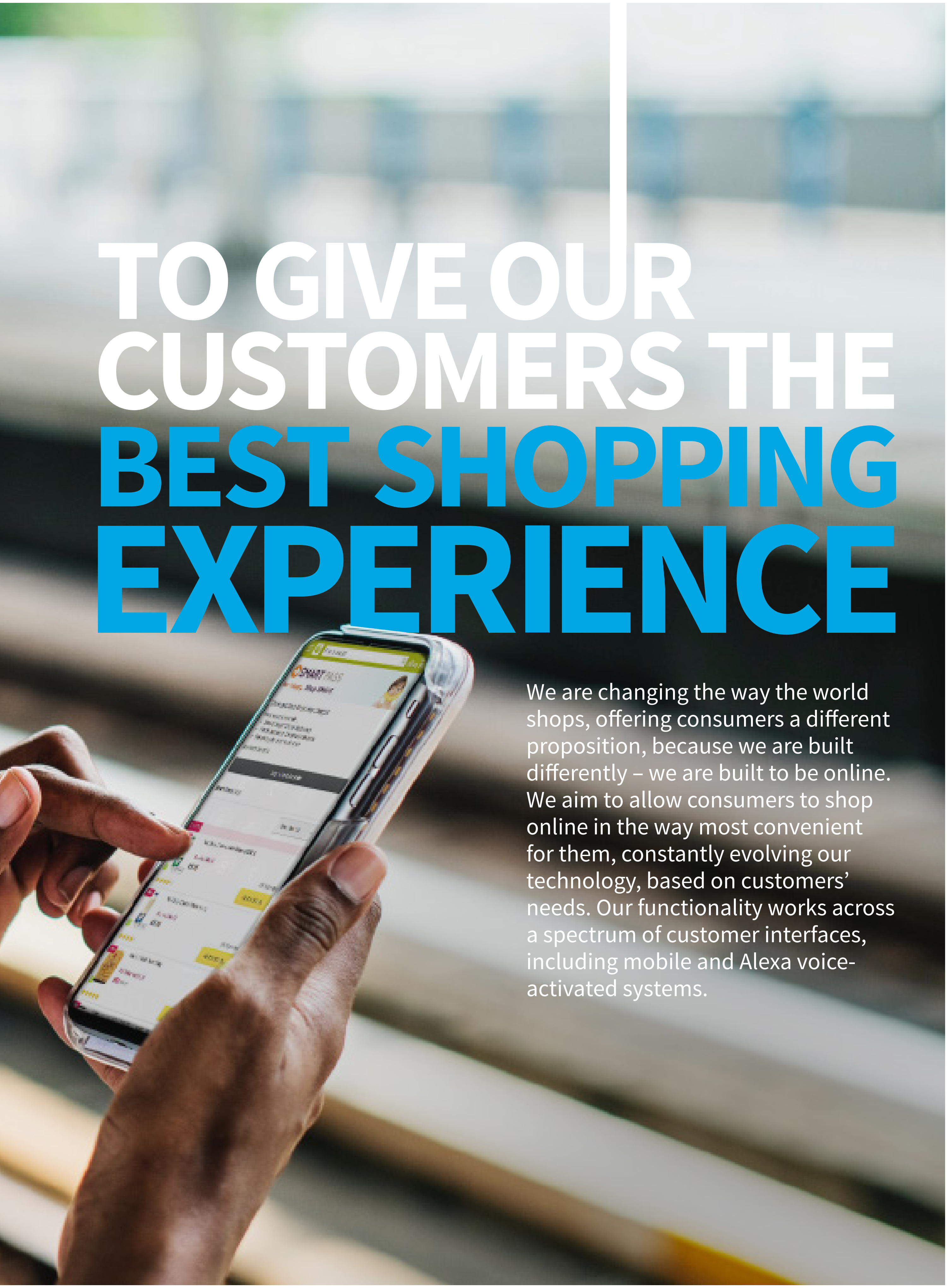
Utilising proprietary knowledge: using our IP to create competitive advantages in our retail business, and further monetising our IP through our platform business.

WHAT'S INSIDE

1.

NOW IS OUR TIME


Ocado offers Retail customers
NEARLY 55,000
different products
95%
of Ocado deliveries are on time or early
Ocado Retail customers get reliable delivery within a
1 HOUR
window
99%
order accuracy
With the Instant Shop Algorithm, customers can buy
50+ ITEMS IN 3 MINUTES



TO GIVE OUR CUSTOMERS THE BEST SHOPPING EXPERIENCE

We are changing the way the world shops, offering consumers a different proposition, because we are built differently – we are built to be online. We aim to allow consumers to shop online in the way most convenient for them, constantly evolving our technology, based on customers' needs. Our functionality works across a spectrum of customer interfaces, including mobile and Alexa voice-activated systems.

PACE OF INNOVATION

75%

new components in our 3rd generation bots compared with 2nd

↑

25%

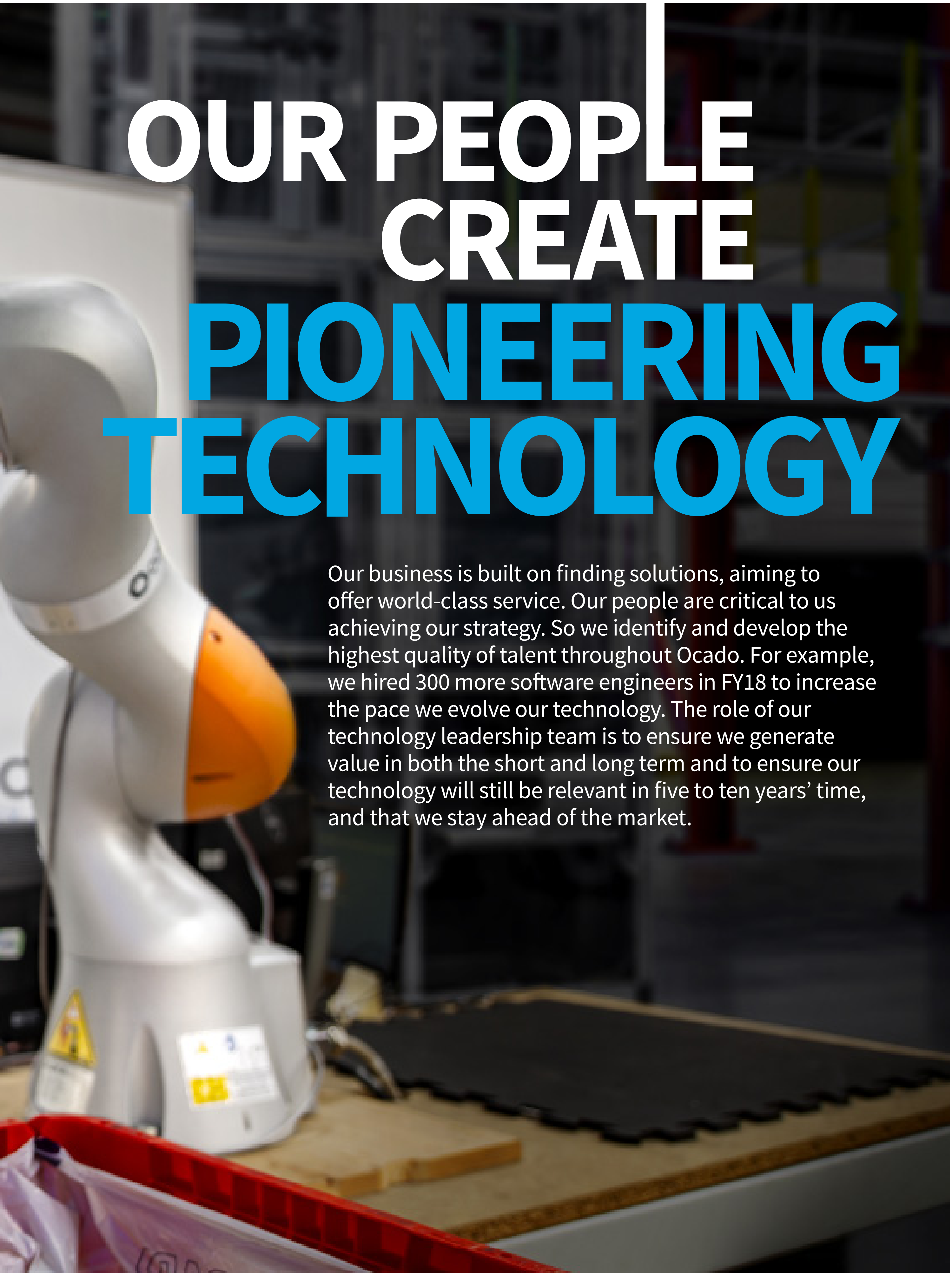
new components in our 2nd generation bots compared with 1st

OCADO TECHNOLOGY EMPLOYEES

2018
1300

2017
1100

2015
750

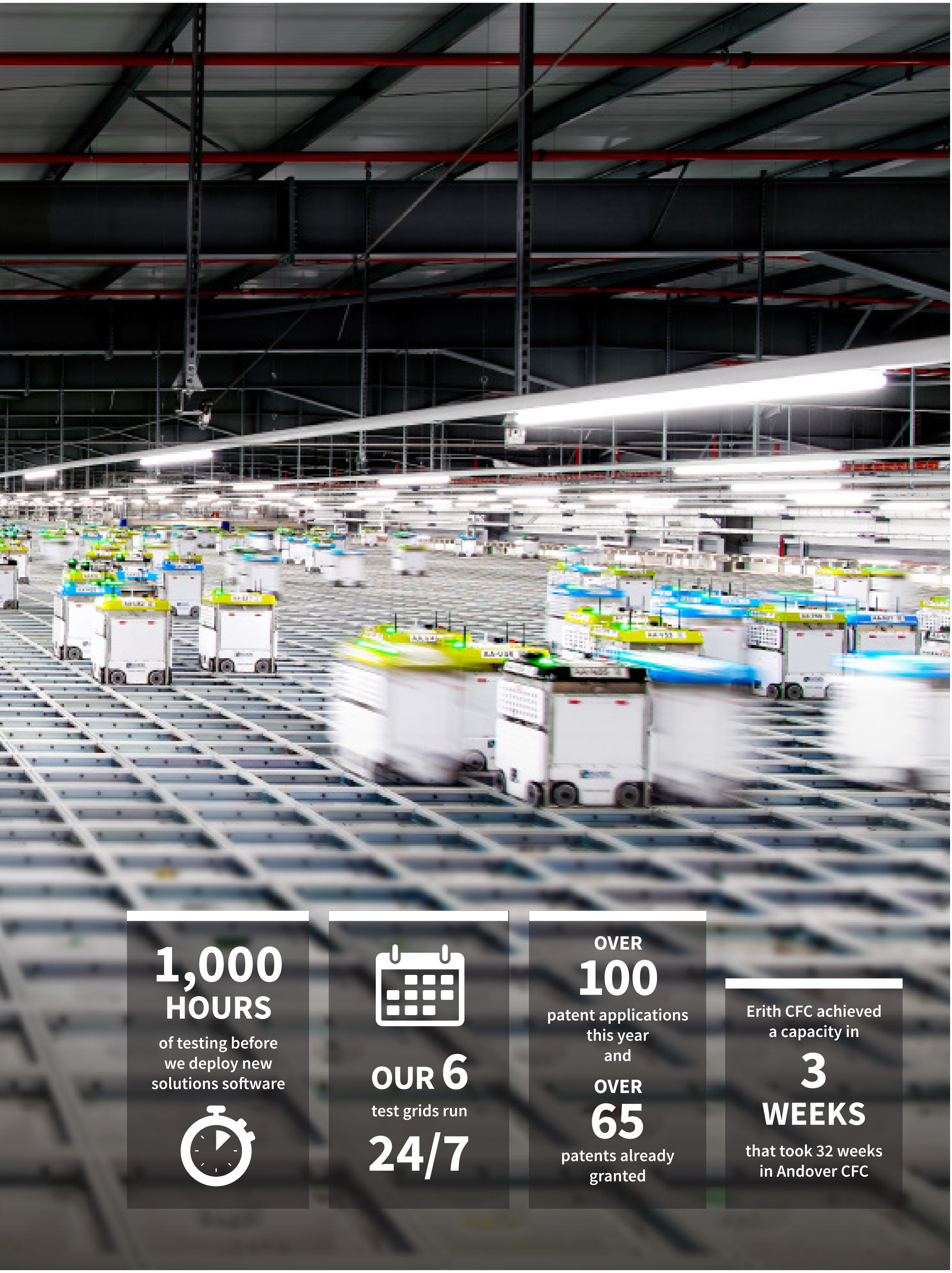


OUR PEOPLE CREATE PIONEERING TECHNOLOGY

Our business is built on finding solutions, aiming to offer world-class service. Our people are critical to us achieving our strategy. So we identify and develop the highest quality of talent throughout Ocado. For example, we hired 300 more software engineers in FY18 to increase the pace we evolve our technology. The role of our technology leadership team is to ensure we generate value in both the short and long term and to ensure our technology will still be relevant in five to ten years' time, and that we stay ahead of the market.

THAT POWERS THE MOST ADVANCED SOLUTIONS

We believe our online grocery solution provides a complete service which is the most advanced and efficient in the world. The cloud-based architecture of our proprietary Ocado Smart Platform – made of software modules and fulfilment hardware – means it is scalable and we can continuously update it. The automated fulfilment in our Customer Fulfilment Centres (CFCs) involves a market-leading, physical infrastructure solution and algorithms that shorten lead-times and improve accuracy.



1,000 HOURS
of testing before we deploy new solutions software

OUR 6
test grids run
24/7

OVER 100
patent applications this year
and
OVER 65
patents already granted

Erith CFC achieved a capacity in
3 WEEKS
that took 32 weeks in Andover CFC

FOR THE WORLD'S LEADING RETAILERS TO INVEST IN

We work with grocery retailers across the world; retailers who want our help to succeed in the online market. Our Solutions business offers them a full-service proposition – a front-end interface for ordering, automated fulfilment within CFCs, and last-mile operations for delivery – all underpinned by the Ocado Smart Platform, our proprietary technology. The modular nature of our CFCs means they are also scalable, so as a retailer's business grows, their ability to fulfil customer demand can keep pace.

Our commercial and product teams speak

11

different languages

We will create CFCs for Groupe Casino, Sobeys and ICA and will begin work on CFCs for Kroger, building

20+ over the next **3 YEARS**

WE SIGNED

3

major deals in 2018

We now have partners in

5

countries

2.

STRATEGIC REPORT

Why Invest in Ocado?

Grocery shopping in our home market, the UK, has evolved significantly during the last 60 years. Once the domain of small, local independent retailers, the market has grown to include large supermarkets, hypermarkets on the edge and out of town, as well as convenience and limited assortment discount formats. Now we are seeing a shift to online as customers seek improved service, convenience and value.

The continuing growth of online shopping is made possible by improved technology, while the customer experience has been enhanced by faster broadband and new generation mobile devices, both trends that can be seen globally.

Ocado Retail is not a traditional supermarket. We are the world's largest pure online grocery supermarket – and the UK's only one. We built our business specifically for this change in shopping behaviour – to benefit from, and to lead, the online revolution for ourselves and our partners.

Ocado Retail is leading the change as UK consumers embrace online shopping

Online is the fastest growing channel in most markets

Ocado's unique and proprietary technology is helping other retailers change the way people shop in their own markets

The wider addressable market is huge – for example, the overall US grocery market is $1 trillion

Ocado's technology has applications beyond the grocery sector

Reasons to invest

1. We are the world's leading pure play online grocer.

2. Our business model offers a superior customer experience, to help us and our partners grow sales and win market share.

3. Although online is the fastest growing channel in most markets, grocery market share is still significantly lower than for most general merchandise categories.

4. We are leading the UK shift in how people shop, providing an example for others.

5. We can package and license our unique, proprietary technology to third parties.

6. Our end-to-end solution allows our partners to grow their online grocery businesses profitably and sustainably.

7. Our model is based on a virtuous cycle of growth, investment and innovation.

8. We have a proven management team leading strategy and execution.

Progress in 2018

Operational Highlights

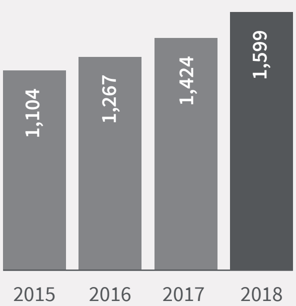
- We continued to develop our technology to improve the shopping experience for consumers. We introduced new ways to help them shop, such as our in-app "Meals and Lists" feature. This allows customers to group items together into a "meal" and add it to their basket with one click. We have also led the market in product innovation, for example, increasing our vegetarian and vegan ranges by over 15% and adding 600 new products to our organic ranges.
- Customer loyalty has remained strong, and we have had double-digit order growth, even in those postcodes where we were already popular. As we have grown, we continue to achieve consistently high levels of customer service. We remain a market leader in punctuality of deliveries and order accuracy. As a result, we have grown sales significantly ahead of the UK market and taken market share. Customer numbers have grown by 11% and we now average 296,000 orders a week.
- We have been able to welcome these new customers by adding capacity to our network, most notably by opening our fourth CFC, in Erith, South London. When complete, Erith will be the largest robotic picking facility for grocery anywhere in the world.

Strategic Highlights

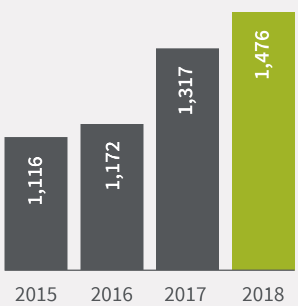
- We continued to enable the growth of our first commercial partner, Morrisons.com, by continuing our roll-out of store picking capabilities for them across the UK and by starting to ship orders from our new facility in Erith.
- We signed our third, fourth and fifth international partnerships to develop the Ocado Smart Platform (OSP) – in Canada, Sweden and the United States respectively. Here we will use our proprietary software and algorithms, as well as our robotic infrastructure solutions. OSP will now power the online grocery business of seven of the world's most innovative and forward-looking retailers: Ocado, Morrisons, Bon Preu, Groupe Casino, Sobeys, ICA, and Kroger.
- In addition to the new CFC in Erith, we more than doubled our capacity in non-food by opening our second General Merchandise Distribution Centre.

Financial Highlights

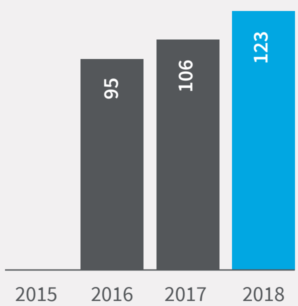
Revenue (Group)Ⓐ (£m)



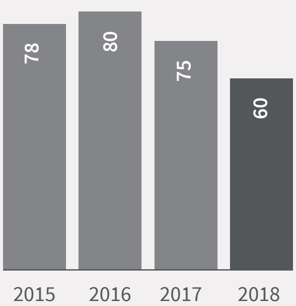
Revenue (Retail)Ⓐ (£m)



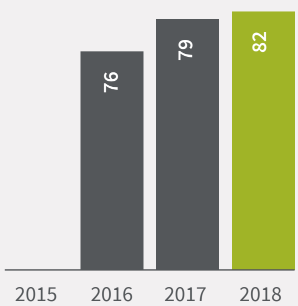
Revenue (Solutions)Ⓐ (£m)



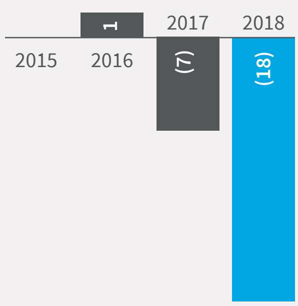
EBITDA (Group)Ⓐ (£m)



EBITDA (Retail)Ⓐ (£m)



EBITDA (Solutions)Ⓐ (£m)



All numbers on this page are reported on a 52 week basis

Ⓐ See Alternative Performance Measures on pages 229 and 230

Q&A

with Tim Steiner

Chief Executive Officer

Q What risks do retailers face if they don't have an e-commerce presence?

A I think the biggest risk we can see in the UK is not simply losing your best customers' primary shopping trip, but losing your best customers – full stop.

Q How is technology changing the e-commerce grocery landscape?

A As an e-commerce operator, we're expected to do the work the consumer does in a traditional supermarket – driving, walking the aisles, picking goods, taking them to the till, packing them up and taking them home. What we've been doing for the last 15 years is deploying technology so we can do that extra work, yet at a lower cost. So we're producing the best service for the consumer, while actually creating a fully economic and sustainable model. We've done that by taking a different approach.

Q What role does innovation play at Ocado?

A We're increasing automation to lower the warehouse cost, and creating new delivery solutions to lower delivery costs, to help improve margins. We're investing in the front end to build a better experience for the consumer, to build loyalty. In fact, we're working on innovation for every place where we interact with a customer.

Q Why has Ocado made its Ocado Smart Platform (OSP) available to others?

A We've built a successful e-commerce business in the UK, and think we're in a powerful position to help retailers in other parts of the world do the same. Retailers have a significant presence in their local markets, with customer knowledge, buying power and presence. The combination of their skills, knowledge and presence with our IP, technology and logistics skills can be a very powerful combination.

Q How will an OSP partner of Ocado benefit from Ocado's constant innovation?

A They'll get the benefit of all our innovations. For example, when we're able to add more robotics and automation at facilities, to reduce the amount of people it takes to serve the same number of customers, that's what they'll also get offered. That's the best thing about being an OSP customer – the ability to continue to benefit from all our ongoing investment.

Q How does Ocado stimulate customer loyalty?

A We provide the best possible service by improving our interfaces to allow customers to buy from the widest range of products quickly and by operating our model accurately and efficiently so the customer gets what they want when they want. As we do this consistently our customers trust us and stay loyal.

Chairman's Statement

I am pleased to introduce this year's Strategic Report. The year to December 2018 has been one of the most exciting yet, both in the lifetime of Ocado and in my time as Chairman of Ocado.

I've had the privilege of seeing, first-hand, the results of a business made up of talented and committed people who are focused on continuing to grow this business and deliver while exceeding the expectations of customers, building and improving our ground breaking technology, and making a positive contribution to the communities and wider society that the Company serves.

It has been a year of transformational change at Ocado, with significant development of the Solutions business, continued growth of the Retail business in the UK, and ongoing investment in and advancement of Ocado Smart Platform (OSP). The increase in the value of the Company was reflected in it joining the FTSE 100 index for the first time, a significant achievement for such a young company.

We aim to provide our retail customers and commercial partners with an advanced online grocery shopping solution. The Ocado Solutions business took exciting steps in delivering this strategy and has now signed five international partners. During the prior year, Ocado signed an agreement to provide OSP to Groupe Casino in France and we secured an agreement with Bon Preu in Spain to help build its online grocery business using OSP. We signed further deals this year with Sobeys in Canada and ICA in Sweden to allow them to grow

> We aim to provide our retail and commercial customers with an advanced online grocery shopping solution. The Ocado Solutions business took exciting steps in delivering this strategy and has now signed five international customers.
>
> **Lord Rose**
> Chairman

and develop their online food businesses. We signed a partnership agreement with Kroger in May 2018 and a Master Services agreement in October under which Ocado's technology will be used in the US exclusively by Kroger for grocery and other food distribution related activities. These significant commitments, although having negative impact on reported earnings in 2018 and 2019, partly due to the adoption of the IFRS 15 accounting standard on revenue recognition for contracts with customers, are expected to create significant long-term value.

While these deals are exciting and have changed the business, we now face the task of delivering them. I have had the opportunity to meet with colleagues in the business and examine the challenges we face. There is no doubt in my mind that we have a great deal of work to do in the coming years, and that transformational changes are needed in the business. These challenges are not only in delivering what we have promised to customers, but in ensuring that we have the resources, governance and controls in place to position this Company for its future.

Our Retail business continues to grow profitably while operating in a tough sector, with inflationary pressures on imported food prices and continued competition from the discounters. We expect these challenges to continue, and the business is working to address these market challenges as well as the shift in market dynamics towards increased shopping frequency and greater convenience. Additionally, Brexit has the potential to restrict supply and increase the cost of food from the European Union. Limited availability could impact the range and volume of products we can offer, which is a key part of our appeal to customers. Extensive work with suppliers has been undertaken to mitigate these risks, for each eventuality.

Both the Board and I continue to believe that our retail strategy is the right one; namely to drive growth by broadening our addressable market and differentiating on service and range, while price following the market leader. As well as improving the customer experience, we aim to maximise efficiency by focusing on technology innovation and operational improvements. These changes help to decrease the costs per order and increase the Group's overall profitability and to offset the impact of some of the wider market headwinds, namely rising labour costs.

Our latest CFCs at Andover and Erith will facilitate the growth of the Retail business. One of the biggest challenges facing the Group is ensuring that capacity is made available in time to meet our expected growth in customers. We expect both CFCs to continue to scale with the planned future improvements to the reliability and resilience of software and material handling equipment. Ongoing investment in our technology and engineering capabilities should help ensure we advance towards our operational efficiency targets, though as experienced in the past two years, we do not expect this progress to be without difficulties.

The increase in UK capacity and development of our proprietary platform continues to require significant expenditure. The Group increased the funding available to support this investment during the period. The Group issued a placing of 5% of its shares in February 2018, raising a total of £143 million. Additionally, on signing the partnership agreement in May 2018, Kroger subscribed for new shares in Ocado, equivalent to 5% of the existing issued share capital of Ocado, at a value of £183 million. The increase in funding available will allow Ocado to commit to investment capital expenditure relating to the signing of Ocado Solutions partnerships globally and to increase Ocado's technology engineering and software capabilities.

Continuing to innovate and invest in new technology is key to the creation of long-term shareholder value for Ocado and will be key to our continued growth. The management team is aware that as the business grows, the objective of retaining and recruiting talented people becomes ever more important. Growing headcount in specialist areas of technology and engineering is crucial to meeting our innovation and development plans. We remain focused on this and ensuring that available resources are allocated effectively and prioritised on the Group's most important strategic objectives. Looking forward, we will remain committed to continuing to successfully develop our online grocery shopping solution both for our retail customers and our commercial partners in the UK and internationally. We look forward to delivering this and pursuing many more successful collaborations with leading retailers across the globe.

Lord Rose
Chairman
5 February 2019

The Marketplace

The Global Grocery Market

The global market we operate in represents around half of all retail sales. The global food distribution market is worth £5.6 trillion. Roughly 30% of all supply chain costs are spent on warehousing and last mile delivery.

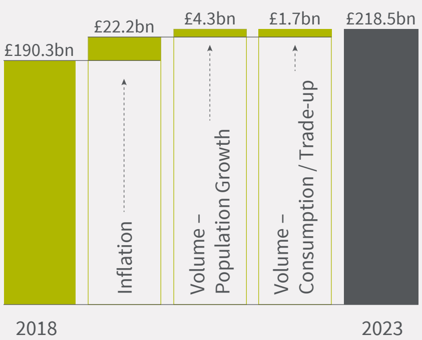
The Institute of Grocery Distribution (IGD) estimates that by 2022, the global grocery retail market will expand by approximately $2.7 trillion (£2.12 trillion at current exchange rate) due to growth in both population and spending power. This will provide attractive and sustainable opportunities for retailers. Europe and North America combined will account for 40% of total grocery sales by 2022.

The UK Grocery Market

Grocery is the largest retail segment in the UK, and is forecast to grow by 15% over the next five years, from £190 billion to £218 billion (IGD). IGD also forecasts that over the next five years, the online share of the market will grow 52% to over £17 billion. UK shoppers are increasingly digitally dependent, and it is becoming more important to use technology to improve the customer experience, whether online or in store, as well as in managing costs and enhancing loyalty across the industry. UK retailers have also been experiencing cost increases, primarily from labour inflation. Alongside this, retailers and the market have been having to adapt to the fall in the value of sterling which has increased the cost of imported goods.

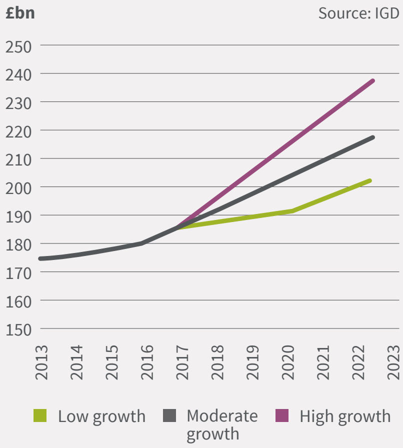
Inflation Will Drive Growth

Source: IGD



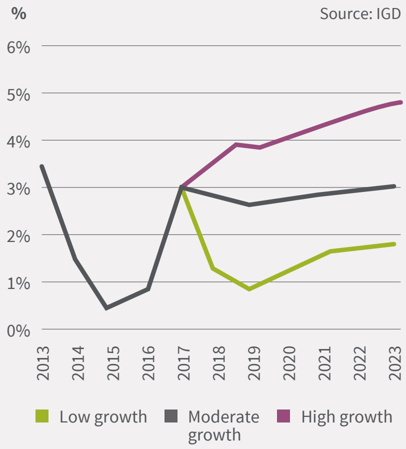
UK Grocery Sales

Source: IGD



UK Grocery Sales Growth

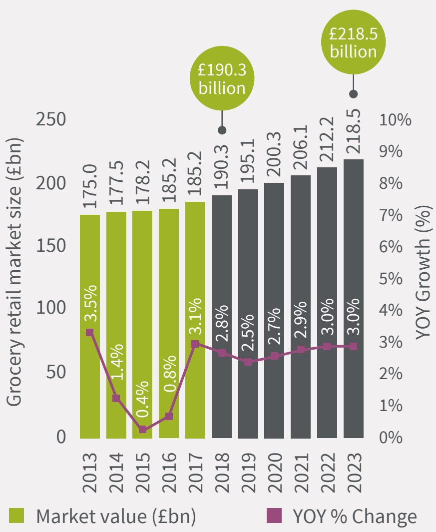
Source: IGD



UK Market Growth

Set to Grow by 15% by 2023

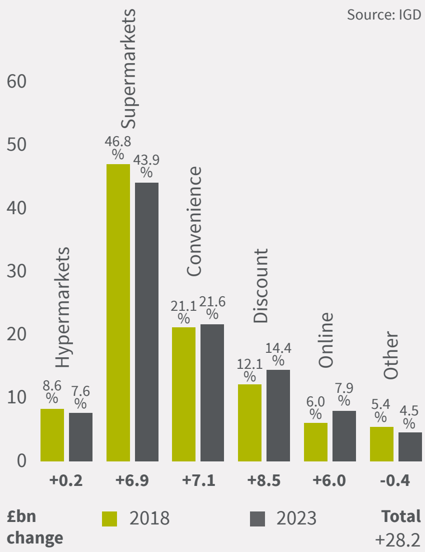
Source: IGD



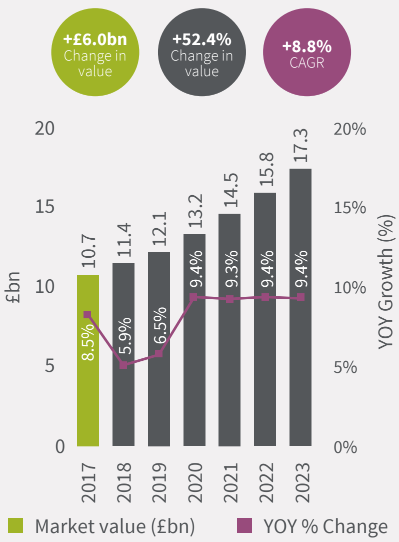
Online and Discount

Will Capture Half of Market Growth

Source: IGD



Online Channel Forecast



Major Trends Affecting Grocery Retail

An IGD research report confirms grocery retail is undergoing a revolution, driven by rising shopper expectations. While long-standing needs remain value, choice and convenience, shoppers' expectations of how these needs are met will continually evolve. Societal shifts and transformative technology in particular, will shape the online store of the future.

Societal Shifts – Globally the population is ageing (meaning appropriate products and convenient ordering), urbanising (meaning smaller kitchens and less storage) and becoming more health conscious. Ranges and services will need to evolve to succeed.

Transformative Technology – Artificial intelligence (AI) will enable online stores to be more personalised and to anticipate demand, while developments in robotics can provide more convenient, efficient fulfilment. Smart, interconnected devices mean shoppers can access the store whenever and wherever they want.

The shopper of the future will therefore expect more choice, convenience, inspiration, personalisation and transparency. Online stores will play an essential part in meeting these needs.

The Online Grocery Market Worldwide

Consumers shifting channel to online is taking place not only in the UK, but in all other markets where the service is available to them at a competitive price.

- The US online grocery market will grow by 149% by 2023 and account for 3.5% of the total US grocery market
- China's online grocery market will grow by 286% by 2023 and account for 11.2% of the total Chinese grocery market

IGD's research notes that online and offline grocery shopping are merging, and an online store will be increasingly vital to complement the physical store. The digital world typically evolves faster than the physical world, and new generations of shoppers will be more likely to view online ordering as the norm.

Across the world, online is one of the fastest-growing grocery channels.

Ocado acts as a key catalyst for this shift as a retailer in its own right in the UK, and because it can license its unique and proprietary technology to third parties in other markets.

The Options for Grocery Retailers

Aside from the choice of developing online capabilities in-house, retailers have three main options when considering how to grow and manage their online proposition:

1. Store pick: Fulfilment is done at a local level, in either a live store environment or "dark" store using a degree of automation.
2. Outsourcing to third parties: A customer orders from their chosen retailer, and their shopping is delivered through a third-party shopping service.
3. Centralised fulfilment centre: A customer orders from their chosen retailer who operates through a manual or automated facility. Ocado Solutions provides the only complete package with all the proven mechanical handling equipment and software needed.

What This Means for Ocado

Ocado is in an advantageous position, as a leading pure online retailer in the UK, and as a partner to other innovative and forward-looking grocery retailers the world over.

Ocado Retail

As a pure play online retailer, we are well placed to capitalise on the shift to online channels. We continue to grow in excess of growth rate in the market, building capacity and capturing market share. Growth enables us to further invest and innovate.

Ocado Solutions

Based on our Ocado Smart Platform, we are ideally positioned to take advantage of the accelerating changes in e-commerce. Working with the world's leading grocery retailers, we can change the way the world shops.

Business Model

We established our business to revolutionise the way the world shops. We provide our retail customers and Solutions partners with the best proposition in online shopping, based on our constantly evolving proprietary, market-leading technology.

1. Our Inputs

People

Our business is built by passionate people who can find solutions to problems, and go the extra mile to deliver a high quality service. Our technology and engineering development teams are crucial to our ability to improve and advance our intellectual property rapidly, allowing us to maintain technological leadership.

Read more about **Our People** on pages 56 and 57

Technology

Our technology estate is broad and deep, covering real-time control systems and robotics, computer vision systems, machine learning and AI, data science, forecasting and routing systems, inference engines, the cloud, the Internet of Things, big data and more.

Read more about how our technology improves our **Operational Efficiency** on page 30

Intellectual property

To retain our competitive advantage through our technology, we take rigorous measures to protect our intellectual property, and file many patent applications to safeguard it.

Read more about **Our proprietary Knowledge** on pages 32 and 33

Financial

We invest in our people, our technologies and our infrastructure, aiming to ensure we remain a market leader.

Read more about our **Capital Efficiency** on page 31

2. Ocado Smart Platform

ocado SMART PLATFORM

OSP is our modular, automated online retail fulfilment and delivery solution. Being modular, it will be highly scalable with the capability of being flexible to each partner's needs. We are continuously developing it to support our current and future Solutions partners.

OSP gives us the opportunity to continue to disrupt retail markets around the world, while satisfying the changing needs of consumers. We believe it is the leading end-to-end e-commerce solution in the world, both for the consumer experience and its operational economics. OSP is what brings us real and sustained competitive advantage.

Read more about **Our Proprietary Knowledge** on pages 32 and 33

Our culture and values connect, guide and inspire our people

We are **proud** of what we do

3.

Ocado Solutions and Ocado Retail

Our Solutions business supports our partners with their online proposition in grocery retail

Ocado Solutions takes our online know-how to retailers around the world. Using our proprietary best-in-class technology, combined with the knowledge and experience of our Retail business, we aim to become the e-commerce solutions partner of choice for leading retailers around the world; those looking for market-leading efficiency, with unsurpassed operational economics, consumer experience and service. Current partners include:

Bon Preu: The leading Catalan food retailer
Groupe Casino: A multiple brand retailer with top-three positions in several countries
ICA Group: Sweden's leading grocery retailer
Kroger: One of the world's largest grocery retailers and a market leader in the US
Morrisons: A leading UK supermarket group
Sobeys: Canada's second largest food retailer

Our Retail business demonstrates the depth of our online experience

Our growing retail business encompasses both our Ocado.com webshop and our general merchandise destination sites Fetch, Fabled and Sizzle. Through Ocado.com, customers can shop our extensive product range of over 54,000 products, at competitive prices and on their chosen devices, and receive what we believe to be industry-leading customer service levels. We constantly improve the proposition based on continual learning and customer feedback and needs – thus continually improving our Solutions offer to partners and our service to consumers.

We are in it **together**

We can be even **better**

Read more about our values in the **People** section on page 56

4.

Creating Value for:

Solutions Customers

We offer our retail partners a faster, more flexible and more cost-efficient way of operating online retail.

Shareholders

As revenue grows from both our Retail customers and from new Solutions partners, we will be able to reinvest in innovation, grow our business and improve our profitability, increasing shareholder value.

Retail Customers

We offer consumers a highly attractive service, wider and fresher ranges, and competitive prices.

Our People

We invest a significant amount of time and resources in recruiting talented employees and developing their skills, aiming to make Ocado an employer of choice.

Society

The Ocado Foundation helps our customers and employees make a difference through charitable and fundraising activities across the UK.

The Environment

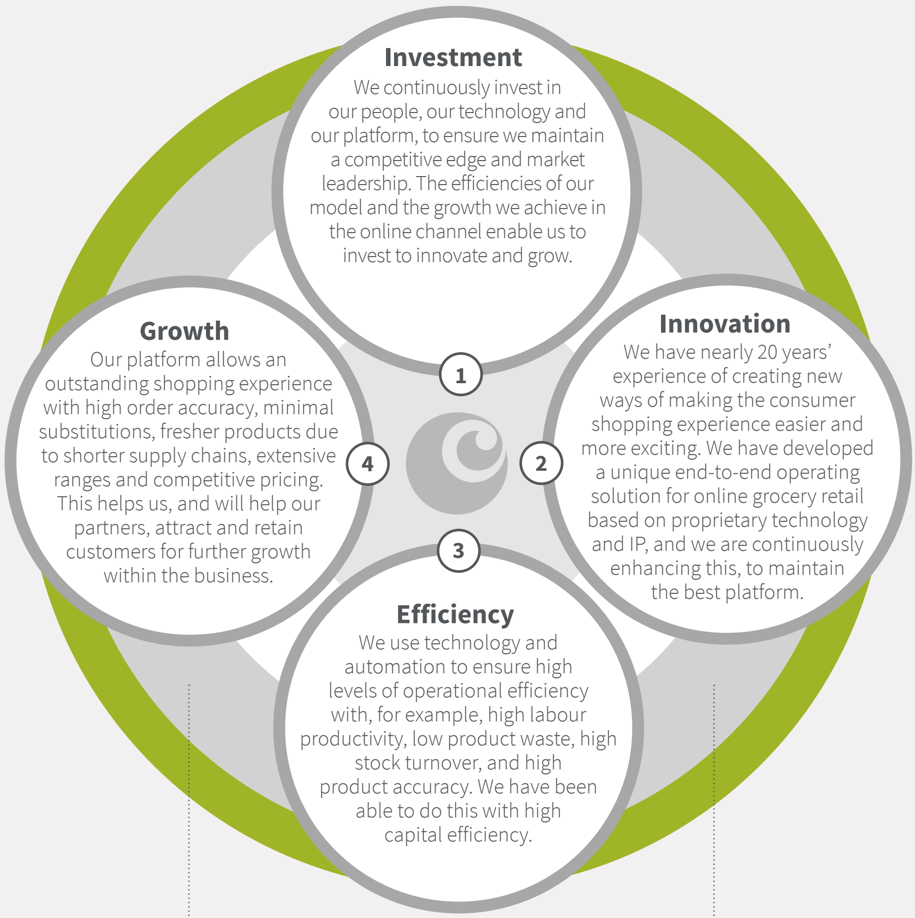
We aim to continually reduce our carbon emissions and improve our waste efficiency, helped by the automation within our infrastructure.

Read more about **How We Create Value** on page 22

How We Create Value

The model below describes how we take our capital inputs and, through a virtuous circle of investment, innovation, efficiency and growth, turn them into value for our two business units.

By taking advantage of international opportunities, this virtuous cycle will turn faster over time, which we expect to translate into higher returns on capital.



Ocado Solutions Customer Segment

Creating the best platform for retailers around the world looking to build winning e-commerce operations.

Value Proposition

- We offer our solutions as an end-to-end service, with fee structures aligned to the growth of each partner.
- As their online retail business grows, we can scale our flexible solutions, bringing cost efficiencies.

Ocado Retail Customer Segment

Creating the best grocery shopping experience for UK retail customers.

Value Proposition

- Market-leading service in order accuracy, on-time delivery and ease of use.
- Extensive range and fresher products.
- Competitive prices and low delivery fees.

Our Solutions Business

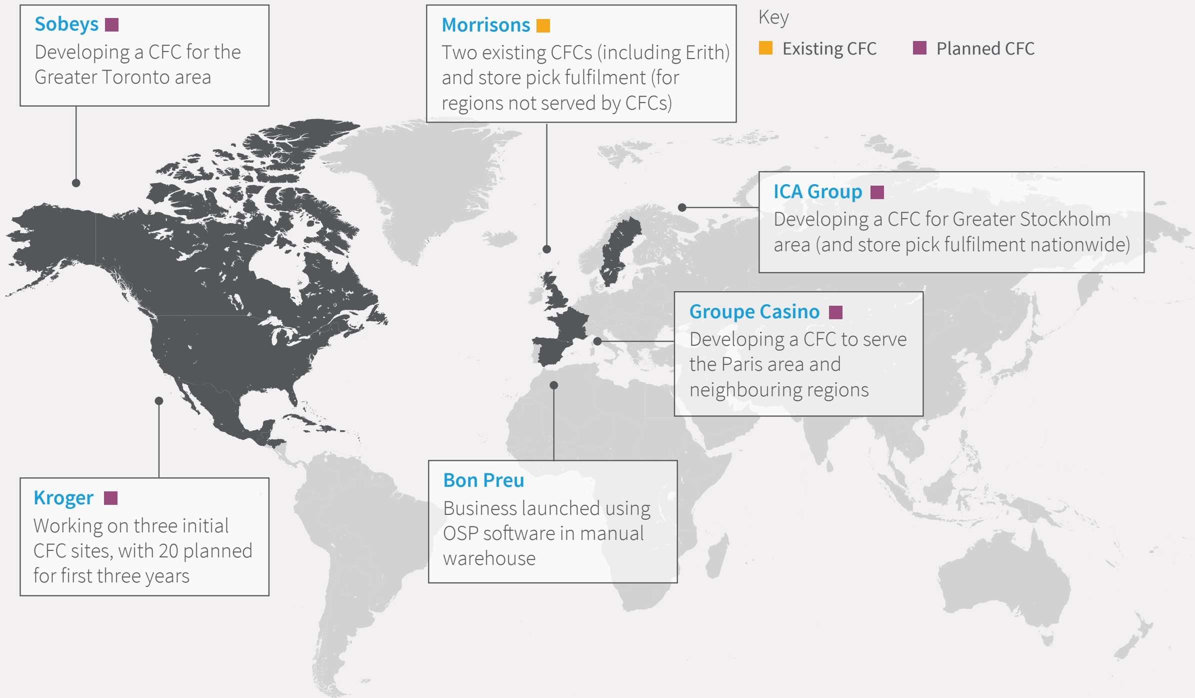
Partnering with leading retailers

We offer the world's retailers a unique, scalable, customised end-to-end e-commerce and fulfilment solution. We are building a platform that will bring them market-leading efficiency with unsurpassed operational economics, consumer experience and service. This ensures their continuing competitiveness against challengers, big and small.

We partner with grocery retailers that can become market leaders online, allowing us to be with the largest player in any given market. The greater the potential of each retail partner, the higher the value generated in the medium to long term.

We offer these partners:

- Software: a cloud-based architecture that allows us to deploy the constantly updating Ocado Smart Platform.
- Fulfilment hardware: warehouse automation that can grow in a modular way.
- Services and support: account management and support services to enable a smooth launch and ongoing support.



How we typically structure these deals

Short-term: The signing-on fee is payable immediately when a new deal is signed.

Medium-term (0–2 years): The CFC preparation fees reflect the future size of the CFC and the costs associated with adapting the platform to the needs of the partner.

Long-term (2+ years): Capacity-related fees which grow as the partner takes on more capacity.

Timeline of deals

Number of existing or planned CFCs or part CFCs

May 2013	Morrisons	1
August 2016	Morrisons	1
June 2017	Bon Preu	
November 2017	Groupe Casino	1
January 2018	Sobeys	1
May 2018	ICA Group	1
May 2018	Kroger	20

Our Retail Business

Ocado is online only and 100% home delivery

Ocado offers consumers a different proposition because we are built differently. We are built to be online and home delivery only. But more importantly, we are built to offer an outstanding shopping and customer service experience, based on doing the right things for our customers and offering them the best place to shop.

£1.6bn
sales, +12% in 2017/18

14%
share of UK online grocery market

721,000
active customers, +11% in 2017/18

Dispelling the myths

Ocado Retail has demonstrated that it is possible to make money in online food retail, that fresh food delivery can thrive, and that online grocery is used across all demographics:

- Ocado Retail is profitable, with an EBITDA® margin of 5.6%.
- Approximately half our sales are fresh goods, and at 0.8%, our waste figures are significantly below the industry average.
- Today, 6% of the UK grocery market is online, and those who use Ocado are increasingly representative of UK population demographics.
- We continue to grow even in catchments where more than 25% of households shop with us regularly.

Our compelling, market-leading proposition

We're changing the way the world shops, with our service, range, value and ease of use all focused on offering our customers a superior service.

- Industry leading service – with 99% order accuracy and 95% of orders delivered on time. Customers choose 1-hour delivery slots, available every 30 minutes between 5:30am and 11:30pm.
- The widest range – 54,000 separate items available on ocado.com, including Ocado own-label, with freshness guaranteed.
- Attractive prices – price matched with Tesco.com to keep us competitive, with regular offers.
- Ease of use – simple shopping interfaces, with continually improved functionality, via the app, website and Alexa voice ordering, on a customer's chosen device.

Awards

Ocado's proposition has been recognised in many awards:

® See Alternative Performance Measures on pages 229 and 230

The benefits our unique model brings to our consumer proposition

1. Centralised hub and spoke network

From four CFCs and 16 "spokes" we reach over 74% of UK households. Around 30% of deliveries are made directly from CFCs. The centralised network of large CFCs allows us to offer a wider range and fresher products than supermarkets. It also results in lower wastage and better economies of scale.

2. Proprietary automated fulfilment

With our order fulfilment system, our planned sales capacity for our Andover and Erith CFCs is £1.5 billion, which would mean over 280,000 orders per week. Total labour hours used to fulfil an order (including inbound delivery to CFC but not delivery to customer) runs at 14 minutes, which we believe typically saves up to one hour of labour when compared with store-based fulfilment used by supermarkets.

3. End-to-end software capabilities

The customer interface, fulfilment, and delivery are all dynamically interlinked, with advanced analytics optimising the entire process. This enables a personalised and accurate customer experience through real-time inventory monitoring, slot booking, guaranteed product life, and much more.

Everything is tested in a live environment, with real-time feedback and experience from 700,000 customers, allowing us to learn, iterate and improve quickly.

Ⓐ See Alternative Performance Measures on pages 229 and 230

Supplier relationships

The ability for suppliers to deliver in bulk to our CFCs brings them a huge advantage, especially for small suppliers. Our four CFCs offer them over 74% UK coverage, so our model means we can support smaller suppliers. We promote this, supporting those quality suppliers who are unable to supply other supermarkets, in our search for the next new wave of high-quality products.

Read more about **Responsible Sourcing** on page 53

General Merchandise

Alongside our traditional grocery range we also have a growing general merchandise business, which now contributes over 7% of our retail revenueⒶ. This includes categories you may typically find in supermarkets, either available within our Ocado.com hypermarket, or at our specialist sites. These sites include Fetch, our specialist pet shop; Sizzle, our kitchen and dining ware store; and Fabled, in partnership with Marie Claire, our beauty store. These options allow us to vastly extend our range beyond that of conventional supermarkets, while also providing existing and expanding high street brands with an online outlet.

Read more about **General Merchandise** on page 28

Strategy

OUR MISSION AND PURPOSE

CHANGING THE WAY THE WORLD SHOPS

We are transforming shopping, making it as easy and efficient as possible. We are online grocery pioneers. We have unique knowledge and inspired people delivering unsurpassed service to all our customers and continuous advantage to our partners with our innovative technologies and shared expertise.

This is a transformational period for Ocado. We have developed unique and proprietary technology to offer retailers an end-to-end operating solution for grocery retail that enables them to meet the changing needs of consumers.

Tim Steiner
Chief Executive Officer

Our UK Retail business demonstrates the success of this technology platform, and it continues to outpace our competition in service and growth. Our new CFC in Erith, at full capacity, will be the largest automated warehouse for online grocery retail in the world. It will also demonstrate the success of our platform, and its scalability, adaptability and efficiency.

We are now beginning to partner with some of the world's biggest, best and most innovative retailers, to help them redefine the shopping experience for their own customers. As a result, we are beginning to fulfil our ambition to change the way the world shops.

Driving growth: continually enhancing the value of our proposition for our retail customers and Solutions partners.

Read more about **Driving Growth** on pages 28 and 29

Maximising efficiency: always striving to develop our technology and operations, to consistently improve our economic and operating performance.

Read more about **Maximising Efficiency** on pages 30 and 31

Utilising proprietary knowledge: using our IP to create competitive advantages in our retail business, and further monetising our IP through our platform business.

Read more about **Utilising Proprietary Knowledge** on pages 32 and 33

Actions

Constantly improve our proposition to customers

For our retail customers, this is based on service, range, price and ease of use.

For our Solutions partners, it means continually enhancing the Ocado Smart Platform and extending our offer with new capabilities.

Strengthen our brands

Develop and expand brand offerings to our retail customers, aligning the Ocado brand with our leading proposition.

Reinforce the Ocado Solutions brand based on partnership announcements and validity of model. Promote the strength and value of our Technology and Engineering brands to attract the highest quality talent.

Continuously develop more capital and operationally efficient infrastructure solutions

Operating efficiency: optimise every aspect of the fulfilment and delivery life cycle, to improve our economics and customer proposition.

Capital efficiency: continuously lower the cost of investment required for online grocery activities, to support growth in our own retail business and for our platform partners.

Constantly enhance end-to-end technology systems

Retain our technological leadership through ceaseless pursuit of innovation ahead of the market.

Use this cutting-edge IP to power our world-leading end-to-end e-commerce, fulfilment and logistics solutions.

Enable current and future partners' online businesses

Continuously develop and enhance our Ocado Smart Platform to enable a compelling customer proposition, which will add significant value for partners.

Strategy Driving Growth

Grocery retail

Ocado Retail is changing the way the world shops, demonstrating superior service, range, value and ease of use, all focused on offering our customers a world-class service. This breeds loyalty, and attracting and retaining more customers drives our growth and market share. This is why we analyse and constantly improve every element of the consumer shopping experience, whether through the easy-to-use interfaces, the freshness of our products, the breadth and availability of our range, or the competitiveness or our prices.

KPIs:

296,000
Average orders per week
FY17: 264,000

£106.85
Average order size
FY17: £107.28

721,000
Active customer base
FY17: 645,000

54,000
SKU count
FY17: 49,000

6
Number of Ocado Solutions deals signed to date
FY17: 3

Numbers on a 52 week basis

Risks:

- Risk of decline in high service levels
- Failure to develop retail proposition to appeal to broader customer and sustain growth rates, and the risk of discontinuing the Waitrose sourcing agreement when it expires in 2020
- Failure to develop sufficient management, technology and engineering capability or bandwidth to achieve all our strategic priorities
- Risk of not being able to execute effectively and efficiently the many Ocado Solutions deals, including where the platform performance proves to be less reliable, potentially resulting in increased project costs and less profitable Solutions deals, also affecting our ability to attract and retain Ocado Solutions partners
- Risk of negative implications caused by final Brexit terms, such as disruption to supply chains and increased in import costs or difficulty in hiring employees

Progress

With £1.6 billion sales, we have grown strongly over the year, our 12% growth in 2018 outperforming a slow total UK grocery market that grew 2.8%, and outgrowing the online retail market where compound annual growth is forecast to be 8.8% through 2023. We now have 721,000 active customers, an increase of 11% over the year.

We have introduced new ways to help customers shop, such as our in app Meals and Lists feature. This allows customers to group items together into a "meal" and add it to their basket with one click. We have also added receipts into the app. This gives live updates of when your product will expire, what you had delivered, and the price you pay for substitutions. We are currently testing a new "immediacy" proposition – offering groceries within the hour in certain London postcodes. We are always experimenting, and if customers approve of the service, we'll be expanding it.

We have also led the market in product innovation, for example, increasing our vegetarian and vegan ranges by 15% and adding 600 new products to our organic ranges. Ocado Own Brand continues to grow from strength to strength. Last year sales increased by +15%, making this a brand that is now worth over £140 million a year.

Future focus

We will continue to provide a superior proposition based upon our ability to do unique things for our customer, and our ability to test in a live environment, iterating quickly to refine our offering across our four retail pillars of range, value, ease of use and service.

General merchandise retail

Thanks to our centralised operating model, we've been able to expand our offer beyond what would typically be found in a supermarket. Alongside the general merchandise products we sell on our hypermarket, we operate three speciality destination sites. These include Fetch, our pet store; Sizzle, our kitchen and dining store; and Fabled, in partnership with Marie Claire, our premium beauty offering.

Progress

Our general merchandise offer continues to grow. We have expanded our range, adding high-quality retail brands such as Joules, FatFace and Cowshed to the market-leading brands we offer. Such highly regarded names are helping us create an online high street, where people need not shop anywhere but Ocado.

In addition, this year, we opened our second General Merchandise Distribution Center (GMDC), close to Erith, as we have hit maximum sales capacity at our first GMDC. This has given us the capacity to continue to grow our GM business.

Solutions business

Our Solutions business offers us the ability to take advantage of our best-in-class technology, and the knowledge and experience we gain from our retail business. We can do this by signing partnership agreements with leading retailers around the world, who wish to develop and grow their online presence.

We aim to be the leading end-to-end solution anywhere in the world, from both a consumer experience and operational economics perspective. We believe this goal will be reinforced by working with leading global retailers.

Progress

We signed three further international partnership agreements in 2018. For Sobeys, Ocado will develop their first CFC in the Greater Toronto area. Working with ICA in Sweden, we are adapting our model to suit the needs of a different business model, based on stores owned by independent retailers, demonstrating the adaptability of the platform. The partnership with Kroger represents an exciting step up in scale, with 20+ CFCs planned for the US.

In parallel, we continue to support our existing partners. For Morrisons, this means the continued roll-out of store-picking capability, and shipping orders from Erith. For Casino, this means the ongoing design and development of a CFC in the South of Paris, and for Bon Preu this means continued support of their online solution, powered by OSP, which went live in November.

We are making the necessary changes to organisational structure and allocation of resource to meet the increased demands of scaling Solutions activity. As we increase in scale, we increase our ability to innovate to improve the experience for our customers and partners.

Future focus

As the shift of shopping channel continues to accelerate around the world, we remain well positioned to act as a market leader within online grocery. The deals with Sobeys, ICA and Kroger provide continued validation of our business model. We expect to do more deals in the medium term, in a number of regions.

Key:

- Constantly improve proposition to customers
- Stregthen our brands
- Continuously develop more capital and operationally efficient infrastructure solutions

Case Study

Opening in Ohio

> This is a significant step toward both solidifying our partnership with Ocado and redefining the Kroger customer experience. The alliance will bring to the US Ocado's unparalleled innovation and technologies. This is exciting news and will help accelerate our vision to serve America through food inspiration and uplift.

Alex Tosolini
SVP of Business Development

In an agreement announced in May 2018, Kroger and Ocado formed a strategic partnership. The US grocery retailer ordered three CFCs from us by the end of 2018, and is expected to order 20 CFCs over the first three years of the agreement. With Kroger, we'll open the first of these in Monroe, Ohio, just north of Cincinnati, where Kroger is based. The investment by Kroger is intended to optimise its already significant density in a large region, which also includes the Indianapolis, Columbus and Louisville markets.

The Monroe facility will cover 335,000 sq ft and is expected to generate more than 410 new jobs. It will go live in 2021, with each new CFC expected to go live two years from the order being placed. Kroger is investing across the business to scale its e-commerce operations, and is investing $55 million to build the CFC. Ocado will be installing and maintaining modules of mechanical handling equipment, and digital and robotic capabilities sufficient to provide an agreed level of throughput.

Strategy
Maximising Efficiency

Operational efficiency

We aim for efficiency in every process throughout our operations, from our customer-facing interfaces in the webshop, mobile and tablet applications, through to the routing software that supports our deliveries. That means adhering to our key design principles of automation, use of our own technology, and centralisation – the three foundations behind our industry-leading CFCs.

Removing several of the typical human processes from grocery retail and distribution helps us operate with product waste of 0.8% of retail revenue[A] – which we believe is the lowest in the industry – and our digital stock management systems enable perfect first in, first out stock rotation.

Progress

Our fulfilment solution is critical, and we are planning to roll more of it out faster than even we anticipated. Developing a new generation of bots helps us bring down long-term cost of ownership, the combination of capital and running costs. In the first half of the year, we started to take delivery of our second-generation bot. This has about 25% new components compared to our first generation.

While we've been developing this second-generation bot, which forms the majority of the fleet in Erith, we are also developing the third-generation bot, and we're currently testing this. We have concurrent teams developing new generations, because of the length of the development cycle. This is the bot we'll use for the majority of our international customers. The third-generation bot is built on 75% new components compared to the second generation, so is a significant development.

We've dramatically increased our testing capabilities to build this. In 2017 we had one test grid in Hatfield that ran ten hours a day, five days a week. We've now moved into a new facility three times larger, and have six test grids running 24/7, giving us a significant increase in our capability to design and engineer and prove new hardware.

Today, before we make a software change to the fleet running in Andover, that software will have been through over 1,000 hours of testing, which we weren't previously capable of doing. All in all, improvements mean the engineering cost on the Andover fleet is reducing dramatically, with costs per order reduced 66% during the year.

We measure efficiency within our CFCs by average units processed per labour hour (UPH). In our mature CFCs, this year the UPH figure was 164, stable on the prior year.

As we increase customer density in existing geographies this brings efficiencies as the distances between our customer drops get shorter. We continue to find opportunities to improve our drops per van (DPV) measure of delivery efficiency, through improvements in our complex algorithms which calculate delivery routes and cover variables such as timing of delivery slot, house location and order volumes. Increased demand in our existing catchment areas increases the density of customer orders, so we are continuously improving the efficiency of routing.

Future focus

We are constantly looking for ways to use pioneering technology to improve our operational efficiency. We have multiple strands of both business-sponsored and more speculative research under way.

One example is the robotic picking and packing of customer orders. In grocery, this challenge is made more difficult by varying product characteristics such as the size, rigidity, and fragility of each of our 50,000+ products, coupled with the added complexity of packing into bags. Solving this challenge requires a combination of grippers that can mimic the capabilities of the human hand, advanced vision systems that recognise how to pick up different products, and advanced machine learning that can make smart decisions on the fly. Our robotic picking cell in Andover has operated for a year now as a "living lab", and will go into production in 2019.

One of the most exciting applications of pioneering technology is attaching a machine learning model to highly realistic simulations and visualisations of our business. Similar to DeepMind's simulation of the game Go, this approach will enable us to discover new optimisation strategies and solutions that might have otherwise remained hidden.

KPIs:

£1,601m
Gross Sales (Retail)
FY17: £1,429m

£82.5m
EBITDA (Retail)[A]
FY17: £79.2m

94.9%
Delivery punctuality
FY17: 95.0%

164
CFC efficiency (UPH) (Mature)
FY17: 164

0.8%
Product waste
FY17: 0.7%

194
Average deliveries per van
FY17: 182

Numbers on a 52 week basis

Risks:

- Delays in implementing new capacity for Ocado.
- Failure to achieve projected improvements to the fulfilment solution, impacting ability to lower long term cost of ownership as expected

[A] See Alternative Performance Measures on pages 229 and 230

Capital efficiency

The core design principles behind our efficiency are automation, use of proprietary technology, and aggregation of scale through the use of our large CFCs. Combining these attributes, we believe we have developed the most sophisticated and operationally efficient grocery shopping and delivery solution in the world.

As we develop new CFCs we have been able to improve the capital efficiency of our operations. We have demonstrated this through continuous improvement within our mature CFCs, where we have extracted additional capacity without significant investment. The proprietary technology we use in our newer CFCs enables us to achieve an attractive return on investment, estimated at over 50% for our Erith CFC, even before any further efficiency benefits from other innovations such as robotic picking.

Our proprietary materials handling equipment (MHE) solution in Erith and Andover is modular, allowing for reduced upfront capital commitment as it can be added to as volumes grow. This also means we can build in smaller spaces if required, making our capabilities more customisable to the varying capacity requirements of our Solutions partners.

Progress

- With our need to bring new capacity online, we have been delighted with our successful ramp-up at Andover, more than doubling the volume over the year. It is now running at 30,000 orders a week, almost 50% of its projected volume. We have over 600 robots on the grid, over half of the projected total.
- We also opened our fourth CFC, in Erith. This is the same solution but with some enhanced components. For example, a redesigned grid that's more structurally durable, and with improved peripherals. More importantly, in its first three weeks it reached the same volume that it took us 32 weeks to achieve in Andover. We are designing our platform so that every lesson we learn at Andover, every enhancement to automation and software can be quickly transferable to every future site.
- Erith is four times the size of our nearest UK competitor's largest automated facility, yet we expect to achieve 16 times the volume. Our investment will achieve lower long-term cost of ownership.
- Thanks to design enhancements to our bots, we have been able to increase the weekly production of bots by 100%.
- Our first two CFCs in Hatfield and Dordon continue to operate at high levels of accuracy and with improved efficiency. With engineers constantly on site to ensure what are they are well maintained, we incur minimal maintenance capex. Cash flow return from these CFCs is nearly 10% of revenue a year, illustrating the significant cash we can generate once a CFC has scaled and reached maturity.

Future focus

In 2018, we successfully applied our learnings from Andover to significantly improve our ability to deploy and ramp up our latest generation solution in Erith. As we continue on this trajectory, we expect to see further improvements in the speed of deployment allowing for reduced upfront capital commitment and shorter ROI timescales, automation enhancements that further increase throughput, and the gradual introduction of robotic picking for additional efficiency gains. As we continue to progress our own CFCs and garner new learnings along the way, we naturally pass these benefits to our Solutions partners.

Case Study

Bot Healthcare Improves Efficiency

In 2018, our technology teams have achieved further significant breakthroughs in applying advanced AI, machine learning, and simulation techniques to make our systems smarter and more autonomous than ever before. One area where we have seen significant progress is in our ability to predict deviations in the behaviour of bots.

With tens of thousands of bots that will run on the Ocado Smart Platform in the foreseeable future, the real time monitoring of these swarms of bots will soon be beyond human scale. To address this, all the operational and sensor data from the bots are streamed to the cloud where a machine learning based healthcare system performs powerful predictive analytics and drives preventative maintenance.

Due to the fundamental nature of our swarm of identical bots, any bot requiring maintenance can instantly and seamlessly be replaced by another one, with no loss of throughput. In the future, we will further enhance this bot healthcare by embedding machine learning processors into each bot, enabling it to perform smart self test, diagnostics and exception handling, in order to drive even greater efficiencies of scale.

Strategy
Utilising Proprietary Knowledge

Our Intellectual Property

Developing a sustainable, profitable and scalable online grocery sales operation has, until now, been an almost unsolvable challenge. With constantly varying product ranges with diverse shelf lives and temperature requirements, coupled with customer demands for accuracy and reliable delivery slots, grocery far surpasses the complexity of other retail segments.

However, we believe Ocado's 18 years of learning, research and development have enabled us to build the world's most advanced end-to-end e-commerce, fulfilment and logistics solution. Thanks to our cutting-edge IP, we are in a favourable position to capitalise on the shift to the online channel for grocery sales. Recognising the fundamental competitive advantages of our pioneering technology, some of the world's leading grocery retailers have chosen to partner with Ocado, to help them remain competitive, now and in the future.

Ocado operates at the intersection of five disruptive technologies: AI, robotics, the cloud, big data, and the Internet of Things. Our capabilities span physical infrastructure solutions, software and systems, to provide an end-to-end solution for selling grocery online – sustainably, profitably, and with the ability to scale.

Progress

During the last year, we have achieved significant progress in all our divisions.

- In March, we announced significant improvements in our ability to detect fraudulent events through applying a pioneering 100% OSP machine learning model. Instead of analysing numerous data points to establish fraud, agents will now be able to swiftly apply a predictive model in an excellent illustration of how technology can augment humans for great efficiencies of scale. Other highlights include progress in developing technologies for robotic picking and packing and improvements in bot healthcare by using predictive analytics to drive preventative maintenance.

- To retain our leadership in technology, we have continued to recruit. We now have over 1,300 Technology employees based in development centres in the UK, Bulgaria, Poland and Spain and over 500 Engineering employees. We are able to attract and retain some of the best technology and engineering talent by providing teams with a licence to innovate. We are not afraid to tackle previously untouched problems, and encourage disruptive thinking beyond conventional grocery issues, to constantly exceed what was thought possible to achieve.

- Our outstanding achievements during the last year have been acclaimed throughout the industry, in numerous prestigious awards, including Tech Company of the Year, Tech Pioneer of the Year, and Best Case Study in AI Deployment.

- On 9 November 2018, Catalonia-based supermarket chain Bon Preu went live using Ocado's store pick solution. This is the first 100% OSP partner Ocado Solutions signed.

Patents

Protecting our IP is instrumental to retaining our competitive advantage.

We take careful measures to create a web of protection to safeguard our Solutions. During the year, we filed applications covering 19 new innovations.

We now hold 65 granted patents across 17 innovation families.

Progress

The majority of our patents and patent applications relate to our physical infrastructure solution and developments thereof, some of which are operational in Andover and Erith, and some of which will be used in our partnerships with Groupe Casino in France, Sobeys in Canada, ICA in Sweden, and Kroger in the US.

For example, we have continued to protect a significant number of innovations to improve operational efficiency, including our robotic picking capabilities, our new machine-learning-based fraud detection system, improvements to our demand forecasting models, and the simulation of our routing system to test new algorithms.

Future focus

Our leadership in technology and innovation in one of the most complex retail sectors – grocery – is providing significant opportunities for growth and long-term shareholder value. As we work to optimise every aspect of our e-commerce, fulfilment and logistics platform, we achieve dramatic efficiencies of scale. These advancements mean we can explore opportunities in immediacy with a potentially attractive economic model. We are also exploring opportunities beyond the retail sector, where we can apply our disruptive technology to tackle other complex challenges in new and innovative ways.

Key:

Constantly enhance end-to-end technology systems

Enable current and future partners' online businesses

Risks:

- Technology innovation supersedes our own and offers improved methods of food distribution to consumers
- Failure to protect our IP
- Failure to ensure our technology can be freely operated without infringing a third party's IP
- Failure to recruit and retain the skilled people needed, as competition for such talent intensifies.

Case Study

Robotic Picking

As part of our ongoing aim to lower costs and drive efficiencies within our model, we have been developing the technologies required to perform robotic picking and packing within our CFCs.

In 2018, we have achieved significant progress in both of these areas, with our first "live robotic picking lab" expected to go into production in Andover in early 2019.

SoMa Soft Manipulation Project

Our ongoing research within the SoMa project, funded by the European Union Horizon 2020 framework programme, has enabled us to achieve further significant progress in our ability to handle easily damageable and unpredictably shaped items, such as fruit and vegetables. In 2018, we investigated a number of different grippers that could overcome these challenges and that are also sufficiently versatile to pick a wide variety of products. The goal is to develop robust, cost-effective, and safe robotic grasping and manipulation capabilities for a major subset of our 50,000+ product range.

Progress this year has included a comparison of the performance of three different compliant grippers that employ three different actuation mechanisms. The assessment has been performed using a scientific benchmarking framework that our robotics team developed to reflect the requirements of Ocado's production process and has entailed a significant amount of practical experimentation.

The experimental work has also moved on from manipulating single items to using a vision system to aid the planning of manipulation strategies in more complex, real-world scenarios that include disorderly arrangements and additional environmental constraints.

OSPick

In 2018, we developed and trialled an alternative type of picking station, called OSPick. OSPick is a system designed to pick a range of groceries within our CFCs using a simple suction cup mounted on an articulated robot arm. While the system is conceptually straightforward from a mechanical perspective, its underlying power lies in the intelligent vision system that can pick a wide range of products without prior knowledge of the items presented to it.

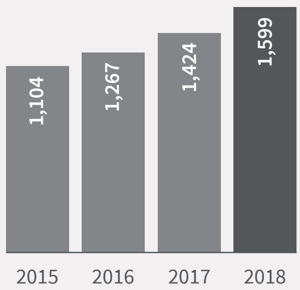
The smart vision system can handle real-life cluttered scenes and autonomously decide what is the best item to pick next, and how it should be grasped in order to be safely placed into a customer's' shopping bag.

We expect the development and roll-out of this picking solution within our CFCs to allow us to reduce the cost of fulfilment both within our operations and those of our commercial partners.

Future evolutions of this robotic pick station will see the suction cup replaced by more advanced grippers, such as those being developed by our SoMa project.

Key Performance Indicators

Revenue (Group)Ⓐ (£m)

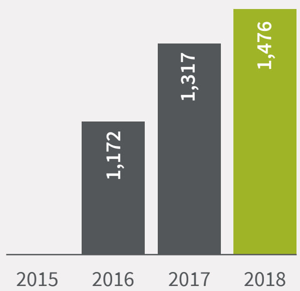


Why we use this measure
Measures growth at Group level reflecting our Retail and Solutions revenue.

2018 performance
12.3% v 2017

Strategic link

Revenue (Retail)Ⓐ (£m)

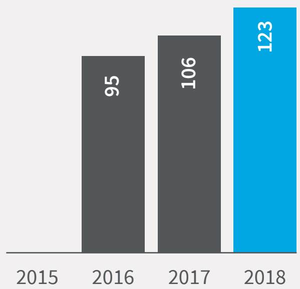


Why we use this measure
Measures revenue growth of our Retail business.

2018 performance
12.0% v 2017

Strategic link

Revenue (Solutions)Ⓐ (£m)

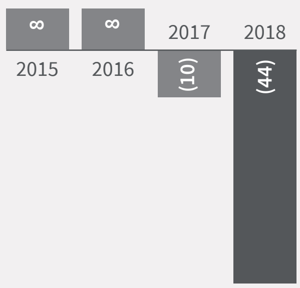


Why we use this measure
Measures revenue growth of our Solutions business.

2018 performance
15.8% v 2017

Strategic link

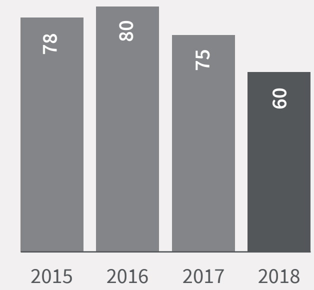
PBT (Group) (£m)



Why we use this measure
Measures profitability at Group level reflecting our Retail and Solutions profit.

Strategic link

EBITDA (Group)Ⓐ (£m)

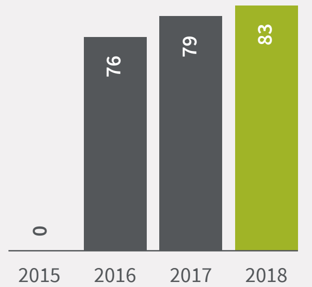


Why we use this measure
Measures operating profitability at a Group level reflecting both our Retail and Solutions segments.

2018 performance
(20.7)% v 2017

Strategic link

EBITDA (Retail)Ⓐ (£m)

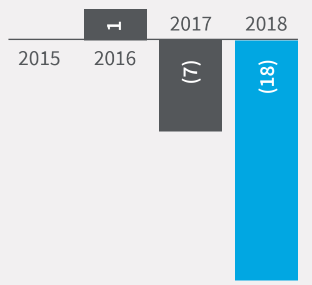


Why we use this measure
Measures operating profitability of our Retail business.

2018 performance
4.2% v 2017

Strategic link

EBITDA (Solutions)Ⓐ (£m)

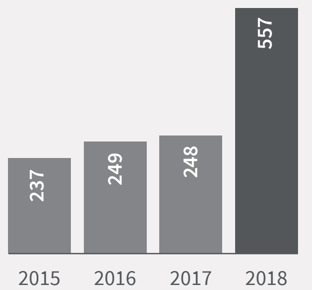


Why we use this measure
Measures operating profitability of our Solutions business.

2018 performance
(171.2)% v 2017

Strategic link

Net Assets (Group) (£m)



Why we use this measure
Measures the surplus between total assets and total liabilities at Group level.

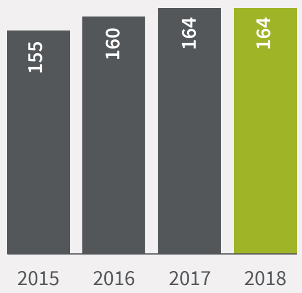
2018 performance
124.8% v 2017

Strategic link

All numbers on this page are reported on a 52 week basis

Ⓐ See Alternative Performance Measures on pages 229 and 230

CFC Efficiency (£m)



Why we use this measure

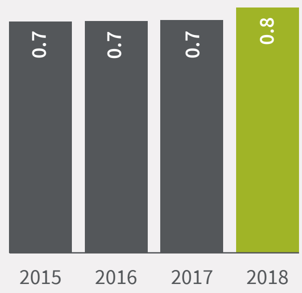
Measures CFC operational efficiency.

2018 performance

(0.6)% v 2017

Strategic link

Product Waste (%)



Why we use this measure

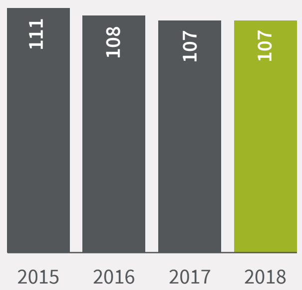
Measures efficiency of our operations in terms of waste minimisation: the lower the better.

2018 performance

0.1ppt v 2017

Strategic link

Average Order Size (£)



Why we use this measure

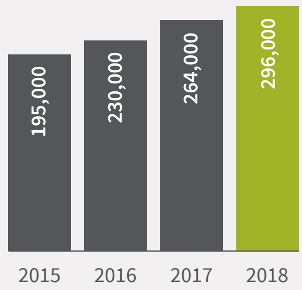
Measures aggregate impact on average shopping basket within our Retail business.

2018 performance

(0.4)% v 2017

Strategic link

Average Orders Per Week



Why we use this measure

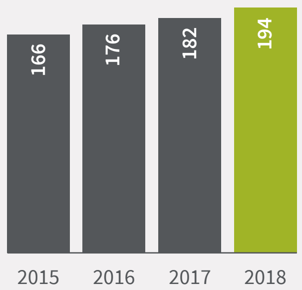
Measures order growth in our Retail business.

2018 performance

12.1% v 2017

Strategic link

Average Deliveries per Van per Week



Why we use this measure

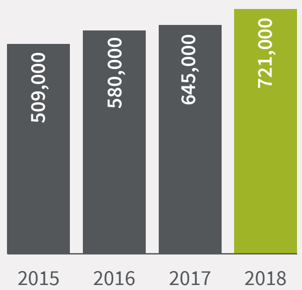
Measures efficiency of our service delivery operation.

2018 performance

6.6% v 2017

Strategic link

Active Customer Base



Why we use this measure

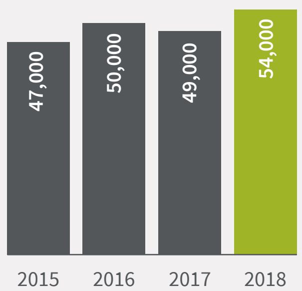
Measures growth in our core customers who shopped in the last 12 weeks.

2018 performance

11.8% v 2017

Strategic link

SKU Count (Hypermarket)



Why we use this measure

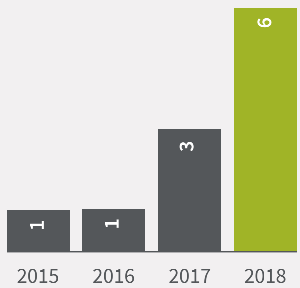
Measures growth in range offered at Ocado.com, not including stand-alone sites.

2018 performance

10.2% v 2017

Strategic link

Number of Ocado Solutions Partnerships Signed to date



Why we use this measure

Measures partner growth within our Solutions business.

2018 performance

100% v 2017

Strategic link

All numbers on this page are reported on a 52 week basis

Chief Financial Officer's Review

> The Group secured three international partnership deals and continued to deliver double digit revenue growth

Duncan Tatton-Brown
Chief Financial Officer

For the period to 2 December 2018, we maintained significant sales growth in a competitive environment while progressing our business further across many fronts.

The Group secured three international partnership deals and continued to deliver double digit revenue growth. Profitability in the period was impacted by the investments in our platform to deliver future growth for both our existing and future partners. It was also impacted by share-based senior management incentive charges following the significant share price increase in the year and by additional depreciation following the opening of the Erith CFC. As a consequence the loss before tax for the period was £44.4 million (2017 restated: loss of £9.8 million)

IFRS 15

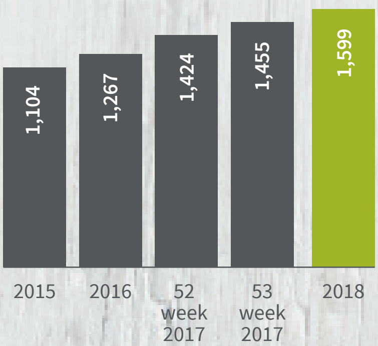
Ocado Group PLC has early adopted IFRS 15, the new revenue recognition standard, and this report on our performance in 2018 against the comparative period in 2017 is under the new standard. The adoption of the standard has impacted our underlying results, specifically the Solutions business in relation to the timing of recognition of certain initial and upfront fees.

- The impact on FY 2017 results is a £9.3 million reduction in Revenue and EBITDA.
- The estimated impact on FY 2018 compared to previous internal forecasts, on an unaudited basis, is a £15.2 million reduction in Revenue and £14.4 million decrease in EBITDA.

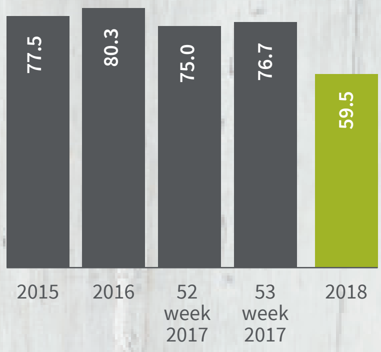
We have adopted IFRS 15 from 3 December 2017 using the full retrospective method, thereby restating the 2017 comparatives, to provide investors with clarity on the impact of the new accounting standard to aid transparency of the financial results reported.

The adoption of IFRS 15 will change the timing of revenue and cost recognition but does not impact upon the cash flow of contracts or the expected lifetime profitability of contracts, nor does it have any impact on our Retail segment. The main changes for the Group are the accounting treatment of its long-term contracts, specifically the existing Morrisons arrangement, along with the more recent contracts with Bon Preu, Casino, Sobeys, ICA and Kroger.

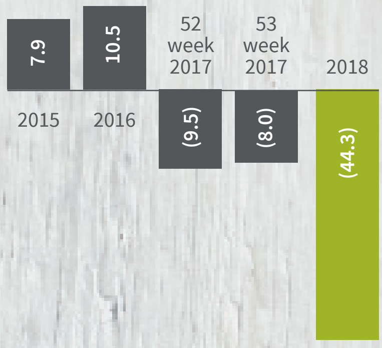
Revenue (£m)



EBITDAⒶ (£m)



Profit/(loss) before Tax and Exceptional ItemsⒶ (£m)



Ⓐ See Alternative Performance Measures on pages 229 and 230

Chief Financial Officer's Review

For a typical arrangement, the recognition of Revenue commences when a working solution is delivered to our partners which is typically when a CFC or Store Pick goes live. Prior to this, no revenue is recognised. The period in which revenue is recognised is dependent on management's view of the estimated customer life as the contract typically has no defined period. The balance sheet will now include contract fulfilment assets and a significant amount of deferred income in relation to contracts where payments have been received from partners to undertake work prior to the recognition of revenue and planned outcomes being delivered. The net impact of the recognition of contract assets, contract liabilities, contract costs and other movements has resulted in the Group reducing consolidated net assets at 2 December 2017 by £(23.1)million to £247.6 million (previously 2017: £270.7 million).

The adoption of IFRS 15 means that for the current Ocado Solutions arrangements, Ocado will recognise losses in the early years due to the recognition of non-capitalised costs for these arrangements and no revenue recognised for the cash fees received. The shortfall in revenue in early years will be compensated for with higher revenue recognised in future years than previously expected. To aid shareholders' understanding, we will provide information on the fees invoiced for Ocado Solutions for each accounting period. Note 1.5 to the consolidated financial statements outlines the relevant adjustments to the prior year Balance Sheet.

The current period results comprise 52 weeks ended 2 December 2018. For comparability purposes 52 week data to 3 December 2017, which excludes the final trading week of the 2017 financial year, is used ("2017") for comparison to the 52 weeks ended 2 December 2018 ("2018"), unless otherwise stated.

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks restated) £million	FY 2017 (53 weeks restated) £million	Variance (52 weeks)
Revenue[1]	**1,598.8**	1,423.6	1,454.5	12.3%
Gross profit	**547.5**	494.3	495.0	10.8%
Other income	**71.9**	59.5	61.0	20.8%
Distribution and administrative costs	**561.1**	471.3	480.9	19.1%
Share of results from joint venture[3]	**1.2**	1.6	1.6	(25.0)%
EBITDA*[2]	**59.5**	75.0	76.7	(20.7)%
Depreciation, amortisation and impairment[3]	**91.3**	71.0	71.0	28.6%
Net Finance costs	**12.5**	13.5	13.7	(7.4)%
Exceptional items*	**0.1**	0.3	0.3	(66.7)%
(Loss) before tax	**(44.4)**	(9.8)	(8.3)	n/a

1. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs to Morrisons and fees charged to Morrisons and other solutions clients are also included in revenue
2. EBITDA* is stated before the impact of exceptional items*
3. Depreciation, amortisation and impairment and share of results from joint venture are based on a 52 weeks basis

Revenue grew by 12.3% to £1,598.8 million in comparison to 2017 revenue of £1,423.6 million. This was due to an increase in the average number of orders a week and fees earned from our partnerships. Gross profit increased by 10.8% year-on-year, a higher rate than revenue reflecting faster growth in Solutions revenue with currently higher gross profit margins compared to Retail.

EBITDA* of £59.5 million was 20.7% lower than the prior year. This was driven by increased resources to further develop the OSP platform, the opening of our new proprietary CFC in Erith and increased technology headcount to support our ongoing development. Higher share based senior management incentive charges were caused by share price increases. This was offset by revenue from existing partners in the Solutions segments and increased supplier income within the Retail segment.

Depreciation, amortisation and impairment increased by 28.6% to £91.3 million, reflecting the increased charge arising from the opening of the Erith CFC in Summer 2018, the full year impact of Andover, the second General Merchandise Distribution Centre ("GMDC2") and the associated software for these projects.

Net finance costs decreased from £13.5 million to £12.5 million year-on-year. This is because increases in finance costs were more than offset by a £2.0 million increase in interest income which resulted from the cash raised by our rights issue and share placing by Kroger.

Loss before tax was £(44.4) million, down from the prior year loss of £(9.8) million. This is primarily driven by our continued investment in our future, the increased depreciation charge from new CFCs and the IFRS 15 impact on timing of Solutions revenue recognition.

* See Alternative Performance Measures on pages 229 and 230

Trading review by segment

Retail Performance

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks) £million	FY 2017 (53 weeks) £million	Variance (52 weeks)
Revenue	**1,475.8**	1,317.4	1,346.1	12.0%
Gross profit	**424.5**	378.9	386.6	12.0%
Other income	**59.8**	49.2	50.4	21.5%
Distribution and administrative costs*[1]	**401.8**	348.8	356.1	15.2%
EBITDA*[2]	**82.5**	79.2	81.0	4.2%

1. Distribution and administrative costs exclude depreciation, amortisation and impairment for the period
2. EBITDA* does not include the impact of exceptional items*
3. There was no impact to the Retail Segment under the new accounting standard, IFRS 15, and thus no IFRS 15 restated FY2017 numbers are provided.

Retail revenue growth was driven by a 12.1% year-on-year increase in orders per week to 296,000 (2017 restated: 264,000), with the highest orders per week of 340,000. Active customers increased by 11.1% from 649,000 to 721,000. The average price per item increased by 1.3%. This was offset by a (0.4)% decrease in the average basket price at Ocado.com to £106.85. The general merchandise business growth was 13.0% driven by strong growth in Fetch.co.uk and Fabled.com.

Gross profit

The increase in Gross Profit was driven by higher order volumes and improved cost prices that led to an 12.0% increase in gross profit to £424.5 million.

Other Income

Other income increased by 21.5% to £59.8 million (2017 restated: £49.2 million) with supplier income increasing year-on-year by 19.6% to £57.1 million (2017 restated: £46.5 million) equivalent to 3.9% of retail revenue (2017 restated: 3.6%).

Distribution and administrative costs

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks)3 £million	FY 2017 (53 weeks)3 £million	Variance (52 weeks)
CFC	**138.9**	115.7	117.9	20.1%
Trunking and Delivery	**182.1**	164.0	167.8	11.0%
Other operating costs	**11.3**	9.8	10.0	15.3%
Marketing[1]	**15.6**	13.7	14.1	13.9%
Head office costs	**53.9**	45.6	46.3	18.2%
Total retail distribution and administrative costs*[2]	**401.8**	348.8	356.1	15.2%

1. Marketing expenditure exclude voucher costs
2. Retail distribution and administrative costs excludes depreciation, amortisation and impairment
3. There was no impact to the Retail Segment under the new accounting standard, IFRS 15, and thus no restated FY2017 numbers are provided.

> The increase in Gross Profit was driven by higher order volumes and improved cost price

Duncan Tatton-Brown
Chief Financial Officer

Ⓐ See Alternative Performance Measures on pages 229 and 230

Chief Financial Officer's Review

Distribution and administrative costs consist of costs for the fulfilment and delivery operations of the business as well as head office costs. Total distribution and administrative costs increased by 15.2% year-on-year.

CFC costs increased from £115.7 million to £138.9 million, an increase of 20.1% year-on-year. This was primarily due to the opening of the Erith CFC and GMDC2 in the second half of the year both of which are currently running unused capacity as we scale these operations. Engineering costs were higher due to a greater mix of the new facilities in the Andover and Erith CFCs which, at present, have a higher cost per order despite this falling during the period across these CFCs.

Mature CFC (defined as CFC1 and CFC2) UPH remained stable at 164 UPH. There was some modest improvement driven by the Dordon CFC productivity which regularly exceeded 182 UPH in the period offset by operational issues caused by the severe weather conditions earlier in the period impacting both inbound and outbound productivity. Andover CFC UPH increased during the period and is expected to overtake Hatfield by the end of 1H 2019.

Trunking and delivery costs increased by £18.1 million to £182.1 million, an increase of 11.0% year-on-year (2017 restated: £164.0 million). This was due to increases in wage-related and vehicle costs as a result of greater order volumes and inflationary cost pressures.

Deliveries per van per week have risen by 6.6% to 194 (2017 restated: 182) as customer density improved, Sunday delivery slots increased, and we made continued enhancements to our routing system, exceeding our revised target of 190 DPV set 2 years ago.

Head office costs increased by 18.2% year-on-year from £45.6 million to £53.9 million, reflecting increased technology headcount, from the growth in our general merchandise business, coupled with the annualised impact of additional space costs for our new head office location.

Marketing costs excluding voucher spend increased from £13.7 million to £15.6 million, 1.1% as a percentage of retail revenue and marginally up on the prior period.

EBITDA*

EBITDA* excluding exceptional items for the retail business was £82.5 million (2017 restated: £79.2 million).

Solutions Performance

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks restated) £million	FY 2017 (53 weeks restated) £million	Variance (52 weeks)
Fees invoiced	**198.5**	146.1	147.0	35.9%
Revenue	**123.0**	106.2	108.4	15.8%
Distribution and administrative costs*	**140.9**	112.7	115.1	25.0%
EBITDA*	**(17.9)**	(6.6)	(6.8)	(171.2)%

Fees and Revenue

Fees invoiced, exclusive of VAT, amounted to £198.5 million (2017 restated: £146.1 million) are a combination of fees due for services invoiced under existing solutions contracts and amounts received in advance of new Solutions contracts. Fees relating to OSP are not recognised as revenue until a working solution is delivered to the partner.

Revenue from the Solutions business was £123.0 million, up from £106.2 million in 2017. This primarily comprises of fees from our original arrangement with Morrisons, for services rendered, technology support, research and development and from management fees, and a recharge of relevant operational variable and fixed costs.

* See Alternative Performance Measures on pages 229 and 230

Distribution and administrative costs

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks restated) £million	FY 2017 (53 weeks) £million	Variance (52 weeks)
Distribution Costs	**98.0**	86.9	88.6	12.8%
Administrative costs	**42.9**	25.8	26.5	66.3%
Total Solutions distribution and administrative costs*	**140.9**	112.7	115.1	25.0%

* Solutions distribution and administrative costs excludes depreciation, amortisation and impairment

Distribution and administrative costs predominantly consist of fulfilment and delivery operation costs for the Morrisons business and the costs of employees developing solutions for, and supporting all of our partnership agreements. These costs grew 25.0% year-on-year primarily as a result of an increase in headcount to support further improvements in our platform, to support existing international clients, and to build further capabilities to sign future clients.

EBITDA*

EBITDA* from our Solutions activities was £(17.9) million, a decrease of £(11.3) million.

Other Segment

EBITDA loss was £(5.1) million in the current period (2017 restated: EBITDA profit £2.4 million), a decrease of £7.5 million primarily due to the increase in the accounting estimates for share-based senior management incentive charges. These charges increased in the period predominantly as a result of the share price performance in the period.

Group Performance

	FY 2018 (52 weeks) £million	FY 2017 (52 weeks restated) £million	FY 2017 (53 weeks restated) £million	Variance (52 weeks)
EBITDA*	**59.5**	75.0	76.7	(20.7)%
Depreciation, amortisation and impairment	**91.3**	71.0	71.0	28.6%
Net Finance costs	**12.5**	13.5	13.7	(7.4)%
Share of results from joint venture	**1.2**	1.6	1.6	(25.0)%
(Loss) before tax	**(44.4)**	(9.8)	(8.3)	(353.1)%
(Loss) after tax	**(44.9)**	(9.8)	(8.3)	(358.2)%

Depreciation, amortisation and impairment

Total depreciation and amortisation costs were £91.3 million (2017 restated: £71.0 million), an increase of 28.6% year-on-year. The increase year-on-year costs is as a result of the commencement of operations at the Erith CFC, increased bot numbers in our Andover and Erith CFCs and higher levels of technology spend on over the last few years on our platform.

Net finance costs

Net finance costs were £12.5 million, a decrease of 7.4% in comparison toj) the prior year (2017 restated: £13.5 million). The decrease is due to annualised impact of savings as a result of debt expiring or being repaid with the proceeds of the Senior Secured Notes issued in the prior year. This amount was offset by £2.2 million of finance income earned through cash deposits held (2017 restated: £0.2 million).

£2.8 million of interest costs have been capitalised in the period in relation to the senior secured notes and the RCF in accordance with the relevant accounting standards (2017 restated: £4.4 million).

Share of result from joint venture

MHE JVCo Limited ("MHE JVCo") holds Dordon CFC assets, which Ocado uses to service its and Morrisons' online business and is owned jointly by Ocado and Morrisons. The Group share of MHE JVCo profit after tax in the period amounted to £1.2 million (2017 restated: £1.6 million).

Loss before tax

Loss before tax for the period was £(44.4) million (2017 restated: loss of £(9.8) million).

Taxation

Due to the availability of capital allowances and Group loss relief, the Group does not expect to pay corporation tax during the period. No deferred tax credit was recognised in the period. Ocado had approximately £256.4 million (2017 restated: £183.6 million) of unutilised carried forward tax losses at the end of the period.

Chief Financial Officer's Review

Dividend

During the period, the Group did not declare a dividend.

(Loss)/Earnings per share

Loss and diluted loss per share were (6.85)p (2017 restated: (1.38)p).

Capital expenditure

Capital expenditure for the period:

	FY 2018 (52 weeks) £million	FY 2017 (53 weeks) £million
Mature CFCs	**6.2**	3.1
New CFCs	**80.3**	69.7
International CFCs	**10.9**	–
Delivery assets	**21.7**	16.5
Technology	**54.8**	42.8
Fulfilment Development	**21.2**	15.5
Other	**18.1**	10.6
Total capital expenditure[1, 2] (excluding share of MHE JVCo)	**213.2**	158.2
Total capital expenditure[3] (including share of MHE JVCo)	**213.8**	160.3

1. Capital expenditure includes tangible and intangible assets
2. Capital expenditure excludes assets leased from MHE JVCo under finance lease arrangements
3. Capital expenditure includes Ocado share of the MHE JVCo capex in 2018 of £0.6 million and in 2017 of £2.1 million

Capital expenditure in the Hatfield CFC was £5.3 million which mainly related to a number of small projects to improve the capacity and resiliency of this site.

We incurred £80.3 million of costs in the period for our new CFCs. This included £65.3 million relating to the Erith CFC. The Erith CFC commenced operations in mid 2018 and is scaling up operations with a expected eventual capacity of over 200,000 OPW. The remaining amount related to capital developments in Andover CFC which is scaling up operations since opening in 2016.

Total expenditure on new vehicles in the period was £21.7 million (2017 restated: £16.5 million). This expenditure enabled business growth and replacement of vehicles that have reached or exceeded their five year useful life, the year on year increase is due to the timing of vehicles reaching the end of useful life.

Ocado continued to develop its own proprietary software and incurred £54.8 million (2017 restated : £42.8 million) of internal development costs in the period on technology, including £10.6 million (2017 restated: £7.1 million) spent on computer hardware and software. We expanded our technology total headcount to over 1,300 staff at the end of the period (2017: over 1,100 staff) as increased investments were made to support our strategic initiatives. The main areas of investment were replatforming of our technology and the greater use of public and private cloud services, improvements in the efficiency of our routing systems, enhancements to our customer proposition, and support for the growth of Andover CFC, Erith CFC and existing partners future CFCs.

Fulfilment development expenditure of £21.2 million was spent in enhancing our next generation fulfilment solutions which will be used in our latest CFCs and within CFCs for our Solutions partners.

In the period, we incurred our share of the capital expenditure relating to MHE JVCo of £0.6 million (2017 restated: £2.1 million) to improve operational capacity and efficiency of the Dordon CFC and various minor improvement projects.

Other capital expenditure of £18.1 million was incurred in the period, of which £6.8 million related to our general merchandise business. This was to support growth in capacity of our existing general merchandise distribution centre and to enable the opening of our GMDC2 site in mid 2018. £5.6 million related to our trial of an immediacy offer, launching in the coming months.

At 2 December 2018, capital commitments contracted, but not provided for by the Group, amounted to £69.7 million (2017 restated: £45.0 million). We expect capital expenditure in 2019 to be approximately £350 million which mainly comprises the roll out of new equipment directly related to our Solutions partners, expansion of our UK based CFCs, continuing investment in our infrastructure and technology solutions, and additional investment in new vehicles to support business growth and the replacement of vehicles coming to the end of their five year financing contracts.

Cash flow

Net operating cash flow after finance costs increased to £128.4 million, up 9.8% from £116.9 million in 2017 as detailed below:

	FY 2018 (52 weeks) £million	FY 2017 (53 weeks) £million
EBITDA*[1]	**59.5**	76.7
Working capital movement	**70.0**	50.5
Exceptional items*	**(0.1)**	(0.3)
Other non-cash items	**13.5**	4.1
Finance costs paid	**(14.5)**	(14.1)
Operating cash flow	**128.4**	116.9
Capital investment	**(170.1)**	(179.5)
Dividend from joint venture	**–**	7.6
(Decrease)/Increase in net debt*/ finance obligations	**(32.8)**	152.4
Proceeds from share issues	**333.1**	1.5
Other investing and financing activities	**2.2**	0.2
Movement in cash and cash equivalents	**260.8**	99.1

1. EBITDA* is stated before the impact of exceptional items*

Ⓐ See Alternative Performance Measures on pages 229 and 230

Operating cash flow increased by £11.5 million during the year driven by increased investment in resources for the development of the OSP platform. The increase in working capital inflow of £19.5 million is driven by an increase in trade and other payables (including contract liabilities) of £56.4 million, offset by an increase in inventories of £9.8 million and trade and other receivables (including contract costs) of £27.1 million.

During the period there was £170.1 million of capital expenditure as the Group continues to invest for future growth comprising investments in new CFCs, development of our next generation fulfilment solutions, and spend on new vehicles and spoke sites.

Net financing cash flows in the period were £300.3 million comprising £(32.8) million reduction in net debt* and financing obligations, £333.1 million of proceeds from the share placing in January 2018, the shares subscribed for by Kroger in May 2018 and the issue of new share capital following the exercise of employee share options. No dividend was received from MHE JVCo in the period; this was received post the period end .

Cash received during the year in relation to Solutions partners, excluding VAT, amounted to £200.1 million (2017 restated: £146.1 million).

Balance sheet

The Group had cash and cash equivalents of £410.8 million at the end of the financial year versus £150.0 million as at 3 December 2017.

Gross debt at the period end was £360.6 million (2017 restated: £378.0 million) and external gross debt*, excluding obligations under finance leases owing to MHE JVCo, was £286.1 million (2017 restated: £283.9 million). The increase in net external cash is due to proceeds from the issue of equity raised in anticipation of investment in improving our platform and adding UK capacity. Net external cash at the period end was £124.7 million (2017 restated: net debt £133.9 million), driven mainly by cash generated from equity.

Trade and Other Receivables includes £49.1 million (2017 restated: £28.8 million) of amounts due from suppliers in respect of commercial and media income. Of this amount £29.9 million (2017 restated: £12.2 million) is within trade receivables, and £19.2 million (2017 restated: £16.6 million) within accrued income.

Within deferred income, £12.5 million (2017 restated: £9.3 million) related to delivery income received under the Ocado Smart Pass scheme allocated to future periods, lease incentives and media income from suppliers which relate to future periods. Within Contract liabilities, £115.2 million (2017 restated: £49.7 million) of amounts are related to Solution contracts, payments made for performance-based payments or progress payments on ongoing service delivery. Where payments are greater than the revenue recognised at the end of period, a contract liability is recognised for the difference. Within accrued income, £3.8 million (2017 restated: £3.1 million) is the amount due from our Solutions customers.

Ⓐ See Alternative Performance Measures on pages 229 and 230

Included within property, plant and equipment is capital work-in-progress for land and buildings of £0.1 million (2017 restated: £37.2 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £45.8 million (2017 restated: £61.6 million), the decrease relating to the Erith CFC and the second general merchandise distribution site, which have now opened.

Increasing financing flexibility

In the period, we issued approximately 5% of our issued share capital, raising gross proceeds of £143 million to provide the flexibility to take full advantage of the current opportunities to grow Ocado Solutions and accelerate development in our platform and our Retail business. The £100 million Revolving Credit Facility ("RCF") which was renegotiated in 2017 was not drawn during the year. In May 2018, Kroger Inc. subscribed for another 5% of share capital which raised a further £183 million.

Key performance indicators

The following table sets out a summary of selected unaudited operating information for FY 2018 and FY 2017:

	FY 2017 (52 weeks)	FY 2018 (52 weeks)	Variance (52 weeks)
Average orders per week	**264,000**	296,000	12.1%
Average order size (£)[1]	**107.28**	106.85	(0.4)%
Mature CFC efficiency (units per hour)[2]	**164**	164	–
Average deliveries per van per week (DPV/week)	**182**	194	6.6%
Average product wastage (% of retail revenue)[3]	**0.7**	0.8	(0.1)ppt

Source: the information in the table above is derived from information extracted from internal financial and operating reporting systems and is unaudited

1. Average retail value of goods a customer receives (including VAT and delivery charge) per order from Ocado.com
2. Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC and Dordon CFC operational personnel. We consider a CFC to be mature if it had been open 12 months by the start of the half year reporting period
3. Value of products purged for having passed Ocado's "use by" life guarantee divided by retail revenue

How We Manage Our Risks

The Risk Management Framework

Ocado's risk management process is designed to improve the likelihood of delivering our business objectives, protect the interests of our key stakeholders, enhance the quality of our decision-making, and assist in the safeguarding of our assets, including people, finances, property and reputation.

The Board is responsible for the review and approval of the risk management framework and for the identification of Ocado's key strategic and emerging risks. The Audit Committee, delegated by the Board, is responsible for the review of the effectiveness of risk management, the system 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 Ocado's control environment and its financial reporting procedures. The review covers all significant controls including financial, operational, compliance controls, and risk management systems.

The key features of our system of internal control and risk management, including those relating to the financial reporting process, are:

- an organisational structure with clear segregation of duties, control and authority, and a framework of policies covering all key areas;
- a system of financial reporting, business planning and forecasting processes;
- a capital approval policy that controls Ocado's capital expenditure and a post-completion review process for significant projects;
- monitoring the progress of major projects by management, the Executive Directors and the Board;
- an executive Risk Committee and a Governance, Risk and Compliance team which monitor Ocado's risks;
- an Information Security Committee and an Information Security team which monitor Ocado's information security;
- a Personal Data Steering Committee and data protection team that support data privacy governance;
- an Internal Audit function that provides independent assurance on key programmes and controls;
- a treasury policy overseen by a Treasury Committee that manages Ocado's cash and deposits, investments, foreign exchange and interest rates, so as to ensure liquidity and minimise financial risk;
- a food and product technology department, responsible for designing and monitoring compliance with Ocado's processes for the procurement and handling of foods and other goods for resale; and
- other control measures outlined elsewhere in this Annual Report including legal and regulatory compliance and health and safety compliance.

Ocado Risk Management Process

The Ocado risk management process is designed to identify key risks and to provide assurance that these risks are understood and managed in line with the agreed risk appetite. The risk appetite is reviewed by the Board as part of its annual strategy review. The risk management process is aligned to our strategy and each principal risk and uncertainty is considered in the context of how it relates to the achievement of the Group's strategic objectives.

The Risk Committee reviews an overall risk report twice a year and this is in turn discussed by the Audit Committee and the Board. The risk report captures the most significant risks faced by the business and identifies the potential impact and likelihood at both inherent level (before consideration of mitigating controls) and a residual level (after consideration of mitigating controls). The appetite for each key risk is also discussed and assessed with a target risk position agreed to reflect the level of risk that the business is willing to accept. This process for identifying, evaluating and managing the principal risks faced by the Group operated during the period and up to the date of this Annual Report. Such a system can only provide reasonable, and not absolute, assurance, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

For further information on the review of financial reporting, refer to page 77 of the Audit Committee report.

Principal Risks

The principal and emerging risks are discussed and monitored throughout the year to identify changes to the risk landscape. The Board carried out its assessment of principal risks and uncertainties towards the end of the period. Set out overleaf are details of the principal risks and uncertainties for the Group and the key mitigating activities used to address them. The risks have been listed against the most relevant Group strategic objectives and are not set out in any order of priority or importance. The inherent (or pre-mitigation) risk movement from prior year for each principal risk and uncertainty has been assessed and is presented (per the key on page 46). For further information on the financial risks, see pages 193 to 195 of the notes to the financial statements.

Brexit impact on the Group

The Group is monitoring closely the legal and political developments in the process towards the UK's exit from the EU ("Brexit"). A Brexit readiness committee was established in 2018, to prepare the Group for the post-Brexit economic arrangements. The absence of an agreed and binding post-Brexit trade arrangement with the EU, this close to 29 March 2019, means that Brexit remains a principal risk for the Group. The Group has considered the impact in a number of areas:

Employees

- The Group has a dedicated and talented workforce, a substantial number of whom are EEA nationals in many different business areas. The ability of these employees to continue to live and work in the UK is of critical importance.

- Our technology division has several software development centres in the EU who work closely with their UK based colleagues. The efficiency of this arrangement could be impacted if post-Brexit there are restrictions on the ability of UK and EEA nationals to travel and to relocate between the UK and EU.

Supply Chain

- The UK imports about 30% of its food from the EU and the Group does not differ significantly from this average. Our supply chains have been developed as part of this established system, allowing for wide product choice, short ordering times and low inventories. If import tariffs are introduced, cost prices will increase and, if border checks cause disruption, certain short-life products could be unavailable or delisted. Although the Group can and will create buffers of certain critical products, it is not possible to do this for fresh and short-life perishables.
- Ocado Solutions exports UK-produced technology and equipment to our partners in the EU. Any tariffs or other trade barriers may reduce our competitiveness.

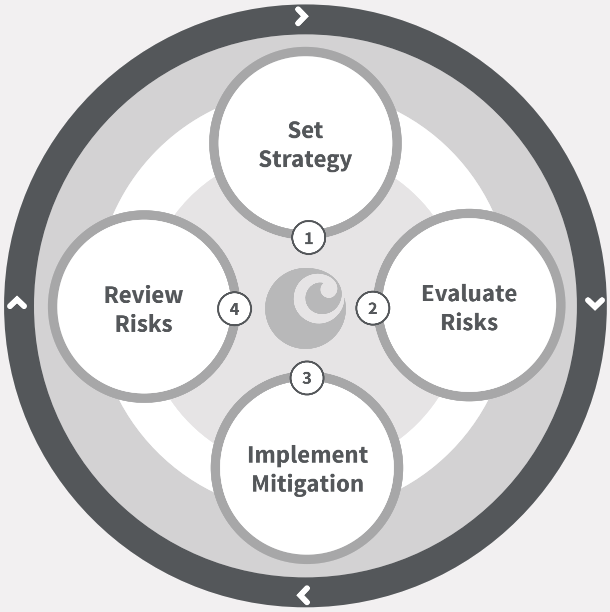
Technology

- A significant proportion of the components in the automation, warehouse, delivery and maintenance equipment used in Ocado's operations are imported from the EU. The Group has placed advance orders for spare parts as a buffer against supply disruption.
- The Group is closely involved in a number of EU collaborations in research and development. Whilst the EU funding is important, access to EU-based academic skills, knowledge and collaboration is more important. Existing funding is expected to continue, however it is unlikely that there would be further or new funding.
- Ocado Solutions technology and engineering teams are designing equipment for our UK and international partners. This meets current EU requirements and can be certified as such in the UK. This design process could be impacted if UK certification is no longer recognised or there is a divergence between UK and EU standards.

The Group has engaged with suppliers, partners and external advisers to explore solutions to these risks to its business. Aside from considering the impact of Brexit on its operations and business model, the Board gave consideration to Brexit in the context of reviewing its viability and going concern, as noted below. The Company also considered the impact of Brexit as part of its post balance sheet events review process and did not identify any adjusting events.

> The Ocado risk management process is designed to identify key risks and to provide assurance that these risks are understood and managed in line with the agreed risk appetite.
>
> **Robert Cooper**
> Chief Compliance Officer

Ocado Risk Management Process



1. Our strategy informs the setting of objectives across the business and is widely communicated.
2. Executive Directors evaluate the most significant strategic risks for the Group. In addition, each divisional director or selected department head prepares a risk register for their respective division, highlighting their significant risks. The Risk Committee oversees risk control processes and risk analysis from each part of the business, and reviews these top down and bottom up representations to ensure that no significant risks have been omitted.
3. Divisional directors or department heads identify how they will manage, and accept or mitigate, their significant risks. These actions are then summarised into a description of the Group-wide mitigation process for each risk.
4. Group-wide risks and mitigation processes are regularly reviewed by the Risk Committee and by the Audit Committee.

How We Manage Our Risks

Strategic Objective	Risks	Mitigation Action/Control	Change During the Year
Driving Growth	Risk of decline in high service levels in the retail business.	• Weekly monitoring of the key indicators and the underlying drivers against targets. • Continuing initiatives intended to improve resiliency and operational performance of the Hatfield and Dordon CFCs. There are ongoing plans to make the scaling of operations at Erith and Andover smoother. These arrangements help reduce the impact of operational problems in CFCs on customer service levels.	▼ The risk has decreased because CFC capacity at both Erith and Andover continues to increase.
	Failure to maintain a retail proposition which appeals to a broad customer base and sustain growth rates while managing any change in sourcing which may follow the end of the current Waitrose sourcing agreement in 2020.	• Continuation of LPP basket matching price comparison and competitive pricing. • Growth of the Ocado own-label range alongside continued provision of the Waitrose range. • Growth of branded ranges and expansion of supplier base. • Alternative sourcing scenarios and other arrangements are planned in the event that the Waitrose sourcing relationship is not renewed. • Continuation of investment and optimisation of the marketing channels to acquire new customers. • Continued improvement of webshop and apps.	▲ This risk has increased because competitive pressure remains high and the Group is moving closer to the expiry of the current sourcing arrangements.
	Risk of not having sufficient management, technology and engineering capabilities to be able to execute effectively the requirements for multiple Ocado Solutions contracts simultaneously in many international locations.	• Increased hiring of staff both in UK and overseas. • Review of team structures and creation of new key management roles and processes to position the Group for delivering a larger number of complex projects. • Increased hiring of managers and subject matter experts in retail, operational and central support areas.	▲ The risk has increased during the period because the Group needs to deliver more large-scale and complex projects and it is now broader, in that it applies to developing sufficient engineering capability.
	Risk of delays in the generation of new capacity in the UK.	• Dedicating resources to the modularisation of technology and logistics systems to enable faster replication. • New capacity continues to increase as the Andover CFC and Erith CFC develop. • Regular steering meetings and management oversight for new CFC projects.	▼ This risk has decreased during the period because both the Andover and Erith CFCs have continued to increase capacity.

Key: ▲ Risk has increased ▼ Risk has decreased ▶ No change ■ Not applicable

Strategic Objective	Risks	Mitigation Action/Control	Change During the Year
Maximising Efficiency	Risk that the long-term cost of ownership of our fulfilment solutions is not priced at a level that is attractive for our clients while still providing acceptable returns for our shareholders.	• Regular review of IT prioritisation process and rate of software development and regular platform steering meetings. • Resources and capabilities will be scaled and reallocated to help meet Ocado Solutions project deadlines. A new role of Group Transformation Director was created to prepare and help execute a detailed plan to ensure timely and coordinated scaling of operations. • There is an ongoing programme of design improvements for the platform. • The amount of capital invested in our platform is carefully controlled and we have the ability to reduce costs by scaling back the speed of the development.	
Utilising Proprietary Knowledge	Technological innovation supersedes our own and offers improved methods of food distribution to consumers.	• Engagement with a wide number of international grocers to understand market needs. • Experienced teams in place who understand the current solutions and are aware of global alternatives used in other industries.	This risk has increased because the rate of innovation of MHE, robotics and technology solutions in the grocery e-commerce market is increasing, creating a more competitive market for the Ocado Solutions offer.
	Protecting our IP.	• Ongoing effort to identify patentable inventions and to apply for patents, with an increased number of patent applications. Expansion of IP team to help with IP protection work. • Ongoing review of our patent portfolio and discussion of other IP issues by the Ocado Innovation Committee. • Where necessary we take steps to protect our IP from unauthorised use.	
	Infringing a third party's IP.	• Conducting "freedom to operate" searches on selected technologies in selected jurisdictions and monitoring IP filings by a large number of companies. • Where appropriate, obtaining specialist or legal advice including to help ensure our ability to use our IP is not restricted by infringement claims.	

How We Manage Our Risks

Strategic Objective	Risks	Mitigation Action/Control	Change During the Year
Operational	A risk of a food safety or product safety incident.	• Experienced legal, food and product technology professionals monitor compliance against policies and procedures. • Supplier approval and certification process. • Food and product safety policies and quality management with operational procedures.	▶
	A risk of changes in regulations impacting our business model or the viability of Ocado Solutions deals.	• Regular monitoring of regulatory developments to ensure that changes are identified. • Some due diligence carried out at appropriate stages in the Ocado Solutions process.	▶
	Risk of negative implications caused by final Brexit terms such as increase in import costs or difficulty in hiring employees.	• Regular monitoring of government reporting on Brexit negotiations to understand impact on the business including our ability to hire employees from the EU, an assessment of trade tariffs on imported goods and impact of disharmonisation of UK and EU regulatory standards in a range of areas. • We are taking a range of steps to mitigate the impact of Brexit on the Group including for supply of products and materials and for changes to regulation.	▲ Lack of clarity on any post Brexit trade arrangements as the exit date approaches increases the risk and uncertainty on the extent to which our operations and performance will be impacted by Brexit.
	Risk of major cyber attack or data loss impacting the retail business or the Ocado Solutions business.	• IT systems are structured to operate reliably and securely. The security of our IT systems is regularly tested by third parties. • An information security governance programme is helping increase security and privacy internal controls. • No customer payment card data is held in Ocado's databases. • A new Data Protection Officer was hired to oversee the Group's GDPR compliance programme.	▲ The overall information security risk exposure has increased during the period largely as a result of an increasing external threat environment, the new General Data Protection Regulations and the increasing overall profile of the Group.
	Business interruption.	• IT systems are structured to operate reliably and securely. • Dedicated engineering teams on site with daily maintenance programmes to support the continued operation of equipment. • Disaster recovery testing and business continuity plans continue to be progressed and updated. • High level of protection for CFCs and equipment, combined with business interruption insurance to transfer residual risks.	▶

1. The risk described in the 2017 Annual Report as "Failure to develop retail proposition to appeal to broader customer base and sustain growth rates" has been expanded to reflect the end of the current Waitrose sourcing agreement in 2020.
2. The risk described in the 2017 Annual Report as "Risk of not signing multiple Ocado Solutions deals in the medium term" is no longer considered a principal risk. Since November 2017 Ocado has signed partnership agreements with four major international grocers.
3. The risk described in the 2017 Annual Report as "Risk of not being able to executive effectively" has been revised to reflect a failure to deliver key projects effectively and efficiently that could result in significantly increased costs and impede Ocado's ability to execute strategic plans.

Assessment of the Group's Prospects

The Directors have assessed the Group's prospects, both as a going concern and its longer term viability. This assessment informs the following distinct statements:

1. The Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of the Company's and the Group's financial statements.
2. The Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

Both assessments are closely linked to the Directors' assessment of the principal risks facing the Group (including those that would threaten its business model, future performance, solvency or liquidity), which is outlined on pages 46 and 47.

Going Concern Statement

Accounting standards require that the 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 Group's ability to continue using the going concern basis of accounting for the 12 months following the approval of this Annual Report.

In assessing going concern, the Directors take into account the Group's cash flows, solvency and liquidity positions and borrowing facilities. At period end, the Group had cash and cash equivalents of £410.8 million (2017: £150.0 million), external gross debtⒶ of £286.1 (excluding finance leases payable to MHE JVCo of £74.5 million (2017: £283.9 million)) and net current assets of £247.0 million (2017: £10.3 million). The Group has a mix of short and medium-term finance arrangements and has £250.0 million senior secured notes due 2024 and a £100.0 million revolving credit facility which contains typical financial covenants and runs until June 2022. The Group forecasts its liquidity requirements, working capital position and the maintenance of sufficient headroom against the financial covenants in its borrowing facilities (see below). The forecasts involve the Directors making judgements about future revenue, EBITDAⒶ and capital expenditure and the cost of future financing. The financial position of the Group, including information on cash flow, can be found in Our Financials on pages 142 to 223. In determining whether there are material uncertainties, the Directors consider the Group's business activities, together with factors that are likely to affect its future development and position (see pages 14 to 43), the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors (see pages 46 and 47).

Viability Statement

In addition to the going concern assessment, the Directors have considered the viability of the business.

The Directors have decided that three years was the most appropriate period for assessing the Group's viability. Although the Group's strategic plan forecasts beyond three years, the Directors also took into account the impact on forecast outcomes of the rapid growth of the business, its changing strategic opportunities and its investment and planning periods. The Group's expansion into overseas markets during 2018 has not changed the chosen viability period as the underlying nature of the overseas business is similar to the existing UK business in terms of the planning and investment timeframes (including for new customer fulfilment centres).

The Directors rely on several existing processes to justify their viability assessment. The annual budget, is used to set targets for the Group and is used by the Remuneration Committee to set targets for the annual incentive plan. A longer term business model provides less certainty of outcome, but is a sensible planning tool against which strategic decisions can be made. The plan makes assumptions about the business including projected capital expenditure, financing requirements, Ocado Solutions contractual commitments, available finance and compliance with any financial covenants.

To assist the Directors' assessment, the financial projections in the longer term business model were subject to severe but plausible stress tests whereby certain key assumptions were adjusted downwards, notably:

1. A material decline in the rate of revenue growth;
2. A material decline in gross margins or increase in operating cost;
3. A material increase in engineering costs for future CFCs (both on its own and in combination with the previous stress test);

A decline in sales growth or margins can result from a range of principal risks in the retail business including failure to maintain a competitive pricing position, a decline in customer service levels and a delay in implementing new capacity (see pages 46 to 48). A change to future engineering costs is a potential consequence of other principal risks such as not having sufficient technology and engineering resources to continue improving our OSP solution or not delivering the expected reductions to its long term cost of ownership. The Directors consider it reasonable to believe that the Group's £100 million revolving credit facility, which runs until mid 2022, and senior secured notes due 2024, will be refinanced or extended, or that other financing will be available, to provide continuing finance to the Group. The Directors' assessment also took into account other principal risks that could impact on the future performance of the Group and those that would threaten its business model, solvency or liquidity and also the likely effectiveness of any proposed mitigating actions (see pages 46 to 48). The Directors considered the potential impact of Brexit on the Company's viability; in their judgment the risk of its EEA employees losing their UK employment rights was small even in the event of a "no-deal Brexit", and that other potential impacts such as imposition of trade tariffs or disruption to supply chains would be covered by the circumstances envisaged under scenarios one and two above.

The stress tests were evaluated for various outcomes including the impact on the Group's net cash/(debt)Ⓐ and cash flow over the three years and an assessment of the impact of the financial covenants in the revolving credit facility, all of which are relevant to assessing the solvency and liquidity of the Group.

The above considerations form the basis of the Board's reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period from approval of this Annual Report.

For information concerning the review of going concern and viability see the Audit Committee report (on page 79). The external auditors have reviewed these statements and having nothing to report (see the Independent Auditors' report on pages 142 to 148).

Ⓐ See Alternative Performance Measures on pages 229 and 230

Corporate Responsibility

In 2018, excellent progress was made towards all four pillars of our 2020 Corporate Responsibility strategy: The Ocado Way.

Amid a year of increased public interest in the widespread use of plastic, we worked hard to make commitments and implement changes with positive, long-term environmental effects. We signed up to Courtauld 2025, and the UK Plastics Pact, committing to collaboratively reduce waste from food and plastic. We also signed up to Better Retail, Better World, joining other retailers in a commitment to tackle five applicable Sustainable Development Goals.

We won the following awards for our food redistribution projects – Global Good Awards 2018: Partnership in the Community Gold; LGC Awards 2018: Public/Private Partnership Winner; IRRV Awards 2018: Excellence in Innovation; City A.M. Business of the Year 2018.

Highlights for each of our corporate responsibility strategy pillars are featured below.

The Ocado Way: 2020 Strategy

Education	Entrepreneurship	Environment	Eating Well

Education

By sharing our expertise in food, retail, logistics and technology, we aim to add value to our society now, and help the next generation achieve more. In 2018, we continued to promote digital literacy, road safety, healthy eating, and recycling. Building on our existing relationship with HMP Northumberland recycling Ocado uniforms, we supported an education project to upskill offenders and enable them to earn a formal qualification.

Digital literacy

At Ocado, we passionately believe in the paramount importance of hands-on STEM education for inspiring the next generation of computer scientists. Code for Life, a non-profit initiative that delivers free, open source games that help all students learn about computing, has been widely acclaimed by teachers, parents and students alike.

In 2018, we continued to develop Rapid Router, our open source software and guidance resource, teaching Key Stage 1 and 2 children how to code. At the end of November 2018, there were over 99,000 registered users in the UK and over 160,000 globally; more than 3,000 schools have incorporated Rapid Router into their computing curriculum.

Building on the success of Rapid Router, in 2018 we soft launched AI:MMO, a Massively Multiplayer Online (MMO) adventure game that teaches secondary school children aged between 13 and 16 skills in Artificial Intelligence and Python coding. We plan to fully launch this game next year.

Engineering Education

For the second year, we signed up to the Engineering Education Scheme, partnering with Monk's Walk School in Welwyn Garden City, Hertfordshire. Our Logistics Development and Engineering team mentored six A Level students, providing them with a special Ocado challenge to solve. Further, to celebrate the Year of Engineering, we partnered with the Engineering Development Trust (EDT) to create a Go4SET hub, engaging students from local schools in a real-world engineering project. Students aged 12–14 from five schools in Staffordshire and Hertfordshire designed an environmentally friendly factory using new and sustainable ways to create the energy it needs to run.

Road safety

We continue to deliver road safety projects for primary and secondary schoolchildren. New for 2018 is our Road Safety Challenge tournament in partnership with Warwickshire County Council. This five-year commitment gives 80 schools the chance to win an Ocado Road Safety Trophy, along with a £500 prize for schools to spend on road safety equipment or initiatives. This project potentially reached 14,900 primary and secondary children in the area.

In autumn 2018, we published a second special edition of The Young Driver's Guide in partnership with First Car. This magazine helps reduce road risks for new drivers; 78,600 copies were delivered to 242 schools in Warwickshire, Hertfordshire, Wiltshire and Hampshire. These counties are CFC locations where we have a high presence on the roads.

Recycling

Our five-year partnership with WRAP promotes recycling education projects for primary schoolchildren. This year we donated £130,000 using carrier bag funds to continue this work.

HMP Northumberland textiles factory has processed over 70 tonnes of used Ocado uniforms since our working partnership began in 2015.

Entrepreneurship

We provide an environment where entrepreneurs in retail, technology and food redistribution can flourish. In 2018 we continued to find opportunities to encourage and reward entrepreneurial thinking.

Supporting SMEs

Supply Ocado, our supplier application website makes our retail listing process more accessible for Small to Medium-sized Enterprises (SMEs). In FY 2018, 748 applications were made through our portal, and 20% of suppliers met with our Buyers.

The Ocado Primary Network is a team dedicated to improving logistics for small suppliers at launch, and to help them grow. Currently, 389 SMEs are managed by a dedicated full-time Ocado team, growing from 150 in 2017.

Britain's Next Top Supplier, our competition awarding a small supplier a £20,000 launch package and a six-month listing at ocado.com is now in its fourth year. This year, 87 businesses qualified for the competition; of seven finalists, 2018 winner Sweet Revolution launched on our webshop with a range of six products.

Environment

We continue to work on environmental data management with Ecometrica to provide a centralised data management system. We track carbon emissions from our CFCs, spokes and vehicles. We are expanding this to track all operational waste.

> Being involved in this competition has been an amazing experience for us. It's enabled us to access a major retailer for the first time and also provided the means of promoting our products onsite, which we would have found very difficult otherwise. Everyone at Ocado has been very approachable and helpful, and we'll definitely be recommending it to other small companies.
>
> **Jane Nicholls**
> Sweet Revolution

Greenhouse gas emissions

This reporting period saw our absolute location based emissions (scope 1 & 2) increase by approximately 1.95%, due to our continued growth. Despite this, we have improved efficiency with a 33% decrease in our CO_2 intensity-based figure against our 2012 baseline year.

As in previous years, the fuel for our fleet remains the largest contributor to our carbon footprint, accounting for 69.53% of our carbon emissions. Diesel used for fleet operations continues to be our primary carbon source. Electricity (scope 2) is the second main contributor, making up 22.28% of our emissions, with most of this centralised in our main CFCs. This year we purchased a significant number of renewable energy contracts. This is the second year we have reported a market-based figure alongside the traditional location-based method.

For the second year, we voluntarily submitted data to be assessed by the Carbon Disclosure Project. Last year we won their Best First Time Responder award with a score of C. We're extremely pleased to report that we have built on last year's success with an improved score of B. For the second year running we partnered with the Carbon Trust who have carried out a limited assurance engagement on selected GHG emissions data (table below) in accordance with ISO14064:3.

GHG Emissions (tonnes CO_2e)	**2017/18**	2016/17	2012/13
Scope 1 – Direct	**87,614**	82,305	39,530
Scope 2 – Indirect			
Location-based	**25,115**	28,270	21,613
Market-based	**8,856**	14,510	n/a
Total Emissions (Location-based)	**112,729**	110,575	61,143
Intensity measure (tonnes CO_2e/100,000 orders)			
Location-based	**550.1**	596.4	823.4
Market-based	**470.8**	522.2	n/a

Plastic

Single-use plastic is something we've been reviewing for some time. It's increasingly a topic of interest for our customers, too. In April, we contributed £20,000 to become a founding signatory of the UK Plastics Pact. This industry-leading initiative is backed by WRAP and the UK Government; it tackles the issue of plastic as pollution, striving to create a circular economy for the material, preventing it from being wasted. By the end of 2018, we had successfully changed the main component packaging (such as the trays used for fish) on 45% of Ocado own-label products; we switched to widely recycled material and removed problematic PVC and polystyrene on these items.

We continue to explore alternatives to plastic carrier bags for deliveries, but as yet have not found a more energy efficient or effective solution for moving products through our automated CFCs. We continue to collect carrier bags from customers for recycling. The scheme is very successful and this year 89% of carrier bags were handed back for recycling. Read more about carrier bags and the proceeds from the Single Use Carrier Bag Charge in our Ocado Foundation section below.

Corporate Responsibility

Waste

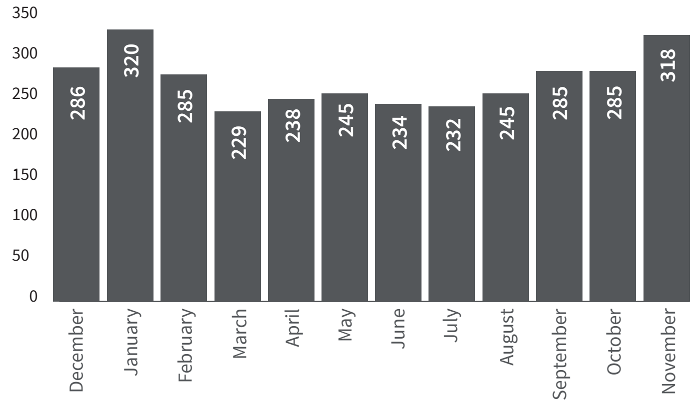
In 2018 just 0.029% of food as a percentage of total sales was wasted. We're committed to ensuring no food goes into landfill; inedible food is sent to anaerobic digestion, and edible food is redistributed. We redistributed 1,721 tonnes of food surplus in FY18, with over 90 tonnes of fresh and ambient food surplus donated to food banks and charities through our Donate Food with Ocado scheme. Since the scheme launched in December 2014, we've donated over 180 tonnes of food, demonstrating our commitment to strengthening food partnerships in the past 12 months. We contributed a total of £18,000 to support the Courtauld 2025 Commitment, a voluntary agreement that brings together organisations across the food system – from producer to consumer – to strive for more sustainable food and drink consumption.

Our uniform recycling project with HMP Northumberland (described in Education) continues to grow, and has now prevented 70 tonnes of old Ocado uniforms from being sent to landfill sites.

Eating Well

As an online grocer, we have a natural connection with food. We've continued to focus on reducing food poverty in the UK, growing our food partnerships with food banks and charities. We've maintained our promise to encourage our customers to eat well by having at least 100 promotions on fresh fruit and vegetables at all times.

Fresh Fruit and Vegetables on Promotion 2018



To encourage children to think creatively and get excited about vegetables, we sponsored the 2018 Young Pea Chef of the Year. This nationwide competition challenged schoolchildren at both primary and secondary level to invent a recipe using peas. Over 200 children entered the competition and over 2,000 people voted to choose the winning three entries.

Donate Food with Ocado

For every £1 our customers give in Donate Food With Ocado vouchers, we give £2 worth of food to our Food Partners. Rather than food banks and charities being overloaded with overstocks, they choose what they need most from a long list of fresh and ambient products. In FY18, an additional two charities were brought into the scheme. Customers donated £0.6 million, and we donated 90.3 tonnes of food to our charitable food partners, bringing the total tonnes of food donated since the scheme began in December 2014 to over 180 tonnes.

Responsible sourcing

We aim to conduct all of our business in an honest and ethical way. We take a zero-tolerance approach to modern slavery and expect our business partners to do the same. In FY18 we became sponsors of Stronger Together, a business-led initiative aiming to reduce modern slavery particularly forced labour, labour trafficking and other hidden third party exploitation of workers. With their help, we rolled out training to identify and prevent modern slavery to our teams. We have robust policies in place designed to convey the professional standards we hold and provide a framework through which incidents of exploitation can be reported. Our full modern slavery statement can be found on www.ocadogroup.com.

No donations were made by the Group to any political party, organisation or candidate during the period (2017: nil).

The Ocado Foundation

The Ocado Foundation launched in April 2015; it's the home of our charitable and fundraising activity, both internally and externally. We help employees across the UK make a difference at a local level. We do this through donations to multiple small, local projects and charities where impact will be greatest, rather than supporting a single national charity.

Matching our employees' fundraising and volunteering activity resulted in donations of just over £25,000 for charities and community organisations across the UK through the Ocado Foundation in the last 12 months. Ocado employees have volunteered more than 1,830 hours to a variety of good causes.

Carrier bags

Legislation came into effect in October 2015 requiring a 5p charge on all new single use carrier bags in England. Given the aim of the legislation is to reduce bag littering and damage to wildlife, we believe this is best achieved by removing bags from circulation, and financially incentivise customers for their return through our Bag Buy Back scheme. During the period, we collected over 135 million bags from customers, preventing them from becoming litter in the first place. The Ocado Foundation is the custodian of the remaining funds from the carrier bag charge, which are used to support waste, litter and recycling charities across the UK. This further supports the desire of the legislation to see some of the money raised support environmental causes. This year we donated £130,000 of carrier bag funds to WRAP, supporting recycling education projects; £60,000 was spent on two additional refrigerated vans for our Food Partners, bringing our total number donated to ten. We also donated £50,000 to CleanupUK, a charity which helps people combat litter in their community.

Cool vans

We ask our charity Food Partners to use refrigerated transport when collecting fresh donations. This year we've donated an additional two refrigerated vans, bringing our total donated to ten, and paid for the dual branding, leasing, maintenance, tax and insurance on their behalf. Our Food Partners' van drivers have also completed our Driver Risk Management training programme, to help keep them safe on the road.

Case Study

Our Food Partner DENS

> Ocado donations provide quality produce enabling our residents at The Elms, our service users at our Day Centre, and those accessing the Foodbank to enjoy a healthy and nutritious diet. Without Ocado, we know there would be families going hungry each day in Dacorum so Thank YOU. We look forward to working with you in 2019.

Wendy Lewington
DENS Chief Executive

For over 15 years, Dacorum Emergency Night Shelter (DENS) has offered a range of services to tackle homelessness and poverty in the borough of Dacorum, just north of Hatfield CFC. They have been a Food Partner for over ten years. In 2015 DENS began regular collections of fresh surplus through our Donate Food with Ocado scheme, and in 2017 they received one of our charitable refrigerated vans to help sustainably upscale their collections using funds from the Single Use Carrier Bag Charge.

In FY 2017/18, we donated 13.9 tonnes of food to DENS. This was used to prepare over 21,900 meals at their 44-bed hostel, 4,415 meals at their Day Centre and to supplement 739 otherwise ambient food parcels feeding 1,975 local people, including 841 children. Food surplus used for meal preparation saved DENS £32,000 over the year.

Alongside food redistribution, we provided additional support this year in the form of a Corporate Volunteering day in November, the donation of personal care products, and donations to support a variety of fundraising events throughout the year.

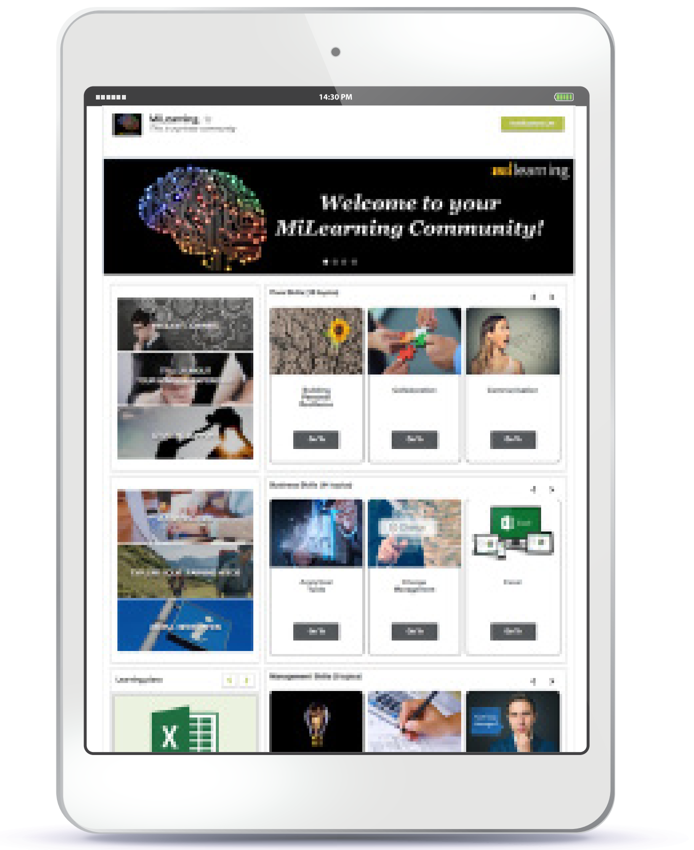
Our People

Building a Workforce for the Future

Ocado's current and future success is dependent on our employees – people who innovate, find solutions and deliver world-class service. We are committed to sourcing and developing the highest quality talent throughout Ocado, while the continuous growth of the business has meant that hiring employees globally remains key.

Our fourth CFC in Erith has been steadily increasing its workforce as the demands of our UK retail business increase. The growth of Ocado Solutions has given us new focus as we deliver to our international business customers.

Our focus on growing and developing our people is a key message that Ocado uses to attract and retain individuals. We also understand that employee benefits make an important contribution to both employee engagement and the attractiveness of Ocado as a place to work. We are committed to continuing to provide a competitive compensation package inclusive of salary, pensions and other benefits. Ocado actively encourages employees to own Ocado shares, offering Free Shares at 1% of salary to all employees. We also offer both an employee Share Incentive Plan (SIP) and a Sharesave scheme, with participation at 7.4% and 16% respectively.



In addition to the share schemes, we provide access to a number of benefit choices for employees, including Neyber, a financial awareness initiative, alongside Bike Solutions schemes, car leasing and other health-care services, all of which are part of our wider Health and Well-being strategy.

Supporting the training and development of our workforce is crucial to delivering our mission: changing the way the world shops. The consistently high performance in our UK grocery business provides the shop window for our business-to-business proposition. A stable, well-trained workforce is vital to achieve this, which is why we invest in developing technical skills and also encourage personal development to support future career progression for both monthly and hourly paid employees.

In September 2018 we brought in a record 59 university graduates under our nine separate training schemes, covering General Management, Retail, HR, Finance, Engineering, Engineering Operations, Operations Management, Logistics and Technology, cementing our place as a significant employer and creator of new graduate jobs. Use of the Apprenticeship Levy has also increased with the scheme being used to fund many professional qualifications such as CIMA and specialist engineering courses as well as entry level employees.

- This year we were delighted to launch our new online learning community for all Ocado employees. Called MiLearning, the site provides easy to navigate online content to help with day-to-day work as well as employees' personal and professional development.
- This mobile first, easy to use platform encourages employees to explore their learning needs and find what support is available as well as being able to search for learning content to develop core, business and management skills all in the same place. It is available to employees 24/7.
- The Learning & Development Team have not only focused on providing work related learning but supporting personal well-being too. It now offers additional learning support around dyslexia and autism as well as online resources for building personal resilience and developing English language skills.
- The blended learning approach also supports the roll-out of mandatory training such as the recent GDPR compliance training that all monthly paid employees are required to complete – providing a detailed audit trail.

The safety and wellbeing of Ocado's employees and associates is of the utmost importance. The Company's objective is to ensure the safety of all employees inline with Ocado's Health and Safety Policy and to ensure that its activities do not harm the public, customers or employees.

Ocado does not tolerate any form of corruption, fraud or criminality, of the giving or receiving of bribes for any purpose. Ocado's Anti-Bribery and Money Laundering Policy details definitions of bribery and corruption, as well as how to report any cases of suspected wrongdoing. During the year, the Company introduced an independent and confidential whistleblowing service that allows our employees, suppliers and other third parties to raise concerns about possible improprieties.

Diversity

We are committed to ensuring that the Ocado workforce has the diversity of talent and expertise that it needs and which will enable the business to continuing growing and innovating.

The metrics required to be reported under the gender pay gap legislation can be found on www.ocadogroup.com and the Government's online portal.

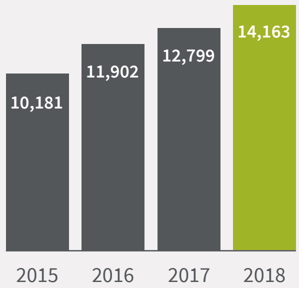
Our equal opportunities policy is dedicated to creating an environment for our employees that is free from discrimination, harassment and victimisation, reflecting our commitment to creating a diverse workforce and environment that supports all individuals irrespective of their gender, age, race, disability, sexual orientation, or religion. For more information about diversity on our Board, see page 75.

Applications for employment by people with disability are always given full and fair consideration, bearing in mind the respective aptitudes and abilities of the applicant concerned and our ability to make reasonable adjustments to the role and the work environment. In the event of existing employees becoming disabled, all reasonable effort is made to ensure that appropriate training is given and their employment within the Group continues. Training, career development and promotion of a disabled person is, as far as possible, identical to that of an able-bodied person.

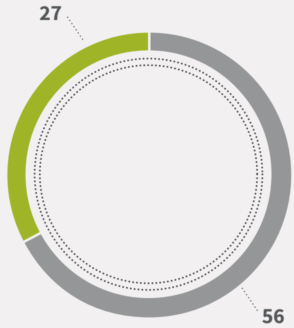
This year we were have extended our Disability Confident Leader status to cover the whole of our business, having successfully achieved this at our CFC in Dordon in 2017. We have appointed a number of CSTMs and a team manager this year who are profoundly deaf, ensuring their training and ongoing support meets their specific requirements.

Other areas of focus have received national recognition, including our work championing the care of expectant parents within Ocado.

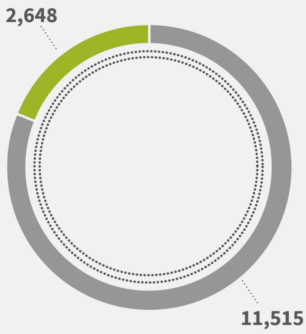
All Employees



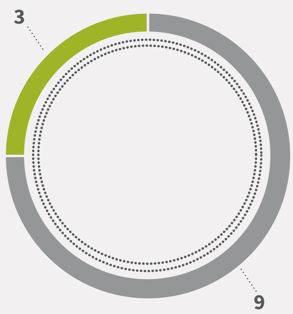
Senior Managers



All Employees by Gender



Directors



Female Male

Our People

Our values

The pace and change of our business prompted a review of our People Values this year. The guiding principle was that any changes would have to be relevant to all employees irrespective of their work area and location. After lengthy consultation they have been reduced from four to three and the underpinning behaviours simplified using short, more memorable phrases.

Our Group People Values and the associated behaviours now act as an umbrella for the different ways of working that exist across our diverse network of teams and business areas.

ocado VALUES

We are **proud** of what we do

We...

- go the extra mile for our customers
- do the right thing
- celebrate our successes

ocado VALUES

We are in it **together**

We...

- fight for the common purpose
- show trust and respect
- care for each other

ocado VALUES

We can be even **better**

We...

- never stop improving
- thrive on change
- learn from our mistakes

The Ocado Way behaviours

Crucial to how we embed the Group People Values is a manager behaviour programme, which is designed to encourage those key behaviours that we expect all of our employees, but particularly our People Managers, to demonstrate.

It is a developmental programme that supports managers in their career at Ocado.

These are the five key ways that we believe managers can demonstrate to our people that we care, that they are valued and are an important part of our business.

The aim of this programme is to develop and support our people managers so that they are the best manager they can be.

MANAGING THE ocado way

TREAT EVERYONE WITH RESPECT & DIGNITY

COMMUNICATE WITH MY PEOPLE

SUPPORT & DEVELOP MY PEOPLE

DELIVER RESULTS THROUGH MY PEOPLE

CREATE A POSITIVE ENVIRONMENT

The Citizenship Code

The Ocado Citizenship Code ensures everyone at Ocado understands how we conduct our business, and explains the values and principles behind Ocado. The Citizenship Code was created by examining our business procedures and governance process, pulling all this information together, alongside our policies and procedures, into a single document.

The Citizenship Code is the place where we cement and express the importance of our values and principles, as well as setting out our major policies which embed these values, in one easy to find place.

Engaging People

Giving our people a voice, communicating directly with them on Company achievements and celebrating our successes in line with our refreshed Group People Values, are key objectives for our Engagement team. The Ocado Council remains an important method of engaging with our employees. Now extending to our European sites, this body of elected employee representatives helps us to identify areas where we can improve as an employer and encourage participation and consultation in the decisions we make.

Each business area council is chaired by a member of our Management Committee while an Executive Director attends each Group Council meeting to update and take questions from representatives about the business. Minutes from each meeting are published on Fuse, our mobile first communications platform to which all employees have access. We now have eight communications channels ranging from weekly briefs to our in-house magazine. In January we introduced our new mobile comms app which can be accessed by all our employees.

Case Study

Wellbeing at work

> I had received a wealth of training opportunities and I really loved working for Ocado, but it was disappointing there was no process in place to support a smooth return to work after maternity or paternity leave. I'm pleased to say that's all changed now

Zuzana Starjakova
Team manager

Hatfield warehouse Team Manager Zuzana Starjakova was awarded the Barclaycard Everywoman in Retail "Above and Beyond" Award for her work championing the care of expectant parents within Ocado.

Zuzana used her own experience to create new practices including: taking steps to educate managers about resources; starting an online social community within Ocado for expectant and new parents; creating shareable information packs; and also ensuring that on their return to work mothers felt comfortable and cared for by their managers (including a formal catch-up with the manager, mother and new baby and an eight week transition process back into work).

This year we have also made good progress with our Health and Wellbeing Strategy. This is delivered in a number of ways, with recent attention being given to raising awareness about mental health. Our People professionals have completed an externally recognised training qualification and an Aviva Train the Trainer course, which allows them to present the 'Ocado Managing Mental Health in Your Teams' course accredited by Aviva, to people managers. This and other training will continue to roll out in 2019 as an essential core course for managers' personal development, along with an awareness campaign aimed at encouraging employees to ask for support when they need it.

Strategic Report Approval

The Company's Strategic Report is set out on pages 14 to 57.

The Strategic Report is approved by the Board and signed on its behalf by

Neill Abrams
GROUP GENERAL COUNSEL AND COMPANY SECRETARY
Ocado Group plc
Registered in England and Wales
Number 07098618
5 February 2019

3.

OUR GOVERNANCE

Chairman's Governance Overview

> The Ocado Board has long been mindful of the importance of good corporate governance and the role it plays in supporting the long-term success and sustainability of the business.

Lord Rose
Chairman

Governance Highlights

- Luke Jensen joined the Board in March 2018 as an Executive Director.
- Julie Southern joined the Board in September 2018 as an independent Non-Executive Director and Chairman-elect of the Audit Committee.
- A review of the 2019 Directors' Remuneration Policy completed by the Remuneration Committee, to be approved by shareholders at the 2019 Annual General Meeting.
- A review of the UK Corporate Governance Code 2018, with steps taken towards full compliance prior to it applying to Ocado.

Dear Shareholder

I am pleased to introduce the Corporate Governance Statement outlining the Company's approach to corporate governance.

The Ocado Board has long been mindful of the importance of good corporate governance and the role it plays in supporting the long-term success and sustainability of the business. We are reporting against the UK Corporate Governance Code 2016 (the "Code") for this report. We welcomed the publication of the new UK Corporate Governance Code 2018 (the "2018 Code") by the Financial Reporting Council. We are preparing for the implementation of the 2018 Code and while this Annual Report provides some additional information on engagement and other issues, we expect to report in more detail on these matters when the new reporting requirements apply to Ocado in the next financial year.

Remuneration and Engagement With Shareholders

Our Executive Director remuneration arrangements are designed to incentivise and support the achievement of our business objectives and sustain long-term value for shareholders. As the Group's strategy and development evolves, we expect to continue to engage with our shareholders on changes to the executive remuneration arrangements.

The Remuneration Committee oversees the Directors' Remuneration Policy and this year has made a number of significant changes to it in order to further align it with best practice from a corporate governance perspective and with shareholder expectations. The new 2019 Directors' Remuneration Policy (the "2019 Policy") will be put to shareholders at the Annual General Meeting on 1 May 2019 (the "AGM"). The 2019 Policy has been simplified but retains its emphasis on long-term incentives and rewarding long-term outperformance in the value of the Group relative to the FTSE. Further detail and the 2019 Policy can be found in the Directors' Remuneration Report on pages 82 to 129.

Accountability and Risk

The Board formally reviews the Group's risk appetite annually and periodically discusses principal risks facing the Group and appropriate controls. Risk identification, controls and cost-benefit analysis regularly form part of the Board's deliberations on strategic decisions. Monitoring the Group's risk and assurance systems is important. In line with the new 2018 Code requirements, the Board approved a refreshed whistleblowing policy and process for the Group. For more information about how the Company manages risk please see pages 44 to 49.

Leadership and Board Effectiveness

The Board needs to ensure that we have the right people and leadership in our Group to support the strategy and plans of the Group. As well as reviewing management succession plans, the Board has considered Board composition and the existing and desired skill sets of the Board. This important piece of work continues to form the basis of Board discussions in 2019 as we consider the make-up of the Board that will best support the Company as it moves into the next stage of development. In response to the 2018 Code, the terms of reference of the Nomination Committee were broadened to include oversight of the development of a diverse pipeline for succession to the Board.

Lord Rose
Chairman
5 February 2019

Board of Directors

Standing (left to right)

Andrew Harrison
Non-Executive Director
Age: 48

Luke Jensen
CEO, Ocado Solutions
Age: 52

Ruth Anderson
Non-Executive Director
Age: 65

Mark Richardson
Chief Operations Officer
Age: 54

Jörn Rausing
Non-Executive Director
Age: 58

Duncan Tatton-Brown
Chief Financial Officer
Age: 53

Douglas McCallum
Non-Executive Director
Age: 52

Seated (left to right)

Neill Abrams
Group General Counsel and Company Secretary
Age: 54

Emma Lloyd
Non-Executive Director
Age: 49

Tim Steiner, OBE
Chief Executive Officer
Age: 49

Julie Southern
Non-Executive Director
Age: 58

Lord Rose
Chairman
Age: 69

Read the **Directors' Biographies** on pages 138 and 139

Corporate Governance Statement

Leadership Board Structure

The structure of the Board is designed to ensure that the Board focuses on strategy, monitoring the performance of the Group and governance, risk and control issues.

The following diagram shows the role of the Board and its committees and management.

Board of Directors
The Board is collectively responsible for the long-term success of the Company. The business of the Company is managed by the Board who may exercise all of the powers of the Company. The Board delegates certain matters to the Board committees, and delegates the detailed implementation of matters approved by the Board and the day-to-day operational aspects of the business to the Executive Directors.

Audit Committee
Reviews and reports to the Board on the Group's financial reporting, internal control and risk management systems, the independence and effectiveness of the external auditor and the effectiveness of the Internal Audit function.

Remuneration Committee
Determines the remuneration, bonuses, long-term incentive arrangement, contract terms and other benefits in respect of the Executive Directors, the Chairman and the Company Secretary.

Nomination Committee
Undertakes an annual review of succession planning and ensures that the membership and composition of the Board, including the balance of skills, remain appropriate.

Chief Executive Officer
- Leads the Executive Directors
- Represents management on the Board

Executive Directors
- Day-to-day management of the Group's operations
- Operations and results of the Group
- Execute the strategy once agreed by the Board

Management Committee
- Implements and oversees operational management

Risk Committee
Oversees the Group's risk register, risk control processes and disaster recovery planning.

Information Security Committee
Monitors the Group's information security measures and oversees changes to security systems.

Treasury Committee
Oversees the treasury policy concerning the Group's cash and deposits, investments, foreign exchange and interest rates.

Safety Steering Committee
Oversees the Group's health, safety and environment management systems and monitors the progress of safety plans.

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

Personal Data Steering Committee
Supports and drives data privacy governance and provides assurance that best practice mechanisms are in place.

Chairman
- Leads the Board
- Promotes high standards of governance and ensures effectiveness
- Sets the Board's agenda

Non-Executive Directors
- Constructively challenge the Executive Directors
- Monitor the delivery of the Group's strategy within the risk and control framework set by the Board

Company Secretary and Group General Counsel
- Ensures that Board procedures are followed
- Governance matters
- Ensures that information flows between management, the Board and its committees

Indicates delegation

Indicates Board support

The primary responsibilities of the Chief Executive Officer, the Chairman, the Senior Independent Director, the Company Secretary and the Non-Executive Directors are set out in writing and provide a system of checks and balances to ensure no individual has unfettered decision-making power.

Certain detailed aspects of the Board's responsibilities are delegated to the Executive Directors. The Executive Directors carry out some of these responsibilities through executive-led committees. These committees, whose roles are set out above, formally report to the Executive Directors, and may provide reports to the Board or Board committees from time to time. The Management Committee comprises the Executive Directors and twelve members of management.

The reports by each Board committee are given in this Annual Report. The full terms of reference for each Board committee are available on the Company's corporate website **www.ocadogroup.com**.

What the Board Did This Year

The Board's activities are structured through the year to develop and support the delivery of the Group's strategy. The Board's discussions throughout the year were focused on our strategic objectives: Driving Growth, Maximising Efficiency and Utilising Proprietary Knowledge and the actions taken by the Board throughout the period reflected these strategic goals. The Board also regularly discussed governance, risk management and the Group's financial performance. The table below sets out some of the Board's key areas of focus and discussions through the year and how these developed and supported our strategy.

Responsibility	Strategy, Performance and Financing	Reporting, Risk Management and Accountability Controls	Oversight of the Group's Operations and Technology Development	People, Governance and Corporate Responsibility
Specific Actions During the Period	Annual strategy conference to review and set the Group's strategy and medium-term plan.	Annual review of key risks and risk appetite and reviewing reports of risk management.	Approving the annual budget, the business plan for the Group and individual capital expenditure projects.	Receiving reports on people issues. Discussing Corporate Responsibility goals and progress.
	Overseeing Ocado Solutions negotiations and discussions.	Review of reports on specific risk areas including OSP control environment.	Receiving reports on patent protection of the Group's technology.	Approving the Group's new whistleblowing policy and modern slavery statement.
	Monitoring grocery retail competitor activity.	Reviewing and approving the Group's regulatory announcements and reports.	Receiving regular reports on key projects including new technologies, IT replatforming and development and ramp-up of the Andover and Erith CFCs.	Receiving various reports on governance and regulatory changes, including the Group becoming regulated under GSCOP.
	Receiving reports from senior management on trading, business performance and financing.	Reviewing reports on health and safety, environment, litigation, investor relations and legal and company secretarial matters.	Receiving regular reports on ongoing retail trading and customer service metrics, including call centre performance.	Receiving reports on the Group's environmental initiatives and responsibilities and approving the tax strategy statement.
The Board's Strategic/Governance Role	Providing entrepreneurial leadership to the Group with overall responsibility for driving performance through debate and constructive challenge of management.	The Board is ultimately responsible for the Company's risk appetite and viability and therefore plays a key role in reviewing the risks that face that business and ensuring that it has and retains oversight of specific, high-risk areas.	Operational efficiency is regularly discussed and challenged at Board meetings and is considered an important driver for both growth and developing our proprietary knowledge, and therefore the Group's strategy.	The Board discusses stakeholder issues through the year, including investor, customer and employee issues. The Board is updated regularly on governance matters.
	Developing effective leadership in the Board and throughout the business and ensuring the right personnel are in place.	The Board discusses Company-specific risks and uncertainties, including the environment in which the business operates such as cybercrime and Brexit.	The Board discusses the status and progress of the implementation of key projects including Solutions contracts.	The Board receives updates throughout the year on recruitment and retention, and discussed the potential impact of Brexit on the Group's operations, including the impact on the Group's operational strategy.
	As a significant part of the growth strategy, reviewing the strategy of overseas expansion and the capabilities required to make this successful.	The Board reviews the Company's viability statement.	The commercialisation of Ocado Solutions is a key strategy for the Group. The Board reviews IP strategy and Ocado Solutions negotiations at each Board meeting.	

Corporate Governance Statement

Composition of the Board

Review of Board and Board Committee Composition

As noted on page 75, a number of changes were made to the composition of the Board. In making changes to the Board, the Board's review of composition took into account various considerations including length of Director tenure, Board diversity, independence and the mix of skills and experience of the Directors. Some of these considerations are outlined below.

Board Tenure

The Board also takes into account the length of tenure of existing Directors when considering reappointment and succession planning. Jörn Rausing has served as a Non-Executive Director for over 15 years, seven of which were before the Company's IPO, and Ruth Anderson will have served nine years (in March 2019) as a Non-Executive Director. Accordingly, the recommendation of their reappointment to the Board was subject to particular scrutiny (including the importance of maintaining Board continuity). The first chart below illustrates the tenure of Directors.

Board Diversity

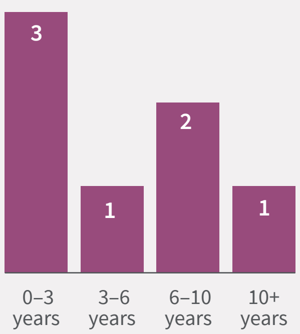
The Board and Nomination Committee are mindful of the corporate governance developments in the areas of diversity. The second chart below illustrates the gender diversity of the Board. The Board has reviewed its policy and objectives on diversity and more detail on this review can be found on page 75.

Independence

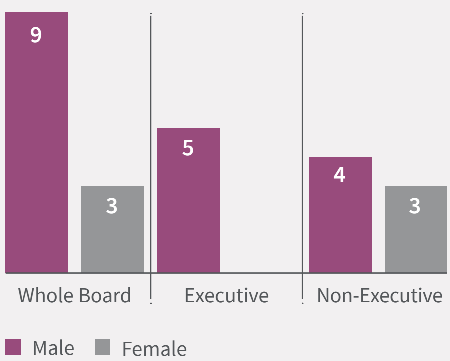
The Code recommends that at least half of the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent. Since, excluding the Chairman, there were six Non-Executive Directors all determined by the Board to be independent and five Executive Directors, the Board complies with this recommendation at the end of the period. The third chart below illustrates the composition of the Board in respect of the independence of its members as at the end of the period.

Similarly, the composition of the Audit Committee, Nomination Committee and Remuneration Committee comply in all respects with the independence provisions of the Code.

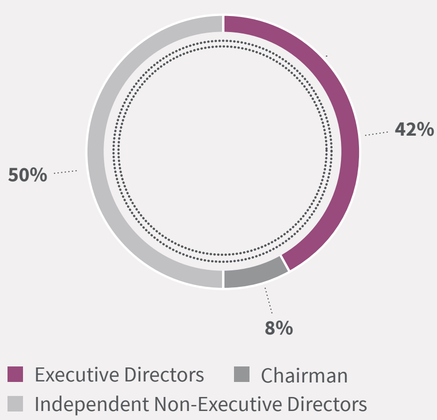
Length of Tenure of Chairman and Non-Executive Directors



Gender Diversity



Board Independence



The Board has scrutinised the factors relevant to its determination of the independence of Non-Executive Directors Jörn Rausing and Ruth Anderson.

Jörn Rausing

Jörn Rausing has been a Director for almost 16 years, albeit less than nine of these in the era of the Company being listed. Jörn is a beneficiary of the Apple III Trust, which owns Apple III Limited (together, "Apple"), a significant (approximately 10%) shareholder of the Company. Jörn is not a representative of Apple, nor does Apple have any right to appoint a Director to the Board.

The Board considers his continuing Directorship to benefit the Group and support the principles of the Code. Jörn's significant experience as an owner and manager at Tetra Laval, a global technology and industrial group, enhances the skills and experience on the Board in addition to bringing international expertise during a period when the Group is expanding substantially outside of the UK. Jörn also ensures there is a long-term perspective brought to the Board's decision-making reflecting the approach adopted at Tetra Laval to its own technology development and commercial expansion.

The Board considers Jörn to be independent in character and judgement and does not believe the size of Apple's shareholding nor the duration of Jörn's tenure on the Board amounts to a relationship or circumstance which may affect his judgement. Jörn has stood for re-election annually since 2011 and on each occasion has been re-elected by a substantial majority of shareholders.

Ruth Anderson

Ruth Anderson will have been a Non-Executive Director for nine years in March 2019. The Board considers her continuing Directorship to benefit the Group and support the principles of the Code. Ruth's membership of the Board brings continuity and stability to the Board. Ruth will be stepping down as Chairman of the Audit Committee from April 2019.

Mix of knowledge and experience on the Board

RETAIL 6	TECHNOLOGY 5	INTERNATIONAL OPERATIONS 5
E-COMMERCE 3	FINANCE/ ACCOUNTING 3	AUTOMATED ENGINEERING 4

Corporate Governance Statement

Review of Board Effectiveness

An annual effectiveness review of the Board is conducted to evaluate the performance of the Board. The review is an important opportunity to be able to recognise individual and collective strengths and weaknesses, which prompt required changes and are also taken into account during the Board succession process.

2016

Independent, externally facilitated review

2017

Internal performance review – progress against external review assessed

2018

Internal performance review of progress

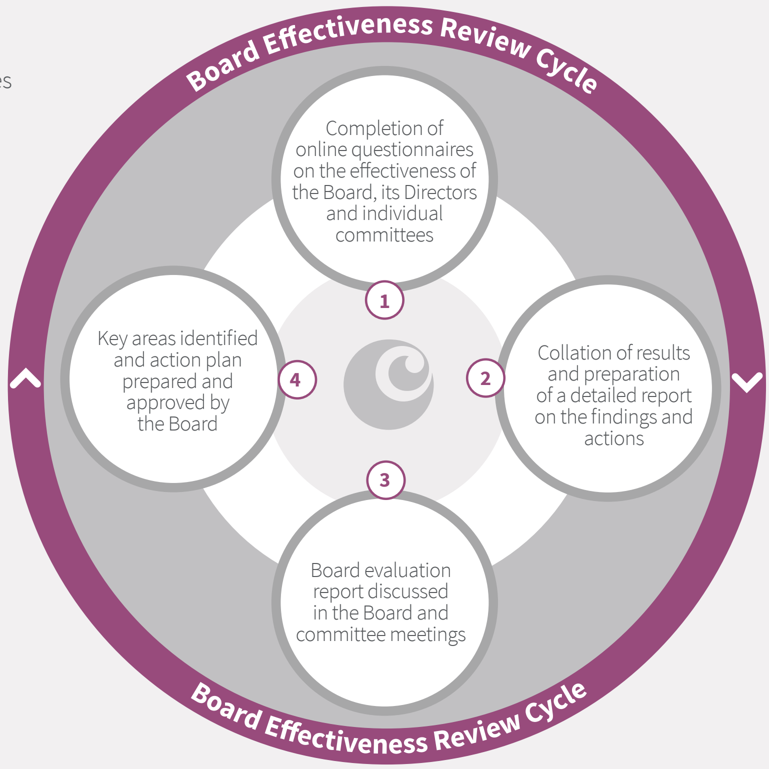
Board Effectiveness Review Cycle

This year, a Board evaluation was facilitated internally using a specialist platform containing online questionnaires which included a range of questions based on the best practice recommendations described in the UK Corporate Governance Code 2016 and other guidelines.

It was agreed that the review would be carried out with the same support from an external, independent consultant, Independent Audit Limited, who provided online questionnaires for the 2017 review. The evaluation process was led by the Chairman and supported by the Company Secretary.

The questionnaire prepared for the Board covered specific areas relating to leadership, strategy, risk management and culture, and focused on the Board's involvement and understanding of the business. It also sought to highlight any improvement in processes, effectiveness of decision-making, and composition, skills, balance and diversity of the Board.

The questionnaire designed for the individual Directors questioned how well each Director continues to contribute effectively to the meetings and demonstrates commitment to the role (including time for Board and committee meetings and other duties).



Internal Board Evaluation Results

The results of the review were evaluated by the Company Secretary and the Chairman, and a Board evaluation report was prepared and produced to the Board for discussion. The results indicated that the consensus view was that the Board and its committees work in a constructive and collaborative way, and were operating effectively. However, the review highlighted a number of focus areas for the Board and its committees to consider during 2019, including:

Some key areas identified	Action to be taken in 2019 (based on the results of review and specific issues flagged)	Progress made from 2017 review
Leadership required to support senior management with technological development internationally.	Consider the appointment of Non-Executive Directors with software and e-commerce experience to complement existing experience.	N/A
Succession planning for senior management to ensure it has the right balance of skills and experience to drive forward the international expansion of the business.	Increase the focus on building up the senior management team.	▲
More informal time together outside of the Boardroom.	Add into the Board calendar pre-meeting and post-meeting social events away from the Boardroom, such as breakfast and dinners.	▶
Shifting the Board agenda focus areas.	Spend more time on discussing and reviewing progress made delivering Ocado Solutions objectives and commitments.	N/A

Corporate Governance Statement

Board Attendance – Executive Directors

Tim Steiner – 11/11

Duncan Tatton-Brown – 11/11

Mark Richardson – 11/11

Neill Abrams – 11/11

Luke Jensen[1] – 8/8

1. Luke Jensen joined the Board on 1 March 2018.

Board Attendance – Non-Executive Directors

Lord Rose – 11/11

Jörn Rausing – 8/11

Douglas McCallum – 11/11

Andrew Harrison – 10/11

Ruth Anderson – 11/11

Emma Lloyd – 11/11

Julie Southern[2] – 3/3

2. Julie Southern joined the Board on 1 September 2018.

■ Actual meetings attended

■ Possible meetings the Director could have attended

Director Meetings

The attendance record of the Directors at scheduled Board meetings during the period is set out in the chart on the left. The Board scheduled 11 meetings during the period. Details of attendance at committee meetings are set out in the relevant committee report. During the period, the Non-Executive Directors held a number of meetings without the Executive Directors present.

Director Election

Each Director is required under the Articles to retire at every annual general meeting (each Director may offer himself or herself for re-appointment by the members at such meeting). At the last annual general meeting on 2 May 2018, all of the current Directors (except Julie Southern who had not yet been appointed) stood for re-appointment, and were duly elected with a range of 96.29% to 99.94% of votes cast by shareholders in favour of re-appointment.

All Directors will retire and seek re-election at the AGM. The explanatory notes set out in the Notice of Meeting state the reasons why the Board believes a Director proposed for re-election at the AGM should be re-appointed. The Board has based its recommendations for re-election, in part, on its review of the results from the Board evaluation process outlined on page 67, on the reviews of the Chairman and of the Executive Directors conducted at the meetings of the Non-Executive Directors, the Chairman's review of individual evaluations, and whether a Director has demonstrated substantial commitment to the role (including time for Board and committee meetings noted in this report) and other responsibilities, taking into account a number of considerations including outside commitments and any changes thereof (outlined below) during the period.

The rules that the Company has about the appointment and replacement of Directors are described in the Directors' Report on page 131.

External Board Appointments and Conflicts

There have been a number of changes to the Directors' external appointments during the period as set out in the table below. The Chairman and the Board are kept informed by each Director of any proposed external appointments or other significant commitments as they arise. These are monitored to ensure that each Director has sufficient time to fulfil his obligations. Each Director's biographical details and significant time commitments outside of the Company are set out in the Directors' Biographies section on pages 138 and 139.

Director	Change in Commitment	Effective Date of Change
Andrew Harrison	Appointed as Chairman of Housesimple Limited	February 2018
Lord Rose	Resigned as director of Woolworths Holdings Limited, listed in South Africa	May 2018
Ruth Anderson	Resigned as director of Coats Group plc	May 2018
Duncan Tatton-Brown	Resigned as director of ZPG Limited	July 2018
Julie Southern	Appointed as director of EasyJet plc	August 2018
Andrew Harrison	Appointed as director of Chik'n Ltd	September 2018
Andrew Harrison	Resigned as director of The Carphone Warehouse Limited	November 2018

Whenever a Director takes on additional external responsibilities, the Board considers and monitors any potential conflicts that could arise. The Companies Act provides that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Boards of public companies may authorise conflicts and potential conflicts, where appropriate, if a company's articles of association permit (which the Company's Articles do).

Each Director is required to disclose conflicts and potential conflicts to the Chairman and the Company Secretary. As part of his or her induction process, a newly appointed Director completes a questionnaire which requires him or her to disclose any conflicts of interest to the Company. Thereafter, each Director has an opportunity to disclose conflicts at the beginning of each Board and Board committee meeting and as part of an annual review. Two Directors declared a potential conflict of interest in relation to a matter which was being discussed by the Board and as such did not participate in the meetings regarding these matters. None of the other Directors declared to the Company any actual or potential conflicts of interest between any of his or her duties to the Company and his or her private interests and/or other duties, except in the case of the Executive Directors, each of whom holds the position of Director of the Company and Director of a number of Group subsidiary companies. The system in place for monitoring potential Director conflicts remained effective throughout the period.

Corporate Governance Statement

Board Induction and Professional Development

On joining the Board, it is the responsibility of the Chairman and Company Secretary to ensure that all newly appointed Directors receive a full and formal induction which is tailored to their individual needs. The induction programme includes a comprehensive overview of the Group, dedicated time with Executive Directors and senior management, as well as guidance on the duties, responsibilities and liabilities as a director of a listed company. Directors visit CFCs and participate in van delivery routes to allow them to gain sufficient knowledge and understanding of the business, operations and culture. These activities formed part of the induction programme for Julie Southern, who joined the Board in September 2018.

The Board and committees receive training, including in specialist areas. Training is typically arranged by the Company Secretary in consultation with the Chairman or Committee Chairman. The members of the Remuneration Committee received updates from the Remuneration Committee's remuneration advisers including on the new remuneration reporting market practices. Members of the Audit Committee receive written technical updates from the external auditor to keep them abreast of the latest accounting, auditing, tax and reporting developments. The Board have also received briefings from external advisers on a range of strategic matters. Independent professional advice is available at the Company's expense if necessary and the Directors have access to the advice and services of the Company Secretary when required.

Information for Directors

The Chairman is responsible for ensuring that all of the Directors are properly briefed on issues arising at Board meetings and that they have full and timely access to relevant information. To enable the Board to discharge its duties, all Directors receive appropriate information from time to time, including briefing papers distributed in advance of the Board meetings.

Directors can, where they judge it to be necessary to discharge their responsibilities as Directors, obtain independent professional advice at the Company's expense. The Board committees have access to sufficient resources to discharge their duties, including external consultants and advisers.

Engagement with Shareholders

Investor Relations

The Company is committed to keeping shareholders informed of its strategy and progress. The Chairman has overall responsibility for ensuring that the Company has appropriate channels of communication with its shareholders and is supported in this by the Executive Directors. The Company regularly meets with its large investors and institutional shareholders who, along with analysts, are invited to presentations by the Company after the announcement of the Company's results.

The Company conducts biannual investor roadshows in line with the reporting cycle and also addresses current and prospective shareholders at various investment conferences and other events, both in the UK and abroad. The Board regularly receives feedback from the Company's brokers, advisers and the Executive Directors on the views of major shareholders and the investor relations programme and also receives reports at each Board meeting on the main changes to the composition of the Company's share register.

Lord Rose and the Board of Directors are available to the Company's shareholders for discussions, and have met with various investors throughout the year to discuss matters such as strategy, corporate governance and executive remuneration. We held a number of investor days at our new CFCs in 2018 to enable our investors to view the progress at the new sites.

The Group also engages with shareholders in the event of a substantial vote against a resolution proposed at an annual general meeting. More information about this can be found in the Directors' Report on page 133. For more information on the resolutions proposed for the 2019 AGM, please refer to the Directors' Report on pages 130 to 139.

Directors' Remuneration Policy

This year the Remuneration Committee has proposed a number of changes to the Directors' Remuneration Policy. The 2019 Policy will be put to shareholders to vote on at the 2019 AGM. The Company consulted its largest shareholders on the key changes to the policy. For more information on the consultation and the 2019 Policy, please refer to the Directors' Remuneration Report on pages 82 to 129.

Formal Reporting to Shareholders and Directors' Responsibility

The Company reports to its shareholders in a number of ways including formal regulatory news service announcements in accordance with the Company's reporting obligations, trading statements of sales performance published in March, September and December each year, the half year report, the preliminary announcement of annual results, the annual report, and investor presentations slides and videos. The Company makes available these documents, including this Annual Report and other information concerning the Company, on its corporate website. All shareholders can choose to receive an Annual Report in paper or electronic form.

The Company reports its quarterly trading performance, including information on the growth of the Group's revenue, average order numbers and size and its cash and borrowings position. The Company believes that it is important to update the market on a quarterly basis due to the importance shareholders place on receiving regular updates about sales and the current competitive pressures in the UK grocery market. The Group's rate of sales growth is key to understanding the extent to which it is achieving one of its key strategic objectives: Driving Growth.

The Directors take responsibility for preparing this Annual Report and make a statement to shareholders to this effect. The statement of Directors' responsibility on pages 136 and 137 of this Annual Report is made at the conclusion of a robust and effective process undertaken by the Company for the preparation and review of this Annual Report. The Directors believe that these well-established arrangements enable them to ensure that the information presented in this Annual Report complies with the disclosure requirements including those in the Companies Act, and is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. In addition to this Annual Report, the Company's internal processes cover (to the extent necessary) the preliminary announcement, the half year report, trading statements and other financial reporting.

The Company's internal processes in the preparation and review of this Annual Report (and other financial reporting) include:

- review of and feedback on iterations of this Annual Report by the Executive Directors and the full Board;
- in-depth review of specific sections of this Annual Report by the relevant Board committees;
- Audit Committee review of a management report on accounting estimates and judgements, auditor and management reports on internal controls and risk management, accounting and reporting matters and a management representation letter concerning accounting and reporting matters (for further information see pages 76 to 81);
- Board and Audit Committee review of a supporting paper specifically highlighting the parts of this Annual Report that best evidenced how this Annual Report was fair, balanced and understandable;
- paper from the Company Secretary highlighting how reporting, regulatory and governance issues had been addressed in this Annual Report;
- Board and Audit Committee review of management reports on assessments on going concern and viability;
- the Audit Committee regularly reporting to the Board on the discharge of its responsibilities;
- input from both internal and external legal advisers and other advisers to cover relevant regulatory, governance and disclosure obligations;
- discussions between contributors and management to identify relevant and material information;
- detailed debates and discussions concerning the principal risks and uncertainties;
- checking of factual statements and financial information against source materials;
- specific Board review of Directors' belief statement and key statements; and
- separate approval by the Group General Counsel, the Board committees and the Board.

The statement by the external auditor on its reporting responsibilities is set out in the Independent Auditor's Report on pages 142 to 148.

In addition to this Annual Report, the Group provides other statements to its shareholders regarding the Group and its operations, including the modern slavery statement, tax strategy statement, gender pay and supplier payments. For further information on the Group's activities in these areas, see the Strategy Report on pages 4 to 57.

Corporate Governance Statement

The Company's Annual General Meeting

Shareholders will have the opportunity to meet and question all of the Directors at the AGM, which will be held at 10am on 1 May 2019 at Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT.

A detailed explanation of each item of business to be considered at the AGM is included with the Notice of Meeting, which will be sent to the shareholders before the AGM. Shareholders who are unable to attend the AGM are encouraged to vote in advance of the meeting, either online at ocadoshares.com or by using the proxy card which will be sent with the Notice of Meeting (if sent by post) or can be downloaded from the Company's corporate website.

At last year's annual general meeting, all resolutions were passed with votes in support ranging from 79.91% to 99.94%.

Compliance with the UK Corporate Governance Code 2016

This Corporate Governance Statement explains how the Company applies the main principles and complies with all relevant provisions set out in the UK Corporate Governance Code 2016 issued by the Financial Reporting Council (the "Code"), as required by the Listing Rules of the Financial Conduct Authority and meets other relevant requirements including provisions of the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

The Corporate Governance Statement as required by the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 7.2.) forms part of the Directors' Report, and has been prepared in accordance with the principles of the Code. A copy of the Code, as applicable to the Company for the year ended 2 December 2018, can be found at the Financial Reporting Council's website, www.frc.org.uk.

The Financial Reporting Council updated the UK Corporate Governance Code in July 2018 (the "2018 Code"). The 2018 Code applies to reporting periods beginning on or after 1 January 2019, and so does not apply to the Company's reporting period ended 2 December 2018. The Board has, where appropriate and feasible, adopted the new provisions in the 2018 Code earlier than required and provides disclosure against these requirements in this Annual Report. Further information on the 2018 Code can be found on the Financial Reporting Council's website, www.frc.org.uk.

The Board and committee composition and diversity policy can be found on pages 64 and 65. The Group's risk management and internal control framework and the Group's principal risks and uncertainties are described on pages 44 to 49. The Directors' Remuneration Report on pages 82 to 129, the Directors' Report on pages 130 to 137 and the going concern and viability statements on page 79 all contain information required to be included in this Corporate Governance Statement, and so are incorporated into this statement by reference.

The terms of reference for each of the main Board committees can be found on our website. This Corporate Governance Statement for 2018 covers the following areas:

- Board structure and composition;
- Leadership;
- The Board's effectiveness;
- Accountability; and
- Relations with the Company's shareholders and the AGM.

The Company's obligation is to state whether it has complied with the relevant provisions of the Code, or to explain why it has not done so (up to the date of this Annual Report). The Company has applied the principles and complied with the provisions of the Code, except for provisions A.1.2, D.1.1 and Schedule A and D.2.2. These areas of non-compliance are explained below.

Code Provision	Area	Explanation
A.1.2	Senior Independent Director	As explained on page 75, the Company has not yet appointed a successor Senior Independent Director but this is part of the current succession planning.
D.1.1 and Schedule A	Design of performance-based remuneration	Under the current Directors' Remuneration Policy, Directors are not required to retain shares for a period after leaving the Company. Under the proposed 2019 Directors' Remuneration Policy, a post-cessation shareholding requirement will be introduced as explained on page 121.
D.2.2	Senior management remuneration	As explained on page 87, the Remuneration Committee monitors, but does not make recommendations concerning, the level and structure of remuneration for senior management of the Company other than the Executive Directors.

The Company aims to explain how its practices are consistent with the principle to which the particular provision relates, contribute to good governance and promote delivery of business objectives. The Company's disclosures on its application of the main principles in the Code can be found as follows:

Section	Principle	Section of Annual Report	Page
Leadership	Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.	Board of Directors, Composition of the Board	61 64
	There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.	Board Structure	62
	The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.	Board Structure	62
	As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.	Board structure, Board Responsibilities and Actions	62 63
Effectiveness	The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.	Board of Directors, Director Biographies	61 138
	There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.	Director Election	69
	All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.	External Board Appointments and Conflicts	69
	All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	Board Induction and Professional Development	70
	The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.	Information for Directors	70
	The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	Review of Board Effectiveness	66
	All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.	Director Election	69
Accountability	The board should present a fair, balanced and understandable assessment of the company's position and prospects.	Strategic Report, How We Manage Our Risks, Going Concern Statement, Viability Statement, Corporate Governance Statement	13 44 49 62
	The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.	How We Manage Our Risks	44
	The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor.	Audit Committee Report	76
Remuneration	Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.	Directors' Remuneration Report	82
	There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.	Directors' Remuneration Report	82
Relations with shareholders	There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.	Engagement with Shareholders	70
	The board should use general meetings to communicate with investors and to encourage their participation.	Engagement with Shareholders	70

Certain parts of this Corporate Governance Statement have been reviewed by the Company's external auditor, Deloitte LLP, for compliance with the Code, to the extent required.

Board Approval of the Corporate Governance Statement

This separate Corporate Governance Statement is approved by the Board and signed on behalf of the Board by its Chairman and the Group General Counsel and Company Secretary.

Lord Rose
Chairman

Neill Abrams
Group General Counsel and Company Secretary

Ocado Group plc, Registered in England and Wales, Number 07098618
5 February 2019

Nomination Committee Report

Dear Shareholder

I am pleased to present the report of the Nomination Committee for the 52 weeks ended 2 December 2018.

During the year, the Nomination Committee has undertaken a number of activities, the results of which led to the appointment of Julie Southern with effect from 1 September 2018. This followed the earlier appointment of Luke Jensen to the Board as an Executive Director from 1 March 2018, as announced in last year's report. While reviewing the composition of the Board it was noted that a number of Directors were approaching or had exceeded six years on the Board and as such further changes to the Board are likely in the medium term.

During the year, the Committee undertook a thorough review of the Board's composition, succession plans and its diversity policy.

More information about the work of the Committee during the year can be found below.

I will be available at the AGM to answer any questions about the work of the Nomination Committee.

Lord Rose
Nomination Committee Chairman
5 February 2019

> During the year, the Committee undertook a thorough review of the Board's composition, succession plans and its diversity policy.
>
> **Lord Rose**
> Nomination Committee Chairman

Membership and Meetings

The membership and attendance of the Nomination Committee, together with the appointment dates, are set out below:

Lord Rose
Chairman

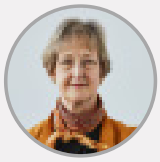
Nomination Committee member since 11 March 2013

3/3

Jörn Rausing

Nomination Committee member since 9 March 2010

3/3



Ruth Anderson

Nomination Committee member since 9 March 2010

3/3

Douglas McCallum

Nomination Committee member since 3 October 2011

3/3

Andrew Harrison

Nomination Committee member since 1 March 2016

3/3

Emma Lloyd

Nomination Committee member since 1 December 2016

3/3

Julie Southern

Nomination Committee member since 1 September 2018

1/1

■ Actual meetings attended ■ Possible meetings the Director could have attended

As required under the terms of reference, the Nomination Committee has seven members, all of whom are independent Non-Executive Directors, and holds a minimum of two meetings a year. Julie Southern became a member of the Nomination Committee on her appointment to the Board on 1 September 2018. The biography of each member of the Nomination Committee is set out on pages 138 and 139. Other attendees at Committee meetings include the Chief Executive Officer and the People Director. The Deputy Company Secretary is the secretary to the Committee.

How the Committee Spent its Time in 2018

The Nomination Committee undertook a number of activities during the period as described below.

Board Composition and Succession Planning

The Committee seeks to ensure that the Board's composition, and that of its committees, is appropriate to discharge its duties effectively. During the prior year the Nomination Committee undertook a thorough review of the Board's composition. This review took into account various considerations including tenure of Director, independence, diversity and ensuring a balance of Board knowledge, experience and skills. This review preceded the Board agreeing changes to the composition of the Board over the last 12 months. The Company separately announced the appointment of Luke Jensen as Executive Director with effect from 1 March 2018 and the appointment of Julie Southern as Non-Executive Director with effect from 1 September 2018. More information about the Board's composition, independence and effectiveness can be found on pages 64 to 67.

The Nomination Committee continues to review Board composition to ensure that there is effective succession planning at Board level. This includes the review of a regularly updated skills matrix for all Directors. Based on the skill set analysis, the Board expects to meet in early 2019 to identify and agree some objectives and timing for planned changes to the Board. It is likely the Board will make a number of Non-Executive Director appointments in the medium term, both to prepare the Board for the departure of retiring Directors and to identify candidates meeting the required skill sets. The Company has not yet appointed a Senior Independent Director following the resignation of Alex Mahon, and this is part of the succession planning discussions currently being had by the Committee.

In addition to reviewing Board composition, the Nomination Committee oversees the process of succession and management development for the Executive Directors and the next layer of management, the Management Committee. With regard to the development of the management team, two senior managers regularly attend the Board meetings to report on their respective business areas, while the Board has exposure to other senior managers who present or report to the Board on their business areas or particular projects. The Nomination Committee is mindful that it could improve the extent of its exposure to the senior management and plans to expand on existing arrangements for building relationships between Non-Executive Directors and senior management outside of formal Board meetings.

Board Diversity

The Nomination Committee recognises the importance of diversity and inclusion both in the boardroom and throughout the organisation and understands that a diverse board will offer wider perspectives which lead to better decision-making, enabling it to meet its responsibilities.

The Board's diversity policy, which was reviewed in the year, considers a broad range of characteristics when considering diversity including age, disability, social and educational background, as well as gender and ethnicity. This policy includes a commitment to having a one-third female Board representation by the end of 2020 and a minimum of one non-white Board Director by the end of 2021 and to including diversity principles in the recruitment process at both Board and senior management level. At the end of the period, the Board had 25% female representation, which fell from 27% last year due to the appointment of Luke Jensen as an Executive Director. Improvements were seen at the Management Committee level with female representation also rising from 13% to 33%. We will report progress against the policy in future years. The Board is committed not only to increasing the percentage of women and ethnically diverse individuals on the Board, but also in senior positions in the Company and recognises that there is further work to be done to achieve that. The Board is committed to supporting workforce initiatives that promote a culture of inclusion and diversity.

Any future Board appointments will continue to be based on objective criteria to ensure that the best individuals are appointed for the role. Wherever possible, the search pool will be widened and where executive search firms are used, Ocado will only engage with those firms that have adopted the "Voluntary Code of Conduct for Executive Search Firms". This includes Russell Reynolds, who were engaged to help the Company secure new Non-Executive Directors for the Group. The Nomination Committee monitors these objectives and will evaluate the balance of skills, experience, knowledge and diversity on the Board.

For more information on diversity in respect of all the Group's employees, see the Our People section on pages 54 to 57. The chart on page 55 illustrates the diversity of the Board in terms of gender as at the period end on 2 December 2018.

Annual Review

In addition to its annual performance evaluation, discussed in the Corporate Governance Statement on page 62, the Nomination Committee carried out a review of its Terms of Reference during the period. The Nomination Committee is mindful that the 2018 Code expands its remit in relation to succession planning and a diverse pipeline and has updated its Terms of Reference accordingly to address these issues in the coming year. The Committee's Terms of Reference can be found on ocadogroup.com.

Audit Committee Report

Dear Shareholder

As Chairman of the Audit Committee, I am pleased to present the report of the Audit Committee for the 52 weeks ended 2 December 2018.

In this report, we aim to share some of the Committee's discussions from the year, providing insight regarding the role of the Committee, the Committee's essential function in ensuring the integrity of the Company's financial reporting, and in reviewing the effectiveness of the Group's assurance framework and internal controls.

This report details the significant accounting matters and issues in relation to the Group's financial statements that the Committee has assessed during the year and in this report we explain why the issues were considered significant, which provides context for understanding the Group's accounting policies and financial statements for the period.

In April, I will be stepping down as Chairman of the Audit Committee and I am pleased to hand responsibility to Julie Southern.

I will be available at the AGM to answer any questions about our work.

Ruth Anderson
Audit Committee Chairman
5 February 2019

> This report aims to share some of the Committee's discussions from the year, providing insight regarding the role of the Committee, the Committee's essential function in ensuring the integrity of the Company's financial reporting, and the effectiveness of the assurance framework and internal controls.
>
> **Ruth Anderson**
> Audit Committee Chairman

Membership and Meetings

The membership and attendance of the Audit Committee, together with the appointment dates, are set out below:

Ruth Anderson
Chairman

Audit Committee member since 9 March 2010

Relevant sector experience: Retail

4/4

Andrew Harrison

Audit Committee member since 1 March 2016

Relevant sector experience: Retail, Technology

4/4

Julie Southern

Audit Committee member since 1 September 2018

Relevant sector experience: Retail

1/1

■ Actual meetings attended ■ Possible meetings the Director could have attended

At least two members of the Audit Committee (Ruth Anderson and Julie Southern) are considered by the Board to have competence in accounting and all members have recent and relevant financial experience. Ruth Anderson and Julie Southern are chartered accountants with the Institute of Chartered Accountants in England and Wales. In line with the UK Corporate Governance Code 2016, the Audit Committee as a whole has competence relevant to the sectors in which the Company operates, notably the retail and technology sectors. Details of each Audit Committee member's relevant sector experience can be found in the diagram above. The biography of each member of the Audit Committee is set out in the Directors' Report section on pages 138 and 139.

As required under the Terms of Reference, the Audit Committee members are independent Non-Executive Directors and the Audit Committee has held three meetings during the year. During the year, composition of the Audit Committee changed as a result of the retirement from the Board and Audit Committee of Alex Mahon in December 2017 and the appointment of Julie Southern. Julie Southern became a member of the Audit Committee on her appointment to the Board on 1 September 2018. With effect from 1 April 2019, Julie Southern will succeed Ruth Anderson as Chairman of the Audit Committee.

The timing of meetings coincide with key intervals in the reporting and audit cycle for the Group. The Chairman of the Audit Committee reports at each Board meeting on the business conducted at the previous Audit Committee meeting, any recommendations made by the Audit Committee and the discharge of its responsibilities as set out in this report.

Regular attendees at the Audit Committee meetings include the Chief Financial Officer, the Group General Counsel and Company Secretary, the Finance and Risk Director, the Head of Internal Audit and the external auditor. Other attendees who attend as required include the Chief Executive Officer, the Chairman, a number of senior members of the finance department, other members of senior management and operational teams and other advisers to the Company. The Deputy Company Secretary is the secretary to the Audit Committee.

Key Areas of Focus for the Audit Committee

The responsibilities of the Audit Committee are set out in its Terms of Reference. The Audit Committee has an annual work plan, developed from its Terms of Reference, with standing items that the Audit Committee considers at each meeting, in addition to areas of risk identified for detailed review and any matters that arise during the year. The main matters that the Audit Committee considered during the year are described below.

Financial Statements and Reporting: The Audit Committee monitored the financial reporting processes for the Group, which included reviewing reports from, and discussing these with, the external auditor. As part of the year end reporting process the Audit Committee reviewed this Annual Report, a management report on accounting estimates and judgements, the external auditor's reports on internal controls, accounting and reporting matters, and management representation letters concerning accounting and reporting matters.

Monitoring the integrity of the financial statements of the Company, the financial reporting process and reviewing the significant accounting issues are key roles of the Audit Committee. The Board ensures this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy and the Audit Committee plays an important role in assisting the Board in reaching those conclusions. For information concerning the process followed by the Company in preparing this Annual Report see pages 72 and 73 of the Corporate Governance Statement. The Audit Committee also monitors the financial reporting processes for the Group's half year report, which is a similar role to the one it carries out for full year reporting.

Accounting judgements and key sources of estimation uncertainty: The Audit Committee reviewed and discussed reports from management on accounting policies, current accounting issues and the key judgements and estimates in relation to this Annual Report. It assessed whether suitable accounting policies had been adopted and the reasonableness of the judgements and estimates that had been made by management. This section outlines those significant issues which received particular focus from the Audit Committee in relation to the financial statements for the period and how these issues were addressed.

Accounting for revenue: The Audit Committee reviewed the impact of the new accounting standard, International Financial Reporting Standard (IFRS) 15 "Revenue from Contracts with Customers", on the accounting for revenue received from the Group's customers, which includes contracts signed with new Ocado Solutions partners at the end of 2017 and during 2018, the existing Morrisons contracts and the customers of the retail business segment.

The Audit Committee considered and agreed with management's proposal to adopt early the new accounting standard because several Ocado Solutions contracts were signed in the period, which would in any case result in additional reporting disclosures and restated comparable numbers. The Audit Committee reviewed the effect of the standard on the restatement of results included in this Annual Report and the related disclosure in the notes to the financial statements concerning the significant changes to the Group's accounting policies in respect of revenue recognition.

The timing of revenue recognition requires management judgement. The Audit Committee considered reports from management on its detailed review of the Ocado Solutions contracts, the judgements made in particular with regards to contract life, the amount and timing of revenue recognition (both commencement date and time period for recognition) for the relevant performance obligations and the evidence used to support those judgements. The Audit Committee also received reports from the auditors with regards to their audit procedures, including their review of the Ocado Solutions contracts and accounting treatment applied by management. Adoption of the new standard has meant that revenue recognised is restated in respect of the 2017 financial year and resulted in a reduction in revenue recognised for that period of £9.3 million and has resulted in a reduction in net assets and retained earnings of £23.1 million. The overall impact also means that less revenue will be recognised in the period than otherwise would have been the case under the old accounting standard. See notes 1.4, 1.5, 2.1 and 2.4 to the consolidated financial statements on pages 156, 161 and 166.

Audit Committee Report

Area	Issue and Nature of Judgement or Estimate	Factors and Reasons Considered and Conclusion	Impact on Financial Information and Disclosure in Financial Statements
Accounting for Ocado Solutions contracts – balance sheet restatement under IFRS 15	The adoption of IFRS 15 has led to significant changes in the revenue recognition policies for Ocado Solutions contracts and significant restatement of prior period balance sheets and income statements.	The Audit Committee reviewed the management proposal for the restatement of the balance sheet included in this Annual Report and approved the proposed restatement of the Balance Sheet.	The Group restated the 2017 results for the adoption of IFRS 15. The Group's accounting policy for revenue has been rewritten to reflect the adoption of IFRS 15. This new policy is included in full in Note 2.1 to the consolidated statements. The new policy also includes disclosure of significant judgements and estimates in relation to the application of these accounting policies.
Accounting for Ocado Solutions contracts – revenue recognition under IFRS 15	Management judgement is required for recognition of revenue due to the evolving nature of the business and new services that are being provided. The accounting for new Ocado Solutions contracts with a range of deliverables and fees is complex. They require management judgement, including with regards to the timing of recognition, estimated contract life, expected customer life and classification of income under the accounting standard.	The Audit Committee reviewed the appropriateness of management's proposed accounting treatment of existing and new revenue streams in light of IFRS 15. The Audit Committee approved the new accounting policies associated with the revenue recognition standard and taking into account the views of the external auditor.	The accounting treatment is included in the Consolidated Income Statement on page 149.
IAS 37 - Provisions, Contingent Liabilities and Contingent Assets	The implementation of OSP for each Solutions customer is a complex project. A typical Solutions contract includes a number of key milestones during the project implementation phase. Failure to achieve these key events can be subject to contractual financial penalties. Management judgement is required to review the progress of ongoing projects and determine whether there is a risk that Ocado will not meet the agreed key milestones and thus incur a financial penalty.	The Audit Committee considered the management report concerning the progress of all current Solutions projects. It was concluded that there were no material risks to key milestones and hence there were no contingent liabilities to disclose.	There is no impact to the financial statements and no additional disclosures required.
IAS 38 - (Intangible Assets) – Capitalisation of Internal Development Time and Costs	The capitalisation of internal development costs is material and involves management judgements as to whether the costs incurred meet the criteria in accounting standards for capitalisation, including the technical feasibility of the project and the likelihood of the project delivering sufficient future economic benefits, and the risk of impairment when new technology supersedes previously capitalised projects.	Details of material technology projects which are being capitalised along with the rationale for capitalisation were reviewed by the Audit Committee. The criteria for identification of projects which may be treated as intangible assets, the process to capture the costs of these technology projects and any potential impairments were discussed by the Audit Committee. The audit procedures carried out on the management controls by the auditors were considered.	The amount of £51.5 million of internal development costs has been capitalised and an impairment charge of £0.4 million has been recognised within intangible non-current assets, as set out in Note 3.1 to the consolidated financial statements on page 175.

Area	Issue and Nature of Judgement or Estimate	Factors and Reasons Considered and Conclusion	Impact on Financial Information and Disclosure in Financial Statements
Recognition of deferred tax asset	The estimates used to support the future business profitability and recognised deferred tax asset which requires management estimate.	The basis of management estimates of future taxable profits of the Group and the process used to calculate the deferred tax asset recognised were reviewed by the Audit Committee. The review included the recent changes in UK tax legislation on the treatment of losses and the impact of international expansion on the Ocado business model. The Audit Committee supported the reasonableness of the assumptions underlying the Group's future profits forecasts including the impact of the new Solutions contracts.	The amount of £16.6 million was recognised in the Consolidated Balance Sheet for the period. Details of the deferred tax asset are set out in Note 2.9 to the consolidated financial statements on pages 170 to 172.

The Audit Committee reviewed an update on the impact of the new international accounting standard relating to leases (IFRS 16) on the Group's financial statements. The Group has not adopted this standard early. IFRS 16 is expected to have a material impact on the Group's financial results and financial position for future periods (when adopted), including requiring the Group to bring large operating lease commitments onto the balance sheet and the impact on the Group's EBITDAⓐ, depreciation, debt and operating profit (as well as other measures). Given their significance, management updated the quantitative analysis of the estimated impacts of IFRS 16 for recent developments. The Audit Committee reviewed the disclosure contained in this Annual Report regarding the anticipated impact of the standards on the Group's financial results and position (see note 1.2 to the consolidated financial statements on pages 154 and 155). Our review of IFRS 16 indicates that the financial impact will result in an increase in finance leased assets of approximately £278 million, and a corresponding increase in financial liabilities of £297 million, on the consolidated balance sheet of the Group's financial statements.

The table above is not a complete list of all the Group's accounting issues, estimates and policies, but highlights the most significant ones for the period in the opinion of the Audit Committee. Accounting for the judgemental nature surrounding commercial income for the retail business, accounting for share based payments and exceptional itemsⓐ are recurring issues for the Group, but did not require a significant change in the basis of the estimate or judgement during the period, unlike some previous periods. The accounting treatment of all significant issues and judgements was subject to review by the external auditor. For a discussion of the areas of particular audit focus by the external auditor, refer to pages 142 to 148 of the Independent Auditor's Report. The Audit Committee considers that the Company has adopted appropriate accounting policies and made appropriate estimates and judgements.

Going Concern and Viability Assessments: The Audit Committee and the Board reviewed the Group's going concern and viability statements (as set out on page 49) and the assessment reports prepared by management in support of such statements. The report on the viability statement included updated downside scenarios in light of the agreements signed by Ocado with Solutions partners during the period. The Audit Committee gave careful consideration to the period of assessment used for the viability statement. It took into account a wide range of factors (as set out on page 49) and concluded the time period of three years remained appropriate. The external auditor discussed the statements with management and approved of the conclusions reached by management regarding concern and viability.

Tax Review: The Board reviewed and approved the Group's tax strategy and related statement, which was published during the year.

Risk Review: The Board has ultimate responsibility for effective management of risk for the Group including determining its risk appetite, identifying key strategic and emerging risks, and reviewing the risk management framework. The Audit Committee, in supporting the Board to assess the effectiveness of risk management and internal control processes, relies on a number of different sources to carry out its work including an assessment report provided by Governance, Risk and Compliance, a regular finance controls self-assessment report by management, Internal Audit assurance reports and the assurance provided by the external auditor and other third parties in specific risk areas.

The Audit Committee has reviewed and the Board has agreed the continued effectiveness of the Group's system of internal control, including risk management. The Board confirms that no significant failings or weaknesses were identified during the year and up to the date of this Annual Report. Where areas for improvement have been identified, plans have been proposed to ensure that necessary action is taken and that progress is monitored.

ⓐ See Alternative Performance Measures on pages 229 and 230

Audit Committee Report

The Board discussed and reviewed the Group's risk appetite when reviewing the principal risks and the strategy for the Group. Regular review of the risk appetite ensures that the Company's risk exposure remains appropriate and acceptable in enabling the Group to achieve its strategic objectives. The Audit Committee also reviews risk appetite and principal risks when considering the effectiveness of the risk management system. Every year the Audit Committee focuses on particular risk areas identified in the Group risk register. During the period, management reported on the Group's information security controls and assurance plans for the existing systems, the programme for complying with the new General Data Protection Regulation and the programme for the new Ocado Solutions platform security and privacy internal control systems. The Audit Committee will continue to receive reports on these areas in future years. Further details of the risk review and the Group's risk management and internal control systems, including financial controls, are set out in the "How We Manage Our Risks" section on pages 44 to 49.

Internal Audit: Part of the assurance provided to the Audit Committee when reviewing the effectiveness of the Group's systems of internal control comes from Internal Audit. The Audit Committee reviewed the Internal Audit plan in January 2018 and considered it appropriate to the Group having regard to the principal risks of the business.

The Internal Audit plan, which is risk-based, sets out a number of activities for the period and the 2019 Financial Year, including key assurance programmes, most notably the work on the Ocado Solutions platform security and privacy internal control system. The programme also included operational audits for key operational risk areas such as physical site security, supplier payments and the Group's business continuity and disaster recovery plans. The Audit Committee reviews the planned Internal Audit activities, and its resourcing and prioritisation. Internal Audit reports to each Audit Committee meeting. Management actions are tracked and the status of these actions is reported alongside progress against the Internal Audit plan. These reports enable the Audit Committee to monitor progress, and to discuss key findings and the plans to address them.

The Audit Committee is satisfied that the Internal Audit plan provides appropriate assurance on the controls in place to manage the principal risks facing the Group.

Internal Audit Effectiveness Review: A review of the effectiveness of the Internal Audit function was carried out during the period by way of a questionnaire completed by members of management and business operations, the Audit Committee members and the external auditor, as well as a self-assessment by the Head of Internal Audit. The assessment questionnaire asked questions to assess performance in a range of areas including planning and work programme, communication, reporting and performance. Having considered the results of this review and informal feedback from management and the external auditor provided during the period, the Audit Committee concluded that the Internal Audit function was effective. During the period, the Audit Committee met with the Head of Internal Audit, without management present.

Annual Review: In addition to its annual performance evaluation, discussed in the Corporate Governance Statement on page 67, the Audit Committee carried out a review of its terms of reference. The review resulted in changes to the terms of reference to reflect the new 2018 Code. The Audit Committee's terms of reference can be found on www.ocadogroup.com.

Assessing the Effectiveness of the External Audit Process and the External Auditor

The Audit Committee places great importance on ensuring that there are high standards of quality and effectiveness in the external audit. Given Deloitte transitioned into the external auditor role during the prior period, the Audit Committee assessment covers the first full period of Deloitte as the Company's external auditor. The Audit Committee reviewed and approved the annual audit plan to ensure that it is consistent with the scope of the audit engagement. In reviewing the audit plan, the Audit Committee discussed the significant and elevated risk areas identified by Deloitte most likely to give rise to a material financial reporting error or those that are perceived to be of higher risk and requiring additional audit emphasis (including those set out in the Independent Auditor's Report on pages 142 to 148). The Audit Committee also considered the audit scope and materiality threshold. The Audit Committee met with Deloitte at various stages during the period, including without management present, to discuss their remit and any issues arising from the work of the auditor.

At the end of the period, the Audit Committee reviewed the performance of Deloitte based on a questionnaire that contained various criteria for judging their effectiveness and on feedback from management. The criteria for assessing the effectiveness of the audit included the robustness of the audit, the quality of the audit delivery and the quality of the people and service. The questionnaire was completed by members of the Audit Committee, members of the finance department and senior members of management. The results of the questionnaire were reviewed by the Audit Committee. The Audit Committee also met with management, including without Deloitte present, to hear their views on the effectiveness of the external auditor.

The Audit Committee concluded that Deloitte had remained effective in their role.

Independence and Objectivity: The Audit Committee considered the safeguards in place to protect the external auditor's independence. Deloitte reported to the Audit Committee that it had considered its independence in relation to the audit and confirmed to the Audit Committee that it complies with UK regulatory and professional requirements and that its objectivity is not compromised. The Audit Committee took this into account when considering the external auditor's independence and concluded that Deloitte remained independent and objective in relation to the audit.

Non-Audit Work Carried Out by the External Auditor: To help protect auditor objectivity and independence, the provision of any non-audit services provided by the external auditor requires prior approval, as set out in the table below. These thresholds are unchanged.

Approval Thresholds for Non-Audit Work	Approver
Over £10,000 and up to £30,000 per engagement	Chief Financial Officer
Over £30,000 and up to £100,000 per engagement	Chief Financial Officer and Audit Committee Chairman
Greater than £100,000 per engagement, or if the value of non-audit fees to audit fees reaches a ratio of 1:2 as a result of a new engagement, regardless of value	Audit Committee

An additional protection is provided by way of a non-audit services fee cap. The Audit Committee (or the Company) may not approve an engagement of the external auditor if annual non-audit services fees would exceed 70% of the average audit fees (not including fees for audit-related services) charged in the previous three years. Certain types of non-audit service are of sufficiently low risk so as not to require the prior approval of the Audit Committee, such as "audit-related services" including the review of interim financial information. "Prohibited services" are those that have the potential to conflict directly with the auditor's role, such as the preparation of the Company's financial statements.

Non-Audit Work Undertaken During the Period: The total of non-audit fees, audit fees and audit-related services fees paid to the external auditor during the period is set out in Note 2.6 to the consolidated financial statements on page 168. The non-audit service fees of £39,000 (2017: £311,000) paid to Deloitte during the period related to audit-related assurance services for an interim review. All non-audit work engagements were approved by the Chief Financial Officer and Audit Committee Chairman as the fees concerned were within the approval thresholds set under the policy.

The Audit Committee received a regular report from management regarding the extent of non-audit services performed by the external auditor. Deloitte provided a report to the Audit Committee on the specific safeguards put in place for each piece of non-audit work confirming that it was satisfied that neither the extent of the non-audit services provided nor the size of the fees (being 13% of the audit fees) charged had any impact on its independence as statutory auditor. It was concluded that appropriate safeguards were in place to prevent a compromise of auditor independence. The Audit Committee was satisfied this was the case and so concluded that the auditor's independence from the Group was not compromised.

Audit Fees: The Audit Committee was satisfied that the level of audit fees payable in respect of the audit services provided (excluding audit-related services) (being £456,000 (2017: £345,000)) was appropriate and that an effective audit could be conducted for such a fee. The existing authority for the Audit Committee to determine the current remuneration of the external auditor is derived from the shareholder approval granted at the Company's annual general meeting in 2018. At the annual general meeting in 2018, 99.92% of votes cast by shareholders were in favour of granting the Directors this authority.

Statement of Compliance with the Competition and Markets Authority (CMA) Order

The Company confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), including with respect to the Audit Committee's responsibilities for agreeing the audit scope and fees and authorising non-audit services.

Directors’ Remuneration Report

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors’ Remuneration Report for 2018.

The performance of the Group saw continued growth in the retail business, steady improvement in the efficiency of the platform and a very rapid expansion of the Solutions business. The Group achieved strong gross sales[Ⓐ] and customer growth and increased EBITDA[Ⓐ] for the 52 weeks ended 2 December 2018. The shareholders recognise the strong growth of the Group, with the share price having increased 129% from December 2017 to December 2018.

The Remuneration Committee is committed to ensuring the Company’s leadership is motivated to deliver long-term sustainable growth through successful implementation of the strategy. This year we are putting forward a revised 2019 Directors’ Remuneration Policy (the “2019 Policy”) for shareholder approval at the Annual General Meeting on 1 May 2019. In addition, we have taken on board feedback received from shareholders both through consultation for the 2019 Policy and in previous years on matters related to remuneration and governance structures, as well as carefully considering the changing legislative and regulatory environment in both Ocado’s remuneration and disclosures.

Relationship Between Pay and Performance

We have approved a bonus payment to the Executive Directors based on 69% to 72% achievement against objectives under the Annual Incentive Plan (“AIP”) for the period. More detail about the bonus plan can be found on pages 93 to 94.

During the period, we reviewed the performance against the 2016 Long Term Incentive Plan (“LTIP”) award targets, which had a performance period ending on 2 December 2018. The 2016 LTIP awards were subject to the achievement of targets relating to the retail business and the platform business, including the operational efficiency and the capital costs for the Ocado Smart Platform. Based on the results to the end of the performance period, the Directors achieved 50% against the performance targets as a result of progress made in improving the Andover CFC. The 2016 LTIP awards are expected to vest in March 2019. More detail about the LTIP vesting can be found on page 95.

In 2014, the Remuneration Committee implemented a one-off five-year Growth Incentive Plan (GIP) to incentivise a focus on the key strategic drivers and delivery of exceptional growth and return to shareholders over the long-term. The GIP is due to vest in May 2019 dependent on Ocado’s share price growth relative to the FTSE 100 over the five-year performance period exceeding the threshold. While the GIP has been successful in incentivising management to deliver the growth experienced in the last year, it was not without its structural flaws, in particular its point-to-point measurement leading to a very binary outcome; it was effectively “underwater” for four of the five performance years and therefore potentially ineffective as an incentive and retention arrangement for this period.

Base salaries, which underpin retention of the Executive Directors, were reviewed during the period. An increase of 3% was approved, which is broadly in line with the Group’s employee salary percentage increase and business plans and will be reviewed in the coming period. When reviewing base salaries, the Committee is mindful of Group performance and the increasing complexity of the business.

The Annual Report on Remuneration on pages 88 to 103 contains details of the remuneration paid to Executive Directors during the period.

The 2019 Directors’ Remuneration Policy and Key Changes to Executive Director Remuneration

The Remuneration Committee works to ensure that the remuneration framework helps support and drive the Company’s strategy.

Under the current schemes, the commercial sensitivity of much of Ocado’s long-term strategic plans meant that the Committee has in the past faced some criticism from shareholders and advisory bodies where targets were not disclosed in sufficient detail.

It is the view of the Board that the key measure of the success of the implementation of the Company’s strategy over the next period remains the generation of substantial and sustained total shareholder return. The Committee has worked hard to formulate the 2019 Policy and incentive plans that drive exceptional, sustainable growth, also rewarding short-term operational and strategic decisions while addressing the flaws that underlie the long-term plans used historically.

Ⓐ See Alternative Performance Measures on pages 229 and 230

The proposed changes are as follows:

- Simplification of the current remuneration structure through the replacement of the LTIP and AIP with a new AIP, leading to an overall reduction in total annual variable remuneration opportunity (excluding the one-off plans);
- Mandatory deferral of at least half of any AIP payment into shares (released after five years), with the maximum amount of AIP that can be paid in cash capped at 100% of salary;
- Introduction of a new one-off Value Creation Plan (the "VCP"), where participants share in the Total Shareholder Return ("TSR") generated above 10% Compound Annual Growth Rate ("CAGR") at 2.75% of the value created, measured and banked annually over a five year period. Banked value is subject to phased vesting in years three, four and five, and achievement of a compound TSR underpin of 10% CAGR at each vesting date;
- Additional holding periods such that vested shares become unrestricted no earlier than five years from start of the VCP and the amount that can vest in any given year is capped, with any excess eligible to vest in future years;
- Increase to the minimum shareholding requirement and introduction of a post-cessation employment shareholding requirement; and
- Reduction in the maximum Director pension contribution.

The Remuneration Committee believes that the proposed changes to the 2019 Policy address the challenges set out above and will achieve the goal of motivating and retaining the Executive Directors. The 2019 Policy on pages 107 to 129 will be put to shareholders to vote on at the 2019 AGM. The AIP and VCP are also subject to shareholder approval at the 2019 AGM.

Changes To Non-Executive Director Remuneration

The Non-Executive Directors' annual fees were subject to annual review and, as a result of this review, the basic fees for Non-Executive Directors were increased to £52,000 (2017: £50,000). Fee levels have only increased once since April 2014.

The Committee reviewed the Chairman's remuneration arrangements and have proposed some changes. Upon appointment as Chairman, Lord Rose received a one-off award of 452,284 shares (the "Matching Shares"), which was approved by shareholders at the 2013 annual general meeting. Prior to joining the Board, the Chairman had purchased 750,000 shares on his own account (the "Acquired Shares"). The proposal is to seek shareholder approval to amend the terms of this arrangement to remove a restriction in the terms that prevents the Chairman from selling the Acquired Shares while he remains a Director of the Company. The Committee believes that since the Matching Shares, which vested in May 2016 and belong to the Chairman, would remain subject to an ongoing restriction that prevents sale of these shares, these arrangements alone provide sufficient alignment of interests between the Company and its shareholders and the Chairman.

Shareholder Consultation and Remuneration Disclosure

In preparing the 2019 Policy, an extensive shareholder consultation exercise was carried out with the Company's largest shareholders and representative bodies. In formulating the proposals, the Remuneration Committee carefully considered the shareholder feedback that had been received. We contacted the 20 largest shareholders, as well as Glass Lewis, The Investment Association and ISS, to consult on proposed changes to the policy, and I would like to take the opportunity to thank them again for their input. Further details on the consultation can be found on page 110.

While the UK Corporate Governance Code 2018 (the "2018 Code") does not apply to the Company yet, the Company is able to evidence that it is compliant with a number of the provisions of the 2018 Code from a remuneration perspective, including with regards to the proposed 2019 Policy and the disclosures throughout this report.

Executive Remuneration and the Broader Context

Ocado is committed to ensuring its workforce has the diversity of talent and expertise that it needs for the business to continue to grow and innovate. Our people are critical to us achieving the strategy and we are committed to hiring and developing the highest quality talent throughout Ocado, ensuring our people are rewarded fairly and competitively for their contribution to the Company's success. When making decisions on executive remuneration, the Committee references a number of factors related to the wider workforce, including the all-employee remuneration report. Further details on workforce remuneration can be found on page 111.

I will be available at the AGM to answer any questions about the work of the Remuneration Committee.

Andrew Harrison
Remuneration Committee Chairman
5 February 2019

Directors' Remuneration Report

Remuneration at a Glance

Highlights for 2018

The table below provides a summary total single figure of remuneration for 2018. Further details are set out on page 91 in the Annual Report on Remuneration.

Executive Director	Total 2018 (£'000)	Total 2017 (£'000)
Tim Steiner	**3,077**	1,137
Duncan Tatton-Brown	**1,540**	725
Mark Richardson	**1,532**	710
Neill Abrams	**1,149**	587
Luke Jensen	**1,734**	–

This table briefly summarises the highlights of the Directors' remuneration arrangements for the financial year.

Base Pay and Benefits

Base pay increase of 3% for the Executive Directors, in line with other employees.

Non-Executive Director base fees were increased by 4% in the period.

Read more on pages 92 and 96.

Pensions

Company contributions to pensions for Executive Directors did not change during the period.

Read more on page 92.

AIP

Total bonus earned by Executive Directors for 2018 based on achievement of 68.75% to 71.75% of performance target, was £1,561,000.

Read more on pages 93 and 94.

Long-Term Incentives

Awards were granted under the LTIP.

For the 2016 LTIP awards, which are due to vest in March 2019, achievement was 50%.

Read more on page 95.

All-Employee Schemes

Ongoing participation in the SIP and Sharesave schemes.

Read more on page 96.

2018 Annual Incentive Plan (AIP)

Under this plan, the Chief Executive Officer had a maximum bonus opportunity of 125% of salary and the other Executive Directors had a maximum opportunity of 100% of salary. A summary of the outcomes is as follows. Further details are set out on pages 93 and 94 in the Annual Report on Remuneration.

	Threshold (6.25% of award payable) – Maximum (25% of award payable)	Outcome (% total award)
Retail gross sales		10.6
EBITDAⓐ		13.4
No of Solutions deals		25
Individual objectives		19.75–22.75
Total		68.75–71.75

2016 Long Term Incentive Plan (LTIP)

Under this plan, the Chief Executive Officer was granted an award of 200% of salary and the other Executive Directors were granted awards of 150% of salary, with the exception of Neill Abrams who was granted an award of 120% of salary. A summary of the outcomes is as follows. Further details are set out on page 95 in the Annual Report on Remuneration.

	Threshold (6.25% of award payable) – Maximum (25% of award payable)	Outcome (% total award)
2018 Retail revenueⓐ		0
2018 Adjusted Retail EBT		0
Platform operating efficiency		25
Platform capital efficiency		25
Total		50

ⓐ See Alternative Performance Measures on pages 229 and 230

Membership and Meetings

The membership and attendance of the Remuneration Committee, together with the appointment dates, are set out below:

Andrew Harrison
Chairman

Remuneration Committee member since 1 March 2016

4*/6

Ruth Anderson

Remuneration Committee member since 9 March 2010

6/6

Douglas McCallum

Remuneration Committee member since 3 October 2011

6/6

* Andrew Harrison did not attend one meeting due to a prior long-standing commitment and one meeting due to family circumstances.

■ Actual meetings attended ■ Possible meetings the Director could have attended

Description of the Remuneration Committee

This section of the Directors' Remuneration Report describes the membership of the Remuneration Committee, its advisers and principal activities during the period. It forms part of the Annual Report on Remuneration section of the Directors' Remuneration Report.

As required under the Terms of Reference, the Remuneration Committee has three members, all of whom are independent Non-Executive Directors, and holds a minimum of two meetings a year. The biography of each member of the Remuneration Committee is set out in the Directors' Report section on pages 138 and 139.

Other attendees at the Remuneration Committee meetings included the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the People Director and the external adviser to the Remuneration Committee. The Chairman, the Executive Directors, and other attendees are not involved in any decisions of the Remuneration Committee and are not present at any discussions regarding their own remuneration. The Deputy Company Secretary is secretary to the Remuneration Committee.

Directors' Remuneration Report

External Advice

During the period, the Remuneration Committee and the Company retained independent external advisers to assist them on various aspects of the Company's remuneration and share schemes as set out below:

Adviser	Retained by	Services Provided to the Remuneration Committee	Other Services Provided by PwC
PricewaterhouseCoopers LLP	Remuneration Committee	Executive remuneration advice including a new policy and schemes for 2019 and benchmarking review of Executive Director remuneration. Advice on a range of remuneration issues for the Company.	Advice on a range of issues for the Company, including: cyber security, risk management, accounting advice and transaction consulting.

PricewaterhouseCoopers LLP Re-appointment and Review

The Remuneration Committee considered the re-appointment of PricewaterhouseCoopers LLP ("PwC"). This review took into account PwC's effectiveness, independence, period of appointment and fees. PwC were appointed by the Remuneration Committee in 2017 following a tender process led by the Remuneration Committee.

The Remuneration Committee reviewed the performance of PwC based on feedback from members of the Remuneration Committee and management. The criteria for assessing their effectiveness included their understanding of business issues and risks, their knowledge and expertise and their ability to manage expectations. The Remuneration Committee concluded that the performance of PwC remained effective.

The Remuneration Committee considered the independence and objectivity of PwC. PwC have provided assurances to the Remuneration Committee that they have effective internal processes in place to ensure that they are able to provide remuneration consultancy services independently and objectively. PwC confirmed to the Company that they are a member of the Remuneration Consultants Group and as such operate under the code of conduct in relation to executive remuneration consulting in the UK. The Remuneration Committee is, following its annual review, satisfied that PwC have maintained independence and objectivity.

For the period, £161,833 in advisory fees were paid or payable to PwC for services provided to the Remuneration Committee. The basis for this is a fixed retainer fee and a time-based fee for additional work including the 2019 Directors' Remuneration Policy.

Following the review by the Remuneration Committee, it was agreed that PwC should be re-appointed.

Other Support for the Remuneration Committee

In addition to the external advice received, the Remuneration Committee consulted and received reports from the Company's Chief Executive Officer, the Chief Financial Officer, the Chairman, the People Director and the Deputy Company Secretary. The Remuneration Committee is mindful of the need to recognise and manage conflicts of interest when receiving views and reports from, or consulting with, the Executive Directors or members of senior management.

How the Committee Spent its Time in 2018

The Remuneration Committee has, under its terms of reference, been delegated responsibility for setting remuneration for all of the Executive Directors, the Chairman and the Company Secretary. This is outlined on page 62. In line with its terms of reference, the Remuneration Committee's work during the period included the following:

- approving the Directors' Remuneration Report;
- approving the Directors' Remuneration Policy;
- consulting with shareholders on the proposed 2019 Directors' Remuneration Policy;
- reviewing performance under the 2017 AIP and consideration of any bonuses payable;
- approving the 2018 AIP performance targets;
- approving the 2018 LTIP awards and performance targets;
- reviewing performance against LTIP awards;
- receiving executive remuneration advice from advisers in respect of a range of matters considered by the Remuneration Committee during the year;
- receiving a report from the Company Secretary on the implications of the 2018 Code;
- receiving a report on Group-wide and management remuneration for 2018;
- consulting the Chief Executive Officer and the Chairman on performance and remuneration of the Executive Directors;
- receiving reports from advisers on senior executive pay, market themes and trends;
- receiving a report on the Group's share schemes and plans for 2019;
- receiving a report on shareholder feedback on the 2017 annual report and 2018 annual general meeting; and
- reviewing the performance of advisers.

The Remuneration Committee's work also included monitoring and considering the level and structure of remuneration for the Management Committee. Ultimate decision-making responsibility for the remuneration of the Management Committee lies with the Chief Executive Officer. This approach still gives the Remuneration Committee necessary visibility of senior management remuneration to enable it to formulate appropriate policy and make decisions regarding Executive Director remuneration, but allows the Chief Executive Officer, who is best placed to make remuneration decisions about the management team, the flexibility to do so. In line with the 2018 Code, the Remuneration Committee will set remuneration for the Management Committee in future years.

The Remuneration Committee carried out a review of its terms of reference during the period, which did not result in any changes.

In addition to the activities of the Remuneration Committee, the Executive Directors and the Chairman reviewed the remuneration arrangements of the Non-Executive Directors.

Directors’ Remuneration Report

Annual Report on Remuneration — 2018

Introduction

This part of the Directors’ Remuneration Report sets out the Directors’ remuneration paid in respect of the 2018 Financial Year. It details the payments to Directors and the link between Company performance and remuneration of the Chief Executive Officer. This part, together with the “Description of the Remuneration Committee” section on pages 85 and 86, constitutes the Annual Report on Remuneration, and will be put to an advisory shareholder vote at the Company’s AGM.

Wider Workforce Considerations and Our Approach to Fairness

Ocado is committed to ensuring our workforce has the diversity of talent and expertise that it needs for the business to continue to grow and innovate. Our people are critical to us achieving our strategy and the Remuneration Committee is aware that ensuring our people are rewarded fairly and competitively for their contribution to our success is important for hiring, developing and retaining the highest quality of talent throughout Ocado.

The 2019 Policy is designed in line with the remuneration principles outlined on page 107, which reflect the remuneration principles for the Group. A key remuneration principle for the Group is that share awards be used to recognise and reward good performance and attract and retain employees.

The Remuneration Committee receives an annual report from management on Group-wide remuneration. This review covers changes to pay, benefits, pensions and share schemes for all employees in the Group, including the percentage increases in base pay for monthly and hourly paid employees. The Remuneration Committee’s work includes monitoring and commenting on the level and structure of remuneration for the Management Committee in relation to various changes to base pay and incentive plans. The Remuneration Committee carefully considers the relevant parts of this report when making decisions on executive remuneration.

To help support alignment across the Group and with the interests of shareholders and reward for company performance, all UK employees are eligible to participate in the Group Share Incentive Plan and Sharesave plan. The Management Committee participate in an annual bonus plan and the LTIP, with no share deferral or holding periods operating on these plans. For some small groups of senior employees, the Group operates some tailored bonus and long-term incentive arrangements such as the cash-based long-term incentive scheme and management incentive plans.

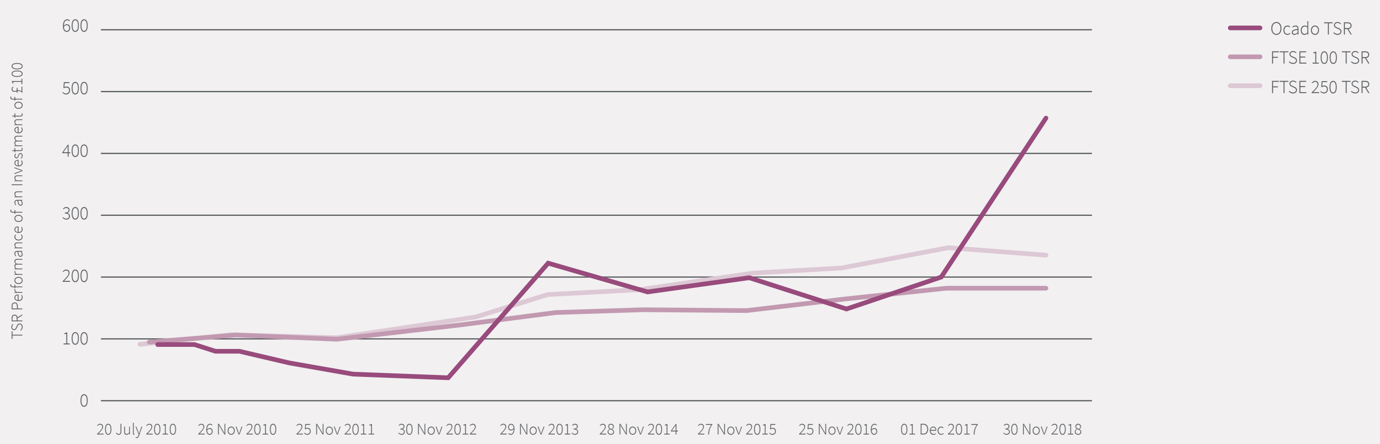
Employment at Ocado

Our business is built on innovation, on finding solutions, and on delivering world-class service. Our people are critical to us achieving our strategy. We are committed to hiring and developing the highest quality talent throughout Ocado. We operate in sectors and locations where there is strong competition for workers. We keep our recruitment processes under constant review and evolve them to make it easy to apply to work for Ocado while maintaining our high standards. This has allowed us to remain flexible and agile and respond to the changing labour market by using new attraction methods.

Total Shareholder Return

The following graph shows the Total Shareholder Return (TSR) performance of an investment of £100 in Ocado shares from its Admission to the end of the period compared with an equivalent investment in the FTSE 100 and FTSE 250 Indices over the past nine years. These indices were chosen as Ocado has historically been a constituent of the FTSE 250 Index, and has entered the FTSE 100 this year. Both represent a broad equity market index against which the Company can be compared historically. The Company has not paid a dividend since its Admission so the Company’s TSR does not factor in dividends reinvested in shares.

As shown in the chart opposite, Ocado’s TSR outperformed the FTSE 250 and FTSE 100 indices over the period.



Chief Executive Officer Historical Remuneration

The table below summarises in respect of the Chief Executive Officer the single figure of total remuneration, the AIP or bonus plan payment as a percentage of maximum opportunity, and the long-term incentives as a percentage of maximum opportunity for the current period and the previous eight financial years.

Year	Chief Executive Officer Total Remuneration (£'000)	AIP or Bonus Payment as a Percentage of Maximum Target Achievement (% of maximum)	Value of AIP or Bonus Payment (£'000)	Long-Term Incentives as a Percentage of Maximum Opportunity (% of maximum)
2018	3,077	70.5	539	50
2017	1,337	41.8	310	33.4
2016	1,141	43.6	315	43.2
2015	5,098	65.0	459	90.8
2014	6,483	56.0	385	100
2013	1,011	98.3	528	0
2012	483	29.7	104	0
2011	987	0	0	100
2010	599	n/a	220	0

1. The Chief Executive Officer total remuneration figures prior to the 2013 period represent the previously presented audited information with necessary adjustments for amounts required to be included in the single total figure of remuneration (such as pension amounts) under the new regulations (which first applied to the 2013 financial period).
2. From 2010, the Company had the JSOS as the main form of long-term incentive plan. In 2011, the first tranche of JSOS shares vested in that period. For the 2012 and 2013 financial years, the JSOS interests did not have any value at the vesting date. In 2014, the final tranche of JSOS shares vested in that period (the value of such remuneration is noted in the single total figure of remuneration above). The LTIP was implemented in 2013 and the first award had a performance period ending in 2015 and a vesting date in 2016. The GIP and SIP were both implemented in 2014, but have vesting dates in 2019 and 2017 respectively.
3. The total remuneration amounts shown above are the amounts restated to account for the final vesting of each of the LTIP awards. For an explanation of this restatement in respect of the 2017 period see note 1 of the total remuneration table on page 91. For details of the 2018 period LTIP value, see note 2 of the total remuneration table.

Directors' Remuneration Report

Chief Executive Officer Percentage Change Versus Employee Group

To put the Directors' remuneration into context, the table below sets out the change in salary, benefits, and bonus of the Chief Executive Officer and of all UK employees from the preceding period to the current period.

	Chief Executive Officer	**UK employees**
Percentage change in salary from 2017 to 2018	3%	3.2%
Percentage change in taxable benefits from 2017 to 2018	475%	6%
Percentage change in AIP earned from 2017 to 2018	174%	208%

1. Most of the Group's employees are not entitled to earn an annual bonus payment as part of their remuneration.
2. The change in salary data for the Group's employees is on a per capita basis.
3. The change in taxable benefits for the Chief Executive Officer is as set out on pages 91 and 92.
4. UK employees has been chosen as the majority of our workforce is UK-based.

Relative Importance of Spend on Pay

The following table shows the Company's profit and total Group-wide expenditure on pay for all employees for the period and last financial year. The Company has not paid a dividend or carried out a share buyback in the current year nor previous year. The information shown in this chart is:

- Loss – Group loss before tax as set out in Note 2.9 to the consolidated financial statements.
- Total gross employee pay – total gross employment costs for the Group (including pension, variable pay, share-based payments and social security) as set out in Note 2.7 to the consolidated financial statements.

	2 December 2018 (£m)	3 December 2017 Restated* (£m)
Loss before tax	**(44.4)**	(8.3)
Total gross employee pay	**388.4**	335.9

*2017 restatement was due to the adoption of IFRS 15 during the year. Refer to Note 1.5 to the consolidated financial statements for further details.

Company Share Price

The closing market price of the Company's shares as at 30 November 2018, being the last trading day in the period ended 2 December 2018, was 831.2 pence per ordinary share (2017: 363.5 pence) and the share price range applicable during the period was 337 pence to 1,146 pence per ordinary share.

Executive Directors

Total Remuneration (Audited)

The total remuneration for the period for each of the Executive Directors is set out in the table below.

	Tim Steiner		Duncan Tatton-Brown		Mark Richardson		Neill Abrams		Luke Jensen		Total	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Salary	**606**	589	**374**	364	**374**	364	**314**	305	**281**	–	**1,949**	1,622
Taxable Benefits	**19**	4	**2**	1	**2**	1	**2**	1	**5**	–	**30**	7
Pensions	**54**	47	**29**	26	**27**	12	**25**	30	**21**	–	**156**	115
Total Fixed Pay	**679**	640	**405**	391	**403**	377	**341**	336	**307**	–	**2,135**	1,744
AIP	**539**	310	**266**	153	**260**	152	**225**	129	**271**	–	**1,561**	744
Total Remuneration in cash	**1,218**	950	**671**	544	**663**	529	**566**	465	**578**	–	**3,696**	2,488
Share Plans												
LTIP	**1,848**	383	**858**	178	**858**	178	**574**	119	**–**	–	**4,138**	858
Cash LTIP	**–**	–	**–**	–	**–**	–	**–**	–	**1,156**	–	**1,156**	–
GIP	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
ESOS and 2014 ESOS	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
SIP	**11**	4	**11**	3	**11**	3	**9**	3	**–**	–	**42**	13
Sharesave	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total for Share Plans	**1,859**	387	**869**	181	**869**	181	**583**	122	**1,156**	–	**5,336**	871
Recovery of Sums Paid	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total Remuneration	**3,077**	1,337	**1,540**	725	**1,532**	710	**1,149**	587	**1,734**	–	**9,032**	3,359

1. The value of LTIP awards for 2015 included in the column for the 2017 financial year has been restated to show the actual vested amount (based on the vesting of the award on 22 March 2018 at a price of 527 pence per share). The actual vested amount is £389,000 higher than the estimated vested amount stated in the 2017 annual report of £469,000. The estimated vested amount was based on the three-month average share price from 1 September 2017 to 3 December 2017 of 288 pence per share. No dividends were paid.
2. The value of LTIP awards for 2016 included in the column for the financial year has been based on 50% vesting and estimated using the three-month average share price from 30 August 2018 to 2 December 2018 of 860.03 pence per share, as these awards are not capable of vesting until after the end of the period, on 20 March 2019. This value assumes no dividends will be payable and that the Executive Director will not be required to pay an amount to acquire the conditional shares, being the nominal price of 2 pence per share. These estimated figures will be restated in next year's annual report.
3. Luke Jensen was granted a Cash LTIP award in 2017 prior to becoming an Executive Director. The value of the Cash LTIP award for 2017 included in the column for the financial year is based on 100% vesting and estimated using the average share price in the final twenty business days of the period, being 804.5 pence per share. The award will vest after the end of the period on 15 March 2019. More detail can be found on page 96.
4. Under the Share Incentive Plan, awards of Free Shares and Matching Shares became unrestricted during the period. These awards are explained on page 102 of this report.
5. Taxable benefits includes one or more of: private healthcare life assurance private use of a company driver; or a car allowance.
6. Luke Jensen was appointed as an Executive Director with effect from 1 March 2018.

Awards granted under long-term incentive plans and share plans only count towards the total remuneration figure for the period in which they vest or where achievement of performance targets is determined in the period. An explanation of each element of remuneration paid in the table is set out in the following section.

Directors' Remuneration Report

Base Salary (Audited)

During the period, the Remuneration Committee reviewed the salaries of the Executive Directors. After taking into account a number of relevant factors which are discussed in more detail below, the Remuneration Committee recommended that all basic salaries be increased. The following table shows the change in each Executive Director's salary.

Director	**Salary 2018 (£)**	Salary 2017 (£)	Effective from
Tim Steiner	**612,000**	594,000	01/04/2018
Duncan Tatton-Brown	**378,000**	367,000	01/04/2018
Mark Richardson	**378,000**	367,000	01/04/2018
Neill Abrams	**317,200**	308,000	01/04/2018
Luke Jensen	**378,000**	352,000	01/04/2018

The changes to base salary were made in line with the Directors' Remuneration Policy. The Executive Directors received an increase in base pay of 3% (rounded accordingly) which was in line with the percentage salary increases for the monthly paid employees of the Group in the period.

Taxable Benefits (Audited)

The Executive Directors received taxable benefits during the period, notably private medical insurance and travel insurance. The Executive Directors also received other benefits, which are not taxable, including income protection insurance, life assurance and Group-wide employee benefits, such as an employee discount. The taxable benefits shown in the Total Remuneration Table on page 91 include the private use of a company driver for Tim Steiner, and a car allowance for Luke Jensen. Non-business use of the chauffeur is tracked and is shown as a taxable benefit in the total remuneration table to the extent it was used for that purpose. These benefit arrangements were made in line with the Directors' Remuneration Policy which allows the Company to provide a broad range of employee benefits.

Pensions (Audited)

The Company made pension contributions on behalf of the Executive Directors to the defined contribution Group personal pension scheme. The employer contributions to the pension scheme in respect of each Executive Director are made in line with the Group personal pension scheme for all employees. The contributions during the period made on behalf of the Executive Directors were 8% of base salary. These contributions were made in line with the Directors' Remuneration Policy.

Pension contributions can be made to the Executive Directors (and any other employee) as a cash allowance where the Executive Director (or employee) has reached either the HMRC annual tax free limit or HMRC lifetime allowance limit for pension contributions as provided for in the Directors' Remuneration Policy. In accordance with this policy, Tim Steiner, Mark Richardson, Luke Jensen and Neill Abrams have elected to receive part of their pension contributions as an equivalent cash allowance. Duncan Tatton-Brown has elected to receive all of his pension contribution as cash in line with the Company policy.

Annual Incentive Plan (Audited)

The 2018 AIP was based on the performance targets and weightings set out below. The Chief Executive Officer had a maximum bonus opportunity of 125% of salary and the other Executive Directors had a maximum opportunity of 100% of salary.

Performance conditions	Weighting of each condition	Performance targets required		Actual Performance	Percentage of maximum performance achieved	Annual bonus value achieved (£'000) Tim Steiner	Duncan Tatton-Brown	Mark Richardson	Neill Abrams	Luke Jensen
Group EBITDA®	25%	Threshold Maximum	£56.2m £64.2m	£59.5m	13.4%	103	51	51	42	51
(Retail) Gross sales®	25%	Threshold Maximum	£1,580m £1,670m	£1,598.8m	10.6%	81	40	40	34	40
No. of Solutions deals	25%	Commercially sensitive			25%	191	94	94	79	94
Individual objectives	25%	See details below			19.75 – 22.75%	164	81	75	70	86
Total	100%					539	266	260	225	271

1. The Remuneration Committee has agreed "threshold" and "maximum" conditions that must be achieved. An award will not vest unless a "threshold" level of the performance condition has been achieved. At "threshold" performance for a financial or Solutions performance measure, 6.25% of total bonus is payable and at "maximum" performance, 25% of total bonus is payable. A straight-line sliding scale applies in relation to the intermediate points between the "threshold" and "maximum".
2. There is no threshold or maximum target set for the individual objectives. Each objective is weighted and scored to provide a total score out of 25. Performance may range from zero to 25.
3. The applicable salary used for calculating the bonus payment under the rules of the 2018 AIP is the applicable base salary on the date of payment.

Under the AIP, 50% of any bonus paid is deferred in shares for Executive Directors who have not met their shareholding requirement.

Luke Jensen was appointed as an Executive Director during the period, and as such the amount in the table above represents the award he received prior to his appointment as an Executive Director under the equivalent scheme for senior management.

Individual Objectives

The Remuneration Committee reviewed performance against the objectives listed in the table below. The Remuneration Committee reviewed the performance of each Executive Director against the measurable performance metrics and based their judgement on a scoring report by the Chief Executive Officer and the Chairman. The Remuneration Committee, in assessing performance, took into account the level of the Group's trading performance compared with UK grocery retail peers and the Group's progress against its strategic objectives.

Objective	Achievement	Outcome
Tim Steiner		
• Successful growth of Ocado.com and other retail platforms in line with business plans.	Continued growth of the retail business, with 12% growth in sales in 2017/18.	Met/ ongoing
• Launch and ramp up Erith CFC and continued ramp up of Andover CFC.	Erith CFC successfully launched and ramped in 2018 and successful ramp up of Andover CFC.	Met/ ongoing
• Successful signing of platform deal(s) and set up of internal programmes to deliver all deals.	Three platform deals signed in the period, with delivery programmes established.	Met
• Drive the delivery and costs of technology projects to ensure successful execution of signed Ocado Solutions deals to support UK business growth.	Significant progress made against strategic objectives relating to technology projects.	Ongoing
• Lead and motivate the senior team to deliver the strategy while driving scale and efficiency where possible throughout the business.	Continued strong leadership of senior management.	Met/ ongoing
Overall performance against individual strategic objectives (maximum opportunity: 25%):		21.5%

® See Alternative Performance Measures on pages 229 and 230

Directors' Remuneration Report

Objective	Achievement	Outcome
Duncan Tatton-Brown		
• To prepare and execute a financing strategy to provide financing for Ocado Solutions obligations and future deals.	Presentation of financing strategy to Board and successful execution.	Met/ ongoing
• To improve Group communications, particularly in relation to the building of our Solutions business and the Group's transition to segmental reporting.	Communications improved, with clear presentation of both the Solutions deals and segmental reporting.	Met/ ongoing
• To continue to operate an efficient and effective finance, strategy and business development function.	High quality financial and management reporting delivered by finance team.	Met/ ongoing
• Provide more challenges to capabilities, particularly for cost effectiveness of technology and development spend.	Challenges made throughout financial year, with some improved cost efficiencies.	Ongoing
Overall performance against individual strategic objectives (maximum opportunity: 25%):		21.44%
Mark Richardson		
• To increase OPW in Andover CFC in line with Ocado's growth target.	Target OPW rate fully achieved in Andover CFC.	Met
• To ensure development of technology projects continues on track to enable Solutions partners to go-live in line with target dates.	Tracked monthly in reports to the Board, with all projects on track.	Met
• To ensure bot improvement programme continues.	Tracked monthly in reports to the Board and continuing improvements ongoing.	Ongoing
• To increase CFC productivity in line with agreed targets.	CFC productivity continued to improve in the financial year.	Met
• Demonstrate improvements in hourly paid employees' working conditions.	Regular updates to the Board, ongoing improvements being made.	Ongoing
Overall performance against individual strategic objectives (maximum opportunity: 25%):		19.75%
Neill Abrams		
• To lead business support departments, ensuring they are able to service changing business needs.	Business support departments continued to deliver a good service, with positive feedback received from the business.	Met
• Implement GDPR compliance programme successfully.	DPO hired, with documented compliance programme in place and no significant negative impact on business operations.	Met/ ongoing
• Legal support for additional Ocado Solutions deals and execution of existing Ocado Solutions deals (including international corporate structure and regulatory compliance). Support for negotiations with existing partners.	Execution of three Solutions deals and support provided on negotiation of Solutions deals. Support provided for existing partners, including advice and negotiations.	Met
• Successful management of IP portfolio to support business growth.	Tracked monthly in reports to the Board, ongoing extension of IP portfolio.	Met
Overall performance against individual strategic objectives (maximum opportunity: 25%):		22%
Luke Jensen		
• Establish Ocado Solutions as an international solutions partner in grocery e-commerce.	Ocado Solutions established with the signing of three Solutions deals in the financial year.	Met
• Sign a number of Ocado Solutions deals in the year, with further commercially sensitive details.	Three Solutions deals signed in the financial year and good progress on commercially sensitive targets.	Ongoing
• To develop an efficient and capable Solutions team, with appointment and integration of a Commercial Director and a Chief Product Officer.	Ocado Solutions team continued to develop in the year. Commercial Director and Chief Product Officer appointed.	Met/ ongoing
• Delivery and effective operation of Ocado Solutions deals in line with budgets.	Significant progress made in delivery of partnerships. Programme and account management teams put in place for all partners.	Met/ ongoing
• Make an effective contribution to the broader management of the business at Board and executive level.	Continued contribution at Board and executive level.	Ongoing
Overall performance against individual strategic objectives (maximum opportunity: 25%):		22.75%

LTIP (Audited)

The three-year performance period for the 2016 LTIP awards expired at the end of the financial year. The Remuneration Committee reviewed the performance against the four equally weighted performance conditions for the 2018 Financial Year and has recommended overall vesting of 50%.

The value of the 2016 LTIP awards in the total remuneration table and below is estimated based on the average Company share price for the final three months of the period, being 860.03 pence per share. The expected vesting date of the 2016 LTIP award is 20 March 2019. Subject to the continued satisfaction of the award conditions, final vesting will be determined.

Performance conditions	Weighting of each condition	Performance targets required		Actual Performance	Percentage of maximum performance achieved	Estimated LTIP value (£'000) Tim Steiner	Duncan Tatton-Brown	Mark Richardson	Neill Abrams
Retail Revenueⓐ	25%	Threshold Maximum	£1,500m £,1650m	£1,476m	0%	0	0	0	0
Adjusted retail EBT	25%	Threshold Maximum	£20m £30m	£9.6m	0%	0	0	0	0
Platform Operational Efficiency	25%	Commercially sensitive			25%	924	429	429	287
Platform Capital Efficiency	25%	Commercially sensitive			25%	924	429	429	287
Total	100%					1,848	858	858	574

1. The Remuneration Committee has agreed "threshold" and "maximum" conditions that must be achieved. An award will not vest unless a "threshold" level of the performance condition has been achieved. At "threshold" performance for a financial performance measure, 6.25% of the total award will vest and 25% vesting will occur for achieving or exceeding "maximum" performance for a condition. A straight-line sliding scale applies in relation to the intermediate points between the "threshold" and "maximum".
2. Details of the number of conditional shares awarded to each Director for the 2016 LTIP awards are shown in the table on page 99.
3. Luke Jensen was not an employee at the time of the 2016 LTIP awards and therefore does not have a vesting award.
4. The performance targets and actual performance numbers shown for the retail business have not been adjusted for any impact of IFRS 15 on the Group.

Neither retail business target met the threshold. The revenue used as a performance condition for the LTIP includes Retail revenueⓐ generated by Ocado.com and the other Retail sites – Fetch, Sizzle and Fabled – but excludes revenue from Morrisons and the Solutions business.

The adjusted retail EBT measure is not consistent with the segmental reporting changes made in 2017. The performance target for adjusted retail EBT is based on Group EBT less an apportionment of certain costs in a number of areas relating to the Solutions business and is based on 52 weeks. This measure is used by the Remuneration Committee to assess management performance for the 2016 LTIP only. It is not considered an Alternative Performance Measure.

Specific details of the achievement of Platform Operational Efficiency and Platform Capital Efficiency solution for the Financial Year are not disclosed. Although the Remuneration Committee is conscious of the regulations and the Code requirement that performance targets should be transparent, it considers that disclosure of the achievement against these specific targets remains commercially sensitive to the Company and if disclosed could damage the Company's commercial interests. The Remuneration Committee believes that the targets were stretching and have been applied vigorously.

ⓐ See Alternative Performance Measures on pages 229 and 230

Directors' Remuneration Report

Cash LTIP (Audited)

Luke Jensen was granted an award under the Cash LTIP scheme in February 2017, prior to his appointment as an Executive Director.

The Cash LTIP is an amount of money that is based on the value of 143,632 of the Company's shares. The final cash amount that Luke Jensen is eligible to receive depends on the extent to which the Company achieves a performance target linked to the number of Ocado Solutions deals signed by the Group during the performance period.

The Cash LTIP has a three-year performance period. The performance conditions for the 2017 Cash LTIP allow for the early payment of the award in the event that the maximum performance conditions are satisfied prior to the end of the 2017/18 Financial Year. The performance conditions were satisfied in full during the period and therefore the award will vest in March 2019. Payout of the full value of the award will be based on the average share price of the Company's shares in the twenty business days prior to the payout date.

Share Incentive Plan

The 2015 award of Free Shares made under the SIP became unrestricted during the period on 10 September 2018. Certain Matching Shares also became unrestricted during the period. Free Shares and Matching Shares awarded under the SIP are subject to a three-year forfeiture period starting from the date of grant. This means that if an Executive Director ceases to be employed by the Group during the three-year period, the Free Shares and Matching Shares will be forfeited. Partnership Shares purchased under the SIP are not included in the total remuneration table as these are purchased by the Executive Directors from their salary, rather than granted by the Company as an element of remuneration. Only the value of Free Shares and Matching Shares that became unrestricted during the period are shown in the total remuneration table. The value shown is the value of the shares on the date that they became unrestricted. Unrestricted shares can be held in Trust under the SIP for as long as the Executive Director remains an employee of the Company.

Recovery of Sums Paid (Audited)

No sums paid or payable to the Executive Directors were sought to be recovered by the Group.

Non-Executive Directors

Total Fees (Audited)

The fees paid to the Non-Executive Directors and the Chairman during the period are set out in the remuneration table below. The Non-Executive Directors received no remuneration from the Group other than their annual fee.

	Fees		**Taxable Benefits**		**Pension Entitlements**		**Annual Bonus**		**Long-Term Incentives**		**Recovery of Sums Paid**		**Total Remuneration**	
Non-Executive Director	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Lord Rose	**200**	200	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**200**	200
Ruth Anderson	**65**	62	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**65**	62
Jörn Rausing	**52**	50	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**52**	50
Douglas McCallum	**56**	62	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**56**	62
Andrew Harrison	**59**	50	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**59**	50
Emma Lloyd	**52**	50	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**52**	50
Julie Southern	**11**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**11**	–
Alex Mahon	**2**	62	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2**	62
Robert Gorrie	**–**	25	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	25
Total	**497**	561	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**497**	561

1. Alex Mahon retired from the Board with effect from 13 December 2017.
2. Andrew Harrison took over as Remuneration Committee chairman on 11 April 2018.
3. Julie Southern joined the Board with effect from 1 September 2018.
4. Robert Gorrie retired from the Board with effect from the 2017 annual general meeting on 13 May 2017.

The remuneration arrangements for the Non-Executive Directors (except the Chairman) were reviewed by the Executive Directors and the Chairman during the period and the basic fees for Non-Executive Directors were increased to £52,000 (2017: £50,000), while the fee for chairing a committee was increased to £13,000 (2017: £12,000).

The Chairman's fee was reviewed by the Remuneration Committee and was not changed. The Chairman's fee has not changed since the Chairman's appointment in March 2013.

Other Remuneration for the Non-Executive Directors (Audited)
In addition to the fees, the Non-Executive Directors are entitled to a staff shopping discount in line with the Group's employees.

The Company has obtained a written confirmation from each Non-Executive Director that they have not received any other items in the nature of remuneration from the Group, other than those already referred to in this report.

Recovery of Sums Paid (Audited)
No sums paid or payable to the Non-Executive Directors were sought to be recovered by the Group.

Other Remuneration Disclosures

Executive Directors' Service Contracts
Each of the Executive Directors has a service contract with the Group. The terms of these contracts are consistent with the Directors' Remuneration Policy, though the contracts provide for payment in lieu of notice of one times basic salary only (and do not include other fixed elements of pay, which are permitted by the policy). The service contracts for each of the Executive Directors are continuous until terminated by either party (on 12 months' notice if terminated by the Company, or six months' notice if terminated by the Director).

Non-Executive Directors' Letters of Appointment
The Chairman and the Non-Executive Directors do not have service contracts and were appointed by letter of appointment for an initial period of three years, subject to annual re-appointment at the annual general meeting and usually for a maximum of nine years. There are no provisions in the letters of appointment for payment for early termination. A Non-Executive Director's appointment may be terminated by either party giving to the other not less than one month's notice, except in the case of the Chairman, which requires six months' notice by either party. Copies of the letters of appointment and the service contracts of the Executive Directors are available for inspection at the Company's registered office.

Director	Date of Appointment	Notice Period	Expiry of Nine Year Term
Stuart Rose	11 March 2013	6 Months	Mar 2022
Ruth Anderson	9 March 2010	1 Month	Mar 2019
Andrew Harrison	1 March 2016	1 Month	Mar 2025
Emma Lloyd	1 December 2016	1 Month	Dec 2025
Douglas McCallum	3 October 2011	1 Month	Oct 2020
Jörn Rausing	13 March 2003	1 Month	N/A
Julie Southern	1 September 2018	1 Month	Sep 2027

Director Retirement Arrangements and Payments for Loss of Office (Audited)
As announced on 14 December 2017, it was determined in accordance with the Directors' Remuneration Policy that the arrangements set out below should apply in relation to Alex Mahon's remuneration on retirement.

Element of Remuneration	Treatment
Remuneration Payments	All outstanding fees were paid to Alex Mahon up to 13 December 2017 in accordance with the terms of her letter of appointment. No payments are expected after the date of retirement.
Payment for Loss of Office	No payment for loss of office or other remuneration payment was made or is expected to be made to Alex Mahon.
Share Schemes	At the time of retirement, Alex Mahon was not a participant in a Group share scheme.

Director Appointment Arrangements (Audited)
As announced on 5 July 2018, Julie Southern was appointed to the Board as a Non-Executive Director with effect from 1 September 2018. Julie Southern's remuneration is in line with the Directors' Remuneration Policy. On appointment, Julie Southern's basic annual fee was £52,000, which was in line with the other Non-Executive Directors. Julie Southern will not receive any other benefits or payments, in line with the Directors' Remuneration Policy.

Payments to Past Directors (Audited)
The Company does not have any arrangements for payments to any former Directors of the Company.

Enforcing the Directors' Remuneration Policy
The Company has not made any payments to a Director outside of the Directors' Remuneration Policy. All of the decisions regarding executive remuneration for the period have been made in line with the Directors' Remuneration Policy.

No Director has options over Company shares outside one of the Company's recognised share schemes.

Directors' Remuneration Report

External Remuneration for Executive Directors

As at the date of this Annual Report:

- In addition to his role as Executive Director of the Company, Neill Abrams is an alternate non-executive director of Mr Price Group Limited, a FTSE/JSE Top 40 company listed on the Johannesburg Stock Exchange. Neill does not receive any remuneration for carrying out that role.
- In addition to his role as Executive Director of the Company, Mark Richardson is a non-executive director of Paneltex Limited. This role does not involve any remuneration paid or payable to Mark.
- In addition to his role as Executive Director of the Company, Luke Jensen is a non-executive director of Hana Group SAS, registered in France. In 2018 he received Board attendance fees of €25,000 for this role.

Director Shareholdings (Audited)

The table below shows the beneficial interests in the Company's shares of Directors serving at the end of the period, and their connected persons, as shareholders and as discretionary beneficiaries under trusts. The table also shows current compliance with the Director shareholding requirements in the Directors' Remuneration Policy as at the date of this Annual Report. All Directors comply with the Director shareholding requirements.

	Ordinary Shares of 2 Pence each held at 2 December 2018		Ordinary Shares of 2 Pence each held at 3 December 2017				
Director	**Direct Holding**	**Indirect Holding**	Direct Holding	Indirect Holding	Minimum shareholding requirement (% of Base Salary or Fee)	Met minimum shareholding?	Basis for compliance
Tim Steiner	**23,475,936**	**7,411**	15,245,052	14,293,130	200	Yes	Indirect and direct shareholdings
Lord Rose	**1,202,284**	**–**	1,202,284	–	100	Yes	Direct shareholdings
Duncan Tatton-Brown	**1,400,753**	**67,235**	583,041	61,869	200	Yes	Indirect and direct shareholdings
Mark Richardson	**1,482,032**	**12,361**	265,530	6,994	200	Yes	Indirect and direct shareholdings
Neill Abrams	**3,050,825**	**1,265,268**	768,867	1,319,704	200	Yes	Indirect and direct shareholdings
Luke Jensen	**94,656**	**83,109**	n/a	n/a	200	Yes	Indirect and direct shareholdings
Ruth Anderson	**80,000**	**–**	80,000	–	100	Yes	Direct shareholdings
Andrew Harrison	**18,166**	**–**	18,166	–	100	Yes	Direct shareholdings
Emma Lloyd	**17,300**	**–**	17,300	–	100	Yes	Direct shareholdings
Douglas McCallum	**100,000**	**–**	100,000	–	100	Yes	Direct shareholdings
Jörn Rausing	**–**	**69,015,602**	–	69,015,602	100	Yes	Indirect shareholdings
Julie Southern	**3,779**	**–**	n/a	n/a	100	n/a	n/a

1. The indirect holding for Neill Abrams includes holdings of Caryn Abrams (wife of Neill Abrams) who holds 78,109 (2017: 79,701) ordinary shares, Daniella Abrams (daughter of Neill Abrams) who holds 1,363 (2017: 1,363) ordinary shares, Mia Abrams (daughter of Neill Abrams) who holds 2,143 (2017: 1,363) ordinary shares, Joshua Abrams (son of Neill Abrams) who holds 2,143 (2017: 1,363) ordinary shares and as a discretionary beneficiary of a trust holding 74,100 (2017: 133,100) ordinary shares.
2. The indirect holding for Duncan Tatton-Brown includes a holding by Kate Tatton-Brown (wife of Duncan Tatton-Brown) who holds 49,889 (2017: 59,889) ordinary shares.
3. The indirect holding for Mark Richardson includes a holding by Rebecca Richardson (wife of Mark Richardson) who holds 4,970 (2017: 4,970) ordinary shares.
4. The indirect holding for Luke Jensen includes a holding by Sandrine Jensen (wife of Luke Jensen) who holds 74,670 ordinary shares.
5. On 31 August 2018, Tim Steiner re-registered 8,192,395 JSOS shares into his own name, leaving no interests in the JSOS.
6. On 20 September 2018, Duncan Tatton-Brown re-registered 799,867 JSOS shares into his own name, leaving no interests in the JSOS.
7. On 20 September 2018, Mark Richardson re-registered 1,198,657 JSOS shares into his own name, leaving no interests in the JSOS.
8. On 21 September 2018, Neill Abrams re-registered 2,766,458 JSOS shares into his own name, leaving no interests in the JSOS.
9. There have been no changes in the Directors' interests in the shares issued or options granted by the Company and its subsidiaries between the end of the period and the date of this Annual Report, except shares held pursuant to the SIP, as set out on page 102.
10. No Director had an interest in any of the Company's subsidiaries at the beginning or end of the period.
11. On 13 May 2016, in respect of various contracts for the transfer of shares (as described on pages 235 and 238 of the Prospectus), Tim Steiner delayed the date on which completion under the contracts for transfer would take place to 30 June 2019, or such later date as the parties may agree.
12. On 11 May 2016, in respect of various contracts for the transfer of shares (as described on pages 235 and 238 of the Prospectus), Neill Abrams delayed the date on which completion under the contracts for transfer would take place to 30 June 2019, or such later date as the parties may agree.
13. Where applicable, the above indirect holdings include SIP Partnership and Free Shares held under the SIP, which are held in trust.
14. The Executive Director shareholdings have increased during the period due to the vesting of the 2015 LTIP awards. Read more on page 95.
15. Julie Southern was appointed on 1 September 2018. Non-Executive Directors are expected to hold shares equivalent to one year's annual fee. This holding can be built up over three years from appointment. Therefore, while Julie Southern does not hold the requisite number of shares to comply with the shareholding requirement currently, she is compliant with the policy.
16. The assessment for shareholding compliance is based on the current annualised salary or fee (as set out in the total remuneration tables) which applied on 21 January 2019 (being the last practicable date prior to the publication of this Annual Report) and the higher of the original purchase price(s) or the current market price (being 885.60 pence per share on 21 January 2019), of the relevant shareholdings.

Director Interests in Share Schemes (Audited)

LTIP (Audited)

At the end of the period, the Executive Directors' total LTIP awards were as follows:

Director	Type of Interest	Date of Grant	Basis on Which Award is made (% of Salary)	Number of Shares	Face Value of Award (£)	End of Performance Period	Expected Vesting Date
Tim Steiner	Conditional shares	17/03/16	200	429,885	1,122,000	02/12/18	20/03/19
	Conditional shares	20/02/17	200	452,881	1,155,658	01/12/19	20/02/20
	Conditional shares	01/03/18	200	219,621	1,187,996	03/12/20	18/03/21
Duncan Tatton-Brown	Conditional shares	17/03/16	150	199,310	520,000	02/12/18	20/03/19
	Conditional shares	20/02/17	150	209,972	535,805	01/12/19	20/02/20
	Conditional shares	01/03/18	150	101,769	550,499	03/12/20	18/03/21
Mark Richardson	Conditional shares	17/03/16	150	199,310	520,000	02/12/18	20/03/19
	Conditional shares	20/02/17	150	209,972	535,805	01/12/19	20/02/20
	Conditional shares	01/03/18	150	101,769	550,499	03/12/20	18/03/21
Neill Abrams	Conditional shares	17/03/16	120	133,655	349,000	02/12/18	20/03/19
	Conditional shares	20/02/17	120	141,077	359,999	01/12/19	20/02/20
	Conditional shares	01/03/18	120	68,326	369,596	03/12/20	18/03/21
Luke Jensen	Conditional shares	20/02/17	150	206,913	527,996	01/12/19	20/02/20
	Conditional shares	01/03/18	150	97,609	527,999	03/12/20	18/03/21

1. The award given to Neill Abrams in 2017 was wrongly stated in the 2017 annual report as 150% of his salary at 176,346 shares and has been restated here as the correct figure of 120% of his salary.

Granted: LTIP awards were made to Executive Directors in respect of 2018 of up to 150% of annual base salary and in the case of the Chief Executive Officer, an LTIP award with a total value of up to 200% of annual base salary. Such awards were made in accordance with the Directors' Remuneration Policy. The number of shares subject to an LTIP award was determined based on a price of 540.93 pence per share, being the volume weighted average price of the Company's ordinary shares on the three trading days prior to 1 March 2018 (being the LTIP grant date).

The 2018 LTIP awards are subject to four performance metrics. The rationale for, and basis of measurement of, the performance metrics is as follows:

Performance target	Commercial rationale	Basis of measurement	Vesting Schedule
Retail business – profitability and revenue (25% each)	Rewards top-line sales growth for the Retail business in line with the Group's strategy and the creation of financial returns to shareholders.	Earnings before interest and tax and revenue for the Retail business for the 2019/20 Financial Year.	Threshold performance: 25% vests (6.25% of each condition). Maximum performance: 100% vests (25% of each condition). Vesting will be on a straight-line basis between the "threshold" and the "maximum". Each target is discrete and can be achieved separately. Full vesting will only occur where exceptional performance levels have been met and significant shareholder value created.
Platform business – Platform Efficiency and the Ocado Solutions revenue[A] (25% each)	Rewards progress and achievement with the proprietary infrastructure solution and Solutions business, which is a key strategy objective.	Efficiency of the platform business and Ocado Solutions revenue[A]. The platform efficiency target is made up of two separate targets, each comprising 12.5%, and being platform operational efficiency and platform capital efficiency.	

The specific performance conditions are not disclosed due to their commercial sensitivity, on the basis that if disclosed it would be likely to damage the Company's commercial interests. The Company will disclose the performance conditions after the end of the performance period, to the extent that the targets are not considered commercially sensitive at the time of disclosure.

[A] See Alternative Performance Measures on pages 229 and 230

Directors' Remuneration Report

Vested: The 2015 LTIP awards had a vesting date of 22 March 2018 for a three-year performance period that ended with the 2016/17 Financial Year. As explained in the 2017 annual report, the Remuneration Committee reviewed the performance against the award's four equally weighted performance conditions, which were Retail Revenue®, adjusted retail EBT*, Platform Operational Efficiency and Platform Capital Efficiency for the 2016/17 Financial Year. Achievement against the performance targets was 25%.

The performance period for the 2016 LTIP awards finished in the year, although these awards are not capable of vesting until 20 March 2019. More detail can be found on page 95.

* This measure is used by the Remuneration Committee to assess management performance for the LTIP only. It is not considered an Alternative Performance Measure.

Sold: As a result of the vesting of the 2015 LTIP awards, the Executive Directors sold shares in the Company. The Directors sold sufficient of the shares that vested to cover the cost of the tax and National Insurance. The details of the LTIP vesting and resulting share sale for each Executive Director are set out below.

Director	Date of Grant	Grant Price (£)	Number of Shares Vested	Date of Vesting and Sale	Share Price on Vesting (£)	Value of Shares Vested (£)	Shares Sold on Vesting	Shares Retained on Vesting
Tim Steiner	13/03/15	3.78	72,751	22/03/18	5.265	383,034	34,262	38,489
Duncan Tatton-Brown	13/03/15	3.78	33,730	22/03/18	5.265	177,588	15,885	17,845
Mark Richardson	13/03/15	3.78	33,730	22/03/18	5.265	177,588	15,885	17,845
Neill Abrams	13/03/15	3.78	22,619	22/03/18	5.265	119,089	10,653	11,966

1. For more details see the total remuneration table on page 91.

Lapsed: No LTIP awards lapsed during the period.

GIP (Audited)

At the end of the period, the Executive Directors' total GIP awards were as follows:

Director	Type of Interest	Date of Grant	Number of Share Options	Face Value of Award (£)	End of Performance Period	Exercise Period
Tim Steiner	Option with nil exercise price	08/05/14	4,000,000	12,744,000	08/05/19	08/05/19 – 31/05/24
Duncan Tatton-Brown	Option with nil exercise price	08/05/14	1,000,000	3,186,000	08/05/19	08/05/19 – 31/05/24
Mark Richardson	Option with nil exercise price	08/05/14	1,000,000	3,186,000	08/05/19	08/05/19 – 31/05/24
Luke Jensen	Option with nil exercise price	22/02/17	470,000	1,191,450	08/05/19	08/05/19 – 31/05/24

1. Luke Jensen was awarded a GIP award on his joining the Group but prior to becoming a Director.

The GIP operates as follows:

Award	Grant Details	Performance Conditions	Vesting Schedule
2014 GIP	Face value of the options determined based on a price of 318.60 pence per share, being the price on date of grant. The face value of the options awarded to Luke Jensen is based on a price of 253.5 pence per share, being the price on date of grant.	Single performance condition to be satisfied over five years: Share price of the Company relative to the growth of the FTSE 100 Share Index over that period. Assessed using a three-month averaging period.	Performance schedule set out in the table below. Condition of vesting that each Executive Director holds, and retains throughout the performance period, shares in the Company equivalent to: • CEO: 100% of annual salary; • CFO and COO: 50% of annual salary; at the date of the award.

Granted: No awards under the GIP were granted during the period.

Performance Schedule	Percentage of Award Vesting (%)
Growth of less than the FTSE 100 Share Index +5% p.a.	0
Growth in the FTSE 100 Share Index +5% p.a.	25
Growth in the FTSE 100 Share Index +10% p.a.	50
Growth in the FTSE 100 Share Index +15% p.a.	75
Growth in the FTSE 100 Share Index +20% p.a. (or more)	100

Vested: No awards under the GIP vested during the period. The awards are expected to vest in May 2019 (if and to the extent that the vesting criteria are met).

Sold: No awards under the GIP have been exercised or sold by an Executive Director during the period.

Lapsed: No awards under the GIP lapsed during the period.

ESOS and 2014 ESOS (Audited)

At the end of the period, the Executive Directors held options under the ESOS or 2014 ESOS as follows:

Director	Type of Interest	Date of Grant	Number of Share Options	Exercise Price (£)	Face Value of Grant (£)	Exercise Period
Duncan Tatton-Brown	Option	12/08/13	9,923	3.02	29,967	08/07/16 – 07/07/23
Luke Jensen	Option	15/03/17	11,709	2.562	29,998	15/03/20 – 14/03/27

Granted: The Remuneration Committee does not, as at the date of this Annual Report, have any intention of making a further award of options under the ESOS or 2014 ESOS to the existing Executive Directors. Existing options held by the Executive Directors under the ESOS were granted to Duncan Tatton-Brown on his appointment in 2013 and Luke Jensen on his joining the Group, but prior to becoming a Director in 2017. None of the grants of ESOS options to the Executive Directors are subject to performance conditions.

Vested: No awards under the ESOS vested during the period.

Sold: During the period, Mark Richardson exercised 70,000 options with an exercise price of 120.00 pence per option. The gain made by Mark Richardson on the exercise of share options was £540,300.

Director	Date of Grant	Number of Options	Exercise Price (£)	Date of Exercise	Gain (£)
Mark Richardson	31/05/09	70,000	1.20	31/05/18	540,300

Lapsed: No options under the ESOS lapsed during the period.

SIP (Audited)

At the end of the period, interests in shares held by the Executive Directors under the SIP were as follows:

Director	Partnership Shares Acquired in the Year	Matching Shares Awarded in the Year	Free Shares Awarded in the Year	Total Face Value of Free Shares and Matching Shares Awarded in the Year (£)	**Total SIP Shares Held 02/12/2018**	SIP Shares that Became Unrestricted in the Period	Total Unrestricted SIP Shares Held at 02/12/2018
Tim Steiner	289	42	400	3,858	**7,728**	1,137	4,533
Duncan Tatton-Brown	288	42	400	3,858	**7,670**	1,098	4,486
Mark Richardson	289	41	400	3,855	**7,721**	1,098	4,538
Neill Abrams	289	41	352	3,424	**6,940**	932	4,194
Luke Jensen	288	42	400	3,858	**2,181**	–	497

1. Unrestricted shares are those which have been held beyond the three-year forfeiture period.
2. The value of the share awards made under the SIP is based on the middle market quotation of a share on the trading day immediately preceding the date of grant.

Directors' Remuneration Report

Granted: The Directors continued their SIP participation during the period. The SIP scheme is made available to all employees. The SIP allows for the grant of a number of different forms of awards. An award of Free Shares was made to the Executive Directors in September 2018 under the terms of the SIP and the Directors' Remuneration Policy. "Free shares" of up to £3,600 of ordinary shares may be allocated to any employee in any year. Free Shares are allocated to employees equally on the basis of salary, as permitted by the relevant legislation.

An award of Matching Shares was made to those Executive Directors who purchased Partnership Shares (using deductions taken from their gross basic pay) under the terms of the SIP and in accordance with the Directors' Remuneration Policy. For more details about the SIP, please see page 118.

The Executive Directors continued their membership in the SIP after the end of the period and were therefore awarded further Matching Shares pursuant to the SIP rules. Between the end of the period and 21 January 2019, being the last practicable date prior to the publication of this Annual Report, the Executive Directors acquired or were awarded further shares under the SIP as set out in the table below:

Director	Partnership Shares Acquired	Matching Shares Awarded	Free Shares Award	Total Face Value of Free Shares and Matching Shares (£)	**Total SIP Shares Held at 21/01/19**
Tim Steiner	35	5	–	43	**7,768**
Duncan Tatton-Brown	35	5	–	43	**7,710**
Mark Richardson	35	5	–	42	**7,761**
Neill Abrams	35	5	–	42	**6,980**
Luke Jensen	36	5	–	43	**2,222**

1. The value of the share awards made under the SIP is based on the middle market quotation of a share on the trading day immediately preceding the date of grant.

Vested: For details of Free Shares and Matching Shares that became unrestricted in the period, see page 101.

Sold: No shares held under the SIP have been sold by an Executive Director.

Lapsed: No shares held by an Executive Director under the SIP lapsed during the period.

Sharesave Scheme (Audited)

At the end of the period, the Executive Directors' option interests in the Sharesave scheme were as follows:

Director	Type of Interest	Date of Grant	Number of Share Options	Exercise Price (£)	Face Value (£)	Exercise Period
Tim Steiner	Options	05/08/16	7,894	2.28	17,998	01/12/19 – 01/05/20
Duncan Tatton-Brown	Options	05/08/16	7,894	2.28	17,998	01/12/19 – 01/05/20
Mark Richardson	Options	05/08/16	7,894	2.28	17,998	01/12/19 – 01/05/20
Neill Abrams	Options	05/08/16	7,894	2.28	17,998	01/12/19 – 01/05/20

Granted: No awards under the Sharesave were granted during the period.

Vested: No awards under the Sharesave in which the Executive Directors had Sharesave options vested during the year.

Exercised: No awards under the Sharesave were exercised or sold by the Executive Directors during the period.

Dilution

Dilution Limits

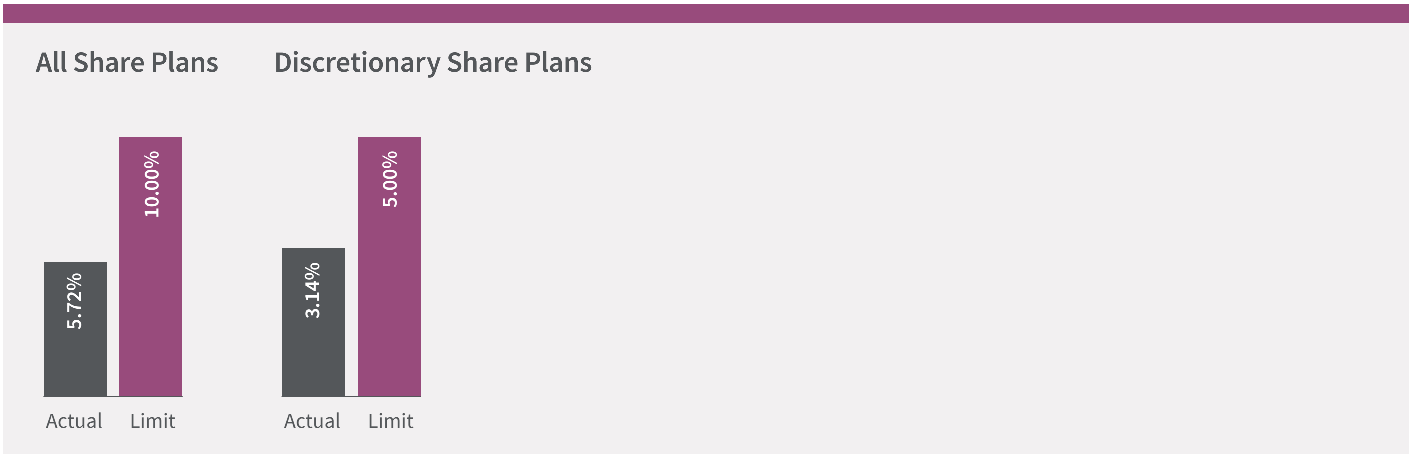
Awards granted under the Company's Sharesave, ESOS, 2014 ESOS and SIP schemes are met by the issue of new shares when the options are exercised or shares granted. Awards granted under the GIP may be met by the issue of new shares, the transfer of shares from treasury, or the purchase or transfer of existing shares by the EBT (where available). Awards vesting under the LTIP are typically satisfied by the issue of new shares and transfer of existing shares by the EBT.

There are limits on the number of shares that may be allocated under the Company's share plans. These dilution limits were recommended by the Remuneration Committee and incorporated into the rules of the various share schemes, which have been approved by the Company's shareholders.

The dilution limits restrict the commitment to issue new ordinary shares or reissue treasury shares under all share schemes of the Group to 10% of the nominal amount of the Company's issued share capital and under the LTIP and the GIP (and any other selective share scheme) to 5% of the nominal amount of the issued share capital of the Company in any rolling ten-year period. These limits are consistent with the guidelines of institutional shareholders.

Impact on Dilution

The Company monitors the number of shares issued under these schemes and their impact on dilution. The charts below show the Company's commitment, as at the last practicable date prior to the publication date of this Annual Report being 21 January 2019, to issue new shares in respect of its share schemes assuming all performance conditions are met, all award holders remain in employment to the vesting date and all awards are settled in newly issued shares. For these purposes, no account is taken of ordinary shares allocated prior to the Company's Admission.



Directors’ Remuneration Report

Annual Report on Remuneration — Implementation of Policy for 2019

Introduction

This part of the Directors’ Remuneration Report sets out the implementation of the Directors’ Remuneration Policy for 2019.

Summary of Changes for Executive Directors

This table briefly summarises the proposals for the Directors’ remuneration arrangements for 2019 when compared to the arrangements for the previous period, subject to shareholder approval.

Base Salary and Benefits	Pension	AIP	Long-term Incentives	All-employee Schemes
Base salary will be subject to annual review.	Reduction in maximum pension contribution from 30% of salary to 8% of salary, to bring this fully in line with the level currently offered to all employees and Executive Directors.	Simplification via replacement of LTIP and AIP with a single new AIP, leading to reduction in total annual variable remuneration opportunity. Mandatory deferral of at least 50% of any bonus earned.	No future LTIP awards to be made. A new VCP, subject to shareholder approval, to replace the GIP, which gives Executive Directors the opportunity to share in 2.75% of the total value created for shareholders above a Threshold TSR.	Ongoing participation in the SIP and Sharesave.

Base Salary and Benefits

The Remuneration Committee expects to finalise its annual review of the Executive Directors’ base salaries later in 2019, in line with the timing of pay reviews for all of the Group’s employees.

The benefits in kind offered to the Executive Directors are expected to remain unchanged.

Pensions

Pension contributions for Executive Directors will continue to be 8% of salary in 2019.

2019 AIP

The 2019 AIP will operate in line with the 2019 Policy, subject to shareholder approval.

The AIP potential is 275% of salary for the Chief Executive Officer, 215% of salary for the Chief Financial Officer, Chief Operating Officer, Chief Executive Officer of Solutions, and 190% of salary for the General Counsel and Company Secretary. Any payout is subject to mandatory deferral of at least half of any AIP award into shares. The maximum amount of AIP award that can be paid in cash is 100% of salary. Shares vest after three years but are subject to a further two-year holding period, during which they cannot be sold.

There will be four measures in the 2019 AIP, with the weighting for each element as detailed below:

- Retail revenue[A] (20%): a measure concerning the reported revenue for the Retail segment of the Group.
- Retail profitability (20%): a measure concerning the reported EBITDA[A] for the Retail segment of the Group.
- Solutions commitments (40%): a measure concerning the number of new commitments from Solutions partners for the Solutions offer, weighted according to a pre-determined scale linked to the size of the commitment.
- Operational and strategic objectives (20%): as agreed between the Executive Director and the CEO or the Chairman and reviewed by the Remuneration Committee, which will be in relation to, for example, growth in client bases, platform costs, capacity and productivity targets, and technology developments.

The Remuneration Committee has agreed “threshold” and “maximum” conditions that must be achieved. A bonus is not payable unless a “threshold” level of the performance condition has been achieved. At “threshold” performance for a financial performance measure, 5% of total bonus is payable and at “maximum” performance, 20% of total bonus is payable (except for the Solutions commitments target, which is 10% and 40%, respectively). A straight-line sliding scale will apply in relation to the intermediate points between the “threshold” and “maximum”. Each target is discrete and can be earned separately.

The actual performance targets are not disclosed due to their commercial sensitivity on the basis that if disclosed it would likely damage the Company’s commercial interests. The Company expects to disclose achievement against the targets after the end of the performance period.

[A] See Alternative Performance Measures on pages 229 and 230

Value Creation Plan

The new VCP will operate in line with the 2019 Policy, subject to shareholder approval.

The award has no value on grant but gives the Executive Directors the opportunity to share in a proportion of the total value created for shareholders above a hurdle ("Threshold Total Shareholder Return") at the end of each year ("Measurement Date") over a five-year VCP period. At each Measurement Date, 2.75% of the value created above the hurdle will be "banked" in the form of share awards which will be released in line with the vesting schedule. The 2.75% will be allocated as follows:

- Chief Executive Officer: 1% of share capital,
- Other Executive Directors: 0.25% each of share capital; and
- 0.75% of share capital in total unallocated for potential future participants.

The initial price for the VCP will be the average share price over the 30-day period prior to the Annual General Meeting (the "Initial Price"). The Executive Directors will receive the right at the end of each year of the performance period to the share awards with a value representing the level of the Company's total shareholder return ("Measurement Total Shareholder Return") above the Threshold Total Shareholder Return at the relevant Measurement Date. The share price used at the Measurement Date will be the 30-day average following the announcement of the Company's results for the relevant financial year plus the value of any dividends in respect of that year.

The Threshold Total Shareholder Return or hurdle which has to be exceeded before share awards can be earned by the Executive Directors is the higher of:

- The highest previous Measurement Total Shareholder Return; and
- The Initial Price compounded by 10% p.a.

If the value created at the end of a given year does not exceed the Threshold Total Shareholder Return, nothing will accrue in that year under the VCP.

The vesting schedule provides that 50% of the cumulative number of share awards will vest following the third Measurement Date, 50% of the cumulative balance following the fourth Measurement Date, with 100% of the cumulative number of share awards vesting following the fifth Measurement Date. At each vesting date, vesting of awards is subject to:

i. A minimum Total Shareholder Return underpin of 10% Compound Annual Growth Rate being maintained:
   - Where the Total Shareholder Return underpin has been achieved at the third Measurement Date, 50% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point but they will not lapse;
   - Where the Total Shareholder Return underpin has been achieved at the fourth Measurement Date, 50% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point but they will not lapse; and
   - Where the Total Shareholder Return underpin has been achieved at the fifth Measurement Date, 100% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point and the remaining cumulative balance will lapse;

ii. Any shares vesting cannot be sold prior to the fifth anniversary of the date of the implementation of the VCP; and

iii. An annual cap on vesting of £20 million for the Chief Executive Officer and a proportionate limit for other Executive Directors. In the event that in any year vesting as described above would exceed the annual cap, any share awards above the cap will be rolled forward and allowed to vest in subsequent years provided the cap is not exceeded in those years, until the VCP is fully paid out or after five years after the fifth Measurement Date when any unvested share awards will automatically vest. Rolled forward share awards will not be subject to further underpins, performance conditions or service conditions.

In addition, the Remuneration Committee will adjust VCP vesting levels if it believes they are not reflective of underlying business or personal performance or any other factors it considers appropriate. As part of this, the Remuneration Committee will consider the operational and strategic performance under the AIP as part of its consideration each year when calculating the VCP banked share awards and on vesting.

The table below shows indicative figures of the value delivered to shareholders and the Executive Directors under the VCP, for three different Total Shareholder Return performance scenarios.

	Scenario 1: 10% p.a. growth	**Scenario 2: 12% p.a. growth**	**Scenario 3: 15% p.a. growth**
End share price (after five years)	£13.69	£14.98	£17.00
Additional value created for shareholders over the five years	£3,624m	£4,525m	£5,935m
Chief Executive Officer payout	Nil	£26m	£55m
Other Executive Director payouts (each)	Nil	£6m	£14m

1. These figures are based on an Inital Price of £8.50 and linear growth.

Directors' Remuneration Report

By using linear growth, the maximum likely value that could be received by the Executive Directors is modelled to ensure shareholders are given a clear indication of the total that could be earned. If share price growth is not linear the actual level of benefits to the Executive Directors are likely to be less.

The Executive Directors in the VCP may choose to purchase linked jointly owned equity ("JOE") awards. Under a JOE award the Executive Directors acquire shares jointly with the Employee Benefit Trust (the "EBT") trustee where the Executive Directors have an interest in the growth in value of the jointly-owned shares above a hurdle price. The Executive Directors may only realise value from the JOE award at the same time and to the same extent as from a linked nil-cost option, and any value the Executive Directors receive from the JOE award will be offset against the value that the Executive Directors may receive under the linked nil-cost option. Therefore acquisition of a JOE award does not increase the gross value that the Executive Directors may obtain under the VCP, nor does it allow the Executive Directors to obtain this any earlier. JOE awards are forfeitable in certain circumstances, in particular, where no value will be delivered to the Executive Directors under the VCP.

SIP

The Executive Directors are expected to continue their participation in the SIP scheme in 2019.

Sharesave

The Executive Directors will be invited to participate in the next offer of Sharesave, expected to be made in 2019.

Changes for Non-Executive Directors and Chairman

The review of remuneration of the Non-Executive Directors and the Chairman will be finalised in line with the timing of pay reviews for all of the Group's employees.

The Remuneration Committee reviewed the Chairman remuneration arrangements and have proposed some changes. Upon appointment as Chairman, Lord Rose received a one-off award of 452,284 shares (the "Matching Shares"), which was approved by shareholders at the 2013 annual general meeting. Prior to joining the Board, the Chairman had purchased 750,000 shares on his own account (the "Acquired Shares"). The Matching Shares vested in May 2016.

The terms of the award prevent the Chairman from disposing of the Acquired Shares whilst he remains a director of the Company and prevent the Chairman from disposing of the Matching Shares until the first anniversary of his ceasing to be a director of the Company. The proposal is to seek shareholder approval to amend the terms of this arrangement to release the Chairman from the disposal restriction in relation to the Acquired Shares.

The Matching Shares vested in May 2016. At this point in line with normal market practice, the restrictions on the sale of the Acquired Shares would usually be expected to fall away. However under the terms of the award, the removal of the sale restrictions on the Acquired Shares purchased by Lord Rose requires shareholder approval. The Remuneration Committee believes that since the Matching Shares would remain subject to an ongoing restriction that prevents sale of these shares, these arrangements alone provide sufficient alignment of interests between the Company and its shareholders and Lord Rose.

Shareholder Approval and Votes at AGM

The 2018 Directors' Remuneration Report will be subject to a shareholder vote at the AGM. Entitlement of a Director to remuneration is not made conditional on this resolution being passed.

The Remuneration Committee Chairman is committed to ongoing shareholder dialogue on Directors' remuneration and takes an active interest in voting outcomes. In the event of a substantial vote against a resolution in relation to the Directors' Remuneration Report, the 2019 Directors' Remuneration Policy or a new share scheme, the Company would seek to understand the reasons for any such vote and would detail in the announcement of the results of voting any actions it intends to take to understand the reasons behind the vote result and also note this in the next annual report. The Remuneration Committee considers that a vote against that exceeds 20% should be considered significant and requires explanation.

The table below sets out the actual voting in respect of resolutions regarding remuneration at the three previous annual general meetings.

Resolution Text	Votes For	% For	Votes Against	% Against	Total Votes	Votes Withheld
2018 AGM						
Approve the 2018 Directors' Remuneration Report	439,218,285	83.535	86,597,696	16.475	525,815,981	94,803
2017 AGM						
Approve the 2017 Directors' Remuneration Policy	416,068,306	93.75	27,747,647	6.25	448,607,479	4,791,526
Approve the 2016 Directors' Remuneration Report	413,472,812	93.16	30,342,020	6.84	448,607,479	4,792,647
2016 AGM						
Approve the 2015 Directors' Remuneration Report	314,587,371	91.48	29,304,819	8.52	345,048,769	1,156,579

Remuneration Policy Report

Introduction

Ocado is seeking shareholder approval for a new Directors' Remuneration Policy (the "2019 Policy") at the 2019 AGM. If approved, it will apply to payments made from this date. The 2019 Policy is intended to apply for a period of three years from the AGM.

The Directors' Remuneration Policy was approved by shareholders at the 2017 annual general meeting. The current Directors' Remuneration Policy includes three variable remuneration plans: the Annual Incentive Plan, Long Term Incentive Plan and Growth Incentive Plan. The Company is seeking to reduce the number of plans to two by consolidating the current AIP and LTIP into a single incentive plan based on a new AIP and introducing a Value Creation Plan.

The Remuneration Committee has taken on board the feedback received from shareholders both in previous years on matters related to remuneration and governance, and also in respect of the extensive shareholder consultation carried out in advance of putting this 2019 Policy to shareholders for approval.

Our remuneration principles, which we also aim to cascade throughout the business, underpin our remuneration policy. These principles are that our remuneration should:

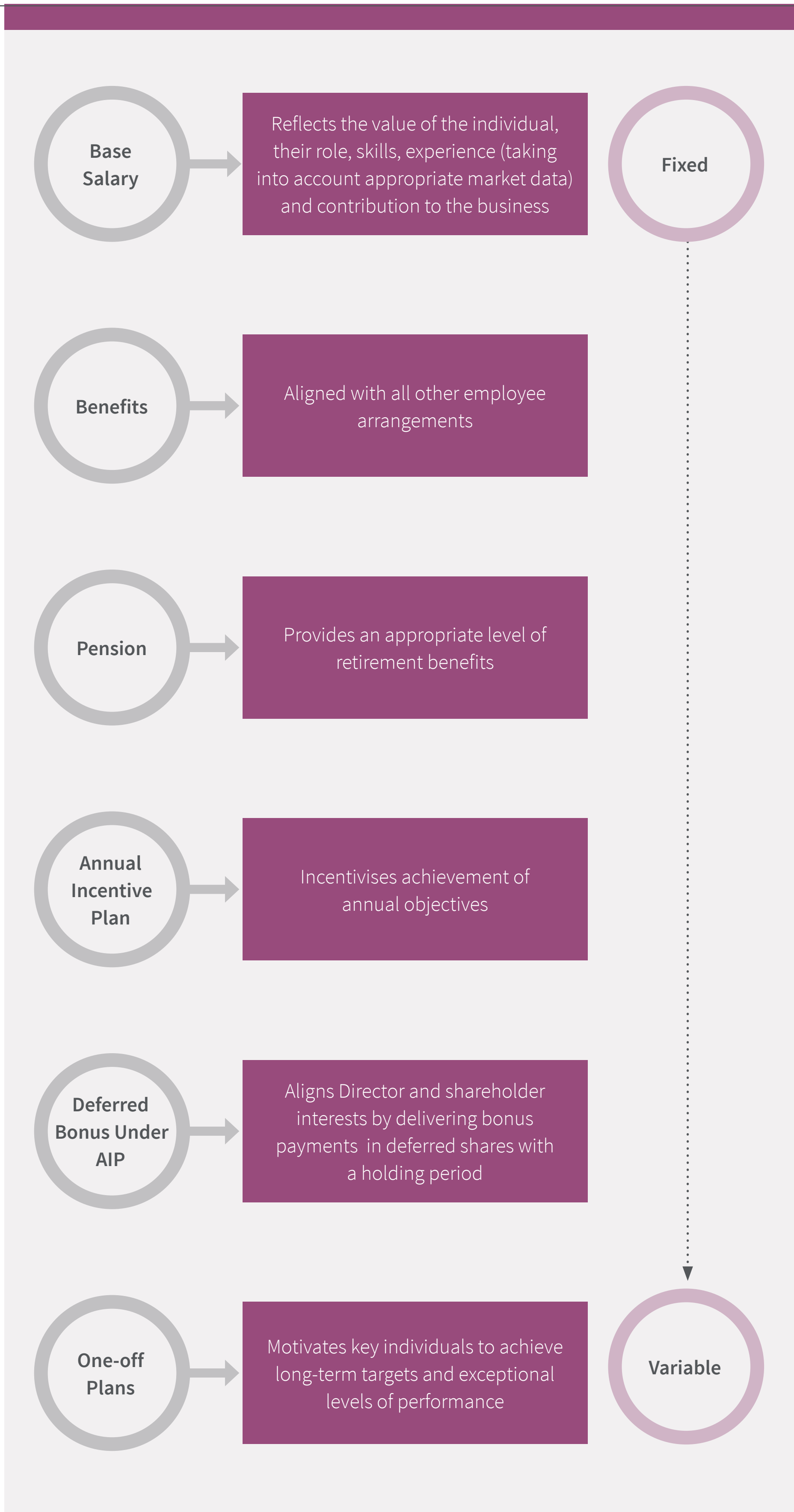
- Support long-term success of the business and sustainable long-term shareholder value.
- Be relevant and aligned to the business strategy and achievement of planned business goals.
- Reflect and support the entrepreneurial and high performance culture of the business.
- Be compatible with the Group's risk policies and systems.
- Link above-market payouts only to outstanding results.
- Ensure that performance-related pay constitutes a proportion of the overall package appropriate to each level of the organisation.
- Provide a balance between attracting, retaining and motivating the right calibre of candidates and supporting equal opportunity and diversity of talent.
- Be clear and explainable to appropriate stakeholders.

Directors’ Remuneration Report

Link with Strategy

The key objective to be achieved through the 2019 Policy is to support the Group’s main strategic objectives of expansion and high growth. The incentive schemes contain specific performance measures designed to support the objectives of accelerating retail business performance in the short and medium-term (for example, EBITDA Ⓐ and Gross Sales Ⓐ (Retail) targets) and the objectives of creating long-term success and sustainable long-term shareholder value (for example, key strategic targets concerning the delivery of new Solutions partnerships).

The 2019 Policy, outlined on the following pages, provides the detailed structure of each element of remuneration and how each element is determined. The remuneration package of the Executive Directors is made up of elements of fixed and variable remuneration. The Remuneration Committee is mindful of the weighting of fixed and variable pay and balance of short- and long-term awards, and sought to position a larger proportion of the remuneration package as equity-based and performance-related in order to support the Company’s strategic objectives of high growth and expansion and to create shareholder alignment. The balance of the remuneration of the Executive Directors is set out at “Illustration of 2019 Policy” on pages 128 and 129. The deferral and holding periods and the minimum shareholding requirements all help ensure a longer term focus for the business from the Executive Directors.



Remuneration Committee Discretion and Judgement

In formulating the 2019 Directors' Remuneration Policy, the Remuneration Committee sought to allow it sufficient operational flexibility over Director remuneration for three years. While the 2019 Policy provides the boundaries for remuneration arrangements, it is intended to provide some isolated discretion for the Remuneration Committee to use in various circumstances relating to particular components of remuneration. The 2019 Policy does not provide for the exercise of discretion over any aspect of the policy. The Remuneration Committee may not use any discretion outside the Policy without separate shareholder approval.

The Remuneration Committee operates the share schemes according to their respective rules and in accordance with the Listing Rules and other rules and regulations, where relevant. The Remuneration Committee retains discretion, in a number of regards, to the operation and administration of these plans. The discretions include, but are not limited to, those set out in the table below.

Area of Discretion	AIP	LTIP	GIP	VCP
The participants	Y	Y	Y	Y
The timing of grant of an award or payment	Y	Y	Y	Y
The size of an award (up to a predetermined maximum)	Y	Y	Y	Y
The determination of vesting, holding periods or payment	Y	Y	Y	Y
Discretion required when dealing with a change of control or restructuring of the Group including whether awards should be time pro-rated	Y	Y	Y	Y
Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen including whether awards should be time pro-rated	Y	Y	Y	Y
Adjustments to terms of awards required in certain corporate circumstances (for example, rights issues, corporate restructuring events and dividends)	Y	Y	Y	Y
Adjust or change the performance conditions if anything happens which causes the Remuneration Committee reasonably to consider it appropriate (for example, Board approved strategic initiative or transaction) provided that any changed performance condition will be equally difficult to satisfy as the original condition would have been had such circumstances not arisen	Y	Y	Y	N
The annual review of performance measures and weighting, and targets from year to year	Y	Y	N	N
Adjustment to level of payments or formulaic scheme outcomes, both upwards and downwards, including to ensure the scheme outcomes reflect individual or Company performance over the performance period, or to take account of unforeseen circumstances outside the Company's control	Y	Y	N	Y
Application of malus and clawback	Y	Y	Y	Y

The use of discretion in relation to the Company's ESOS or 2014 ESOS, Sharesave and Share Incentive Plan will be as permitted under HMRC rules and the other relevant rules and regulations. Any use of the above discretions would, where relevant, be explained in the Directors' Remuneration Report and may, as appropriate, be the subject of consultation with the Company's major shareholders. The Remuneration Committee may also apply judgement or a qualitative assessment, for example in assessing achievement against role-specific objectives under the AIP.

Directors' Remuneration Report

Development of the 2019 Directors' Remuneration Policy

Shareholder Consultation and Views Obtained

In preparing the 2019 Policy, the Company carried out an extensive shareholder consultation exercise with our largest shareholders and representative bodies to seek feedback on the main changes proposed.

The Remuneration Committee was pleased with the support most of our largest shareholders gave to our original proposals, in particular the recognition of the challenges the Remuneration Committee faces in setting Director remuneration at Ocado, and the understanding of our rationale for the main changes proposed. In finalising our proposals, shareholder feedback received to date was carefully considered, in particular the feedback on the proposed one-off VCP.

The Company's 20 largest shareholders were contacted, representing over 80% of our issued share capital at the time of consultation as well as Glass Lewis, The Investment Association and ISS, to consult on proposed changes to our policy. We carefully considered all feedback, and made some changes to the proposals in response. The following table sets out full details of the Remuneration Committee's rationale for the proposed changes to the current policy, shareholder feedback during the consultation and the final position reached.

Key proposed change	Rationale, shareholder feedback and Committee response
Simplification of the current remuneration through the replacement of the LTIP and AIP with a single new AIP	The Remuneration Committee recognises that short-term incentives (albeit with a large portion of deferral) have a greater perceived value to participants as the performance period is shorter meaning there is greater certainty of value sooner compared to the LTIP. For this reason, the proposed annual opportunity has been reduced, with the calculation set out below:

Executive Director	Current AIP (% of salary)	Current LTIP (% of salary)	75% of LTIP (% of salary)	Proposed AIP (% of salary)
CEO	125%	200%	150%	275%
CFO, COO, CEO of Ocado Solutions	100%	150%	112.5%	215%
General Counsel	100%	120%	90%	190%

1. Proposed AIP is equal to the current AIP level plus 75% of the LTIP. Rounded for the CFO, COO and CEO of Ocado Solutions.

The Remuneration Committee believes that the best remuneration vehicle to operate alongside the VCP is a new AIP to replace the current AIP and LTIP for the following reasons:

a. The issues associated with choosing meaningful three-year strategically-aligned performance measures have led some stakeholders to comment that the LTIP is not satisfactory. The commercial sensitivity of long-term targets under the LTIP has prevented the Remuneration Committee from full disclosure about remuneration arrangements to date;

b. Meaningful and robust one-year annual performance targets can be set under the AIP and can usually be disclosed retrospectively in line with best practice;

c. Deferred AIP shares vest after three years and are subject to a further two-year holding period. This is in line with the 2018 Code which states that shares should be subject to a five-year vesting/holding period in order to align management's interests with those of shareholders; and

d. Management will remain incentivised to meet financial and operational targets with the prospect of being remunerated in both cash and deferred shares.

Shareholders supported the simplification of the remuneration structure and commitment to transparency in targets and performance against them. Some commented positively on the operational nature of the AIP measures proposed for 2019. For more details see page 115.

Key proposed change	Rationale, shareholder feedback and Committee response
Introduction of a new one-off VCP	The VCP looks to address a number of challenges the Remuneration Committee faces in setting Director remuneration in Ocado. The single total shareholder return performance measure of the VCP enables the Remuneration Committee to be fully transparent about targets and performance against them and there is no requirement to adjust the parameters of the VCP once set if the Group strategy implementation shifts. The plan incentivises significant and sustained growth over both the full performance period and each year of the period, and directly supports the Board's view that the key output of the effective implementation of the Company's strategy is substantial and sustained total shareholder return. There is a direct alignment between shareholders' and management's interests, with the benefit received by management being proportionate to the return received by shareholders. There is a substantial risk that where performance has been good but not exceptional the Executive Directors will not benefit, but this is balanced by the potential for a higher level of reward when stretching levels of return are achieved. The cap on annual vesting, where the excess is rolled forward and eligible to vest in future years, provides an ongoing locked-in shareholding, which is aligned with shareholders' interests. During the consultation, many shareholders agreed that the VCP was the appropriate incentive plan for the Company, due to the Company's ambitious management team and the strategic rationale presented. The long-term nature of the plan, direct shareholder alignment, and annual cap on vesting were features particularly supported by shareholders. In response to shareholder concerns, the Remuneration Committee reduced the proposed potential quantum delivered under the VCP, and, in addition, increased the hurdle rate to ensure the plan delivered value to the Executive Directors only in the case of the achievement of exceptional growth.
Additional holding periods	Vested shares become unrestricted no earlier than five years from the start of the relevant AIP award and the VCP. This ensures alignment with the 2018 Code, and further increases the alignment of Director interests with those of the shareholders. This change was supported by shareholders.
Increase to the minimum shareholding requirement	Increasing the shareholding requirement for the Executive Directors will further link their interests with that of shareholders. This change was supported by shareholders.
Introduction of a post-cessation shareholding requirement	Introducing a post-cessation shareholding requirement for the Executive Directors ensures that they consider effective succession planning and provides an ongoing exposure to the impact of decisions made during their employment through the Company share price post-cessation. This is also in line with the 2018 Code requirements. This was supported by shareholders.
Reduction in maximum Executive Director pension contribution	Although the Executive Directors' pension contributions are currently 8%, the change to the 2019 Policy means that pension contributions for any new appointments to the Board will not exceed 8%, thereby ensuring greater fairness across the Company. This is also in line with the 2018 Code requirements. This was supported by shareholders.

Statement of Consideration of Employment Conditions Elsewhere in the Company

The 2019 Policy is designed in line with the remuneration principles outlined on page 107. A key remuneration principle for the Group is that share awards be used to recognise and reward good performance and attract and retain employees.

The Remuneration Committee receives an annual report from management on Group-wide remuneration. This review covers changes to pay, benefits, pension and share schemes for all employees in the Group, including the percentage increases in base pay for monthly and hourly paid employees. When making decisions on Executive Remuneration, the Remuneration Committee did not consult with employees when drawing up the 2019 Policy, but referenced a number of factors related to the wider workforce, including the all-employee remuneration report and potential cascade of remuneration framework changes.

The remuneration arrangements for employees below Board level reflect the seniority of the role. The components and levels of remuneration for different employees differ from the remuneration framework for the Executive Directors. The Group operates some tailored bonus and long-term incentive arrangements for certain groups of employees, but has not adopted a universal approach to these elements of remuneration for all employees.

Directors' Remuneration Report

Alignment of proposed 2019 Policy with the requirements under the UK Corporate Governance Code 2018

Under the headings prescribed by the UK Corporate Governance Code 2018, the rationale for the main changes to the 2019 Policy are:

Clarity

2018 Code provision: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce

- The complexity of setting three-year performance targets under the current LTIP along with the commercial sensitivity of much of Ocado's long-term strategic plans meant that the targets and performance against them were not sufficiently clear to shareholders.
- The single total shareholder return performance measure of the VCP enables the Remuneration Committee to be fully transparent about targets and performance against them.
- Under the AIP, it is easier to set meaningful and robust one-year annual performance targets, which can be fully disclosed retrospectively.

Simplicity

2018 Code provision: remuneration structures should avoid complexity and their rationale and operation should be easy to understand

- Simple payment mechanism – under the VCP, the Executive Directors receive 2.75% of the value above the hurdle calculated on an annual basis with the shares received at the end of three, four and five years from the start of the VCP period.
- Simple performance condition – the VCP rewards absolute returns to shareholders.
- Simplified package – number of plans in operation reduced from three to two with the removal of the LTIP.

Risk

2018 Code provision: remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated

- The combination of reward for short-term strategic decisions (paid part in cash and part in deferred shares) and long-term, sustainable shareholder returns ensures the Company's Executive Director incentives together drive the right behaviours for the Company and shareholders.
- The caps within the VCP mitigate against excessive reward. There is a cap on the total number of share awards which may vest under the VCP of 2.75% of the issued share capital. The cap on annual vesting (£20 million for the Chief Executive Officer and a proportionate limit for other Executive Directors), where the excess is rolled forward and eligible to vest in future years, means the more successful the growth of the Company, the longer the term of the VCP, leading to substantial long-term shareholder alignment.
- There is an ability to override formulaic outcomes produced by the performance conditions where in the Remuneration Committee's opinion they do not reflect the true performance of the business over the period, individual performance or where the outcome will not deliver the policy intentions.
- In addition, malus and clawback provisions are contained in both plans.

Predictability

2018 Code provision: the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy

- Payouts under the VCP are presented based on three different share price growth assumptions on page 105. The award limits and operation of a cap on annual vesting ensure the potential payouts under the VCP are limited both annually and, in terms of number of awards, over the entire life of the VCP.

Proportionality

2018 Code provision: the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance

- Under the VCP, there is a clear and direct link between Company performance and individual rewards. The Executive Directors receive 2.75% of the value created above the threshold hurdle, and nothing if the threshold growth rate is not achieved.
- The underpin in the VCP operates such that share awards will only vest if Total Shareholder Return is 10% Compound Annual Growth Rate or more and if not achieved at the final vesting date, any unvested share awards will lapse – so there can be no payout for poor performance.

Alignment to Culture

2018 Code provision: incentive schemes should drive behaviours consistent with company purpose, values and strategy

- The Remuneration Committee is satisfied that the VCP incentivises and retains the highly entrepreneurial Chief Executive Officers and Executive Directors in Ocado.
- Strategic implementation within Ocado is not linear, with priorities shifting and developing often in the short-term and the Remuneration Committee has worked hard to formulate a Policy and incentive plans that drive exceptional, sustainable growth while also rewarding appropriate short-term strategic decisions.

2019 Directors' Remuneration Policy Table: Elements of Executive Director Remuneration

The following table sets out the key elements of remuneration for the Executive Directors.

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Fixed Pay				
Base pay To attract and retain the right calibre of senior executive required to support the long-term interests of the business.	Paid monthly in cash. Reviewed annually or when there is a change in position or responsibility by the Remuneration Committee, with any changes normally becoming effective in April each year (or may be reviewed ad hoc where there is a significant change of responsibilities). The review takes into account a number of factors including: • The Group's annual review process; • Business performance; • Total remuneration; • Appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company; and • An individual's contribution to the Group.	Not performance linked.	To avoid setting the expectations of Executive Directors and other employees, no maximum salary is set under the policy. Normally, maximum salary increases for Executive Directors will be within the normal percentage range and guidelines that are applied to the UK-based monthly paid employees of the Company in that year. Where appropriate and necessary, larger increases may be awarded in exceptional circumstances; for example, if a role has increased significantly in scope or complexity. Larger increases may also be considered appropriate and necessary to bring a recently appointed executive in line with the market and the other executives in the Company where their salary at appointment has been positioned below the market.	No contractual provisions for malus or clawback.

Changes from previous Policy
None.

Directors' Remuneration Report

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Benefits To attract and retain the right calibre of senior executive required to support the long-term interests of the business.	Any benefits allowances will be paid in cash monthly and will not form part of pensionable salary. The Company provides a range of benefits which are aligned with those provided to monthly paid employees under the Company's flexible benefits policy. Benefits include private medical insurance and health assessments, life assurance, travel insurance, income protection, travel/car allowance, free parking, access to financial and legal advice, staff product discount, subsidised staff restaurants and other discounts. Any business travel costs will be paid by the Company. Additional benefits or payments in lieu of benefits may also be provided in certain circumstances, if required for business needs. The Company provides Directors' and Officers' Liability Insurance and may provide an indemnity to the fullest extent permitted by the Companies Act.	Not performance linked.	Benefits for Executive Directors are set at a level which the Remuneration Committee considers to be appropriate against market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company. The maximum value of the Directors' and Officers' Liability Insurance and the Company's indemnity is the cost at the relevant time.	No contractual provisions for malus or clawback.
Changes from previous Policy None.				
Pension To attract and retain the right calibre of senior executive required to support the long-term interests of the business.	Contributions, allowances and pension choices for the Executive Directors are on the same terms as for other employees. Executive Directors can choose to participate in the defined contribution Group personal pension scheme or an occupational money purchase scheme. Where lifetime or annual pension allowances have been met, the balance of employer contributions may be paid as a cash allowance or into a personal pension arrangement.	Not performance linked.	Contributions to the defined contribution pension scheme for the Executive Directors will normally be in line with the other scheme participants. Pension contributions for UK based Executive Directors will not exceed 8% of annual base salary, in line with the other scheme participants. For Executive Directors outside the UK, provision for an executive pension will be set taking into account local market rates.	No contractual provisions for malus or clawback.
Changes from previous Policy • For the defined contribution pension scheme, reduction in maximum pension contribution from 30% of salary to up to 8% of salary, to bring this fully in line with the level currently offered to all employees and Executive Directors.				

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Variable Pay				
Annual Incentive Plan ("AIP") To provide a direct link between measurable and predictable annual Company and/or role specific performance and reward. To incentivise the achievement of outstanding results aligned to the business strategy. To support long-term shareholder alignment through deferral into shares and holding periods.	Measures and targets are set annually and bonus payments are determined by the Remuneration Committee following the year end based on performance against the targets. Up to 50% of any bonus earned will be paid in cash (up to a maximum of 100% of salary) and at least 50% will be deferred into shares. The main terms of the deferred shares are: • Minimum deferral period of three years from the date of grant; • Additional two-year post vesting holding period (or such other period as the Remuneration Committee may determine); • The Executive Director's continued employment to the end of the deferral period unless he/she is a "good leaver" (see page 125). The Remuneration Committee may award dividend equivalents on deferred shares to Executive Directors to the extent that they vest until the end of any relevant post-vesting holding period.	The Remuneration Committee sets annual targets that are closely aligned to the delivery of the Group's strategic objectives for that year. These will be a mix of financial targets and operational and strategic objectives. For threshold performance no more than 25% of the maximum opportunity will be earned. For stretch performance, the maximum opportunity will be earned. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. The Company will set out the nature of the targets and their weighting in the section headed Implementation of Policy for the upcoming year.	The maximum bonus is 275% of salary. The maximum bonus payable for the relevant financial year for each Executive Director is described in the Annual Report on Remuneration.	Malus and clawback provisions will apply to the AIP. Malus will apply to the cash payments up to the date of payment of a cash bonus. Malus will apply to the deferred share award for three years (or longer, if the Remuneration Committee determines) from the date of grant of a deferred award. Clawback will apply to cash payments for three years (or longer, if the Remuneration Committee determines) from the date of payment. Clawback will apply to the deferred share award for two years from the date of vesting. Read more on page 122.

Changes from previous Policy

- Simplification of package through replacement of the current LTIP and AIP with a single new AIP, leading to an overall reduction in total annual variable remuneration opportunity.
- Mandatory deferral of at least 50% of any bonus earned to further support shareholder alignment. Previously, deferral was only required if an Executive Director had yet to meet their shareholding requirement.
- Additional two-year post-vesting holding period applicable to deferred shares such that the overall time horizon until deferred shares are released is five years, further supporting shareholder alignment and the phasing of payments.
- Increase in maximum AIP opportunity from 200% of salary to 275% of salary. Overall reduction in total annual variable remuneration opportunity (excluding the one-off plans) given no further grants under the LTIP.

Directors' Remuneration Report

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
One-off plan: Value Creation Plan ("VCP") To attract, retain and incentivise senior executives. To align the interests of senior executives and shareholders, by incentivising senior executives to deliver substantial and sustained total shareholder return over the long term.	A one-off award that grants Executive Directors the opportunity to earn share awards over a five-year performance period with a vesting period of up to ten years. The award gives Executive Directors the opportunity to share in 2.75% of the total value created for shareholders above a hurdle measured on a date shortly after the end of each year ("Measurement Date") of the five-year performance period. Executive Directors may choose to receive their share awards by acquiring linked jointly owned equity awards at the time that they are invited to join the VCP. Fifty percent of the cumulative number of share awards will vest following the third and fourth Measurement Dates, with 100% of the cumulative number of the share awards vesting following the fifth Measurement Date. Additional holding periods apply such that vested shares become unrestricted no earlier than the end of the five year performance period. If the minimum return of 10% p.a. (the "underpin") has not been achieved at the third and fourth Measurement Dates, no share awards will vest at this point but they will not lapse. If the underpin has not been achieved at the fifth Measurement Date, no share awards will vest at this point and the remaining cumulative balance will lapse. The Remuneration Committee may vary the level of vesting of a share award, if it determines that the formulaic vesting level would not reflect business or personal performance or such other factors as it may consider appropriate.	The starting share price for the beginning of the VCP performance period will be the 30-day average prior to the date of approval of the VCP by shareholders. The share price used at each Measurement Date shall be the 30-day average following the announcement of the Company's results for the relevant financial year plus the value of any dividends payable in respect of that year.	The maximum number of share awards which may vest under the VCP is 2.75% of the issued share capital. For the Executive Directors, the following maximum limits apply: • CEO: 1% of issued share capital; and • Other current Executive Directors: 0.25% of issued share capital each. Awards are subject to an additional cap on the value on vesting of £20 million in any given year for the Chief Executive Officer and a proportionate limit for other Executive Directors (based on their level of participation). Any share awards worth in excess of this cap will be rolled forward and eligible to vest in subsequent years, so long as the cap is not breached in those years, until the VCP is fully paid out or five years after the fifth Measurement Date when any unvested share awards will automatically vest. Rolled forward share awards are not subject to the underpin. The cap on the value on vesting may lead to share awards vesting over a ten-year period for exceptional performance.	Malus and clawback provisions will apply to VCP awards. Malus will operate throughout the performance periods. The clawback period will be two years (or longer, if the Remuneration Committee determines) from the date of vesting. Read more on page 122.

Changes from previous Policy
- A new plan, operating alongside the AIP as the only other incentive plan.
- Combination of the VCP and AIP aims to ensure the package aligns to Ocado's purpose, values and strategy and supports strong shareholder alignment through a simplified and transparent remuneration package.

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Long-term Incentive Plan ("LTIP") No future awards will be granted to the Executive Directors under the LTIP (subject to shareholder approval of the VCP). To attract, retain and incentivise senior executives over the longer term. To align the interests of the senior executives and the shareholders.	An annual award over a fixed number of shares. Awards made in the form of nil-cost options or conditional share awards will ordinarily vest three years from the date of grant, subject to continued service and the achievement of performance conditions and other conditions. Awards made after 3 May 2017 are subject to an additional holding period of two years (or longer if the Remuneration Committee determines) from the third anniversary of the date of grant. LTIP awards are only acquired by an Executive Director once the total period of five years from the date of grant has elapsed. The holding period usually applies regardless of whether or not the Executive Director remains an employee of the Group. Dividend equivalents may be paid in cash or additional shares on LTIP awards that vest (and where relevant up to the end of any holding period).	The Remuneration Committee sets targets that are closely aligned to the delivery of the Group's strategic objectives for the performance period. These will be a mix of financial targets and individual objectives with the majority being financial. For threshold performance, no more than 25% of the maximum opportunity will vest. For stretch performance, the maximum opportunity will be earned. The measurement period for performance conditions will ordinarily comprise at least three financial years of the Company. The performance conditions for the relevant award are described in the Annual Report on Remuneration.	The intention is to allow legacy LTIP awards granted prior to 2019 to vest in line with the previous Policy. The maximum opportunity under the LTIP is 200%. No future awards will be granted to the Executive Directors under the LTIP.	Malus and clawback provisions will apply to LTIP awards. Malus will apply over the vesting and holding period. The clawback period will be two years (or longer, if the Remuneration Committee determines) from the end of the holding period or the date the awards are acquired. Read more on page 122.

Changes from previous Policy

- The Remuneration Committee will not make awards under the LTIP to participants in the VCP (subject to shareholder approval of the VCP).

Directors' Remuneration Report

All Employee Share Plans

The table below summarises the All Employee Share Plans operated by the Group, and which the Executive Directors are able to participate in.

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Sharesave To provide all employees, including Executive Directors, the opportunity to voluntarily invest in Company shares and be aligned with the interests of shareholders.	All employees, including Executive Directors, are eligible to participate in this all employee tax advantaged share scheme. The Company grants options over shares in the Company to employees. To obtain an option an eligible individual must agree to save a fixed monthly amount for three or five years up to the maximum monthly amount under HMRC limits. The amount saved will determine the number of shares over which the option is granted. Options may be exercised in a six-month period at the maturity of a three or five-year savings period, subject to continued service.	Not performance linked.	Options are usually granted at a discount to the market price at the time of grant up to the maximum discount under HMRC limits. Employees are limited to saving a maximum amount under HMRC limits.	The scheme rules do not provide for malus or clawback provisions.
Changes from previous Policy None.				
Share Incentive Plan ("SIP") To provide all employees, including Executive Directors, the opportunity to receive and invest in Company shares and be aligned with the interests of shareholders.	All employees are eligible to participate in this all employee share scheme. The SIP allows: • The Company to grant free shares to all employees allocated on an equal basis; • All employees to buy partnership shares monthly from their gross salary; and • The Company may offer matching shares to employees who purchase partnership shares. Dividend shares are also covered by the SIP arrangements.	Not performance linked.	Maximum opportunity for awards and purchases are kept in line with HMRC limits.	The scheme rules do not provide for malus or clawback provisions.
Changes from previous Policy None.				

Non-Executive Directors

The following table sets out the key elements of remuneration for the Non-Executive Directors.

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Chairman Fee To attract and retain an individual with the appropriate degree of expertise and experience.	The fee is paid monthly as a mix of cash and shares, as determined by the Remuneration Committee. Reviewed annually by the Remuneration Committee, with any changes normally becoming effective in April each year. The review takes into account a number of factors including: the Group's annual review process, business performance and appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company.	Not performance linked.	The maximum aggregate amount of basic fees payable to all Directors shall not exceed the £1 million limit set in the Company's Articles of Association. Normally, any increases will be within the normal percentage range and guidelines that are applied to the UK-based monthly paid employees of the Company in that year.	No contractual provisions for clawback or malus.
Non-Executive Director Fee To attract and retain expert people with the appropriate degree of expertise and experience.	The fee is paid monthly in cash. Fee structure includes an annual base fee for a Non-Executive Director and may include additional fees for being the Senior Independent Director, a Board committee chair or other additional responsibility. Reviewed annually by the Executive Directors and the Chairman, with any changes normally becoming effective in April each year. The review takes into account a number of factors including: the Group's annual review process, business performance and appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company.	Not performance linked.	The maximum aggregate amount of basic fees payable to all Directors shall not exceed the £1 million limit set in the Company's Articles of Association. Normally, any increases will be within the normal percentage range and guidelines that are applied to the UK-based monthly paid employees of the Company in that year.	No contractual provisions for clawback or malus.

Directors' Remuneration Report

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Travel and expenses To support the Directors in the fulfilment of their duties.	The Company may reimburse expenses and travel costs reasonably incurred by the Chairman and the Non-Executive Directors in fulfilment of the Company's business, together with any taxes thereon.	Not performance linked.	The maximum reimbursement is expenses reasonably incurred, together with any taxes thereon.	No contractual provisions for clawback or malus.
Other arrangements	The Chairman and the Non-Executive Directors are not usually eligible for annual bonus, share incentive schemes, pensions or other benefits with the exception of the staff product discount and free delivery offered to all employees. The Company provides the Chairman and the Non-Executive Directors with Directors' and Officers' Liability Insurance and may provide an indemnity to the fullest extent permitted by the Companies Act.	Not applicable.	The maximum staff product discount is that offered to any Group employees. The maximum value of the Directors' and Officers' Liability Insurance and the Company's indemnity is the cost at the relevant time.	Not applicable.

Purpose and Link to Strategy	How it Operates
Minimum Shareholding requirement To align Executive Directors and shareholders.	The Remuneration Committee has adopted formal shareholding requirements that will encourage Directors to build up over a five year period and then subsequently hold a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements for Executive Directors. This policy ensures that the interests of Directors and those of shareholders are closely aligned. The following table sets out the minimum shareholding requirements:

Role	Shareholding Requirement (% salary)
Group Chief Executive Officer	400%
Other current Executive Directors	300%
Other future Executive Directors	300%
Chairman	The Chairman is expected to hold shares equivalent to one year's annual fee. This holding can be built up over three years from appointment.
Non-Executive Directors	Non-Executive Directors are expected to hold shares equivalent to one year's annual fee. This holding can be built up over three years from appointment.

The Remuneration Committee retains the discretion to increase the shareholding requirements.

In addition, a post-cessation shareholding requirement will apply to Executive Directors who leave the Company. Leavers will have a requirement to hold 100% of their pre-cessation shareholding requirement for 12 months from leaving.

Changes from previous Policy

- Minimum shareholding requirements increased for all existing Executive Directors from 200% of salary, and post-cessation shareholding requirement introduced.
- Increased shareholding requirement for existing Executive Directors further supports shareholder alignment, encouraging sustainable share price growth. The higher requirement for existing Executives is fulfilled by the current shareholdings that Directors already hold.
- Introducing a post-cessation shareholding requirement for Executive Directors will ensure Executive Directors consider effective succession planning and provides an ongoing exposure to the impact of decisions made during their employment through the share price of Ocado post-cessation.

Notes to the Policy Tables

Other than as described in the Policy table, there are no components of the Executive Directors' remuneration that are not subject to performance conditions.

Under a jointly owned equity ("JOE") award the Executive Director acquires shares jointly with the trustee of the Company's Employee Benefit Trust, where the Executive Director has an interest in the growth in value of the jointly-owned shares above a hurdle price. The Executive Director may only realise value from the JOE award at the same times and to the same extent as from a linked share award, and any value the Executive Director receives from the JOE award will be offset against the value that the Executive Director may receive under the linked share award. No incremental remuneration arises from the operation of the JOE award.

While the Group has a policy of remunerating its employees through share scheme participation, it does not have formal remuneration arrangements for all employees akin to all of the components of Directors' remuneration.

The Company may make any remuneration payment or payment for loss of office (including exercising any discretion in connection with such payments) notwithstanding that they are not in line with the policy table set out above if the terms of that payment were agreed (i) before the Company's first shareholder-approved directors' remuneration policy came into effect; (ii) before the 2019 Policy came into effect provided that those terms were in line with the directors' remuneration policy in force at the time; or (iii) at a time when the individual was not a Director of the Company and the Remuneration Committee determines that they payment was not in consideration for the individual becoming a Director. For these purposes, payments include awards of variable remuneration and the terms of such a payment are "agreed" when the award is granted.

Directors' Remuneration Report

Malus and Clawback Provisions

The AIP, LTIP, GIP and VCP scheme rules contain malus and/or clawback provisions that allow the Remuneration Committee to reduce or retrieve a payment or an award.

Malus is the adjustment of the AIP payments, unvested AIP deferred shares, unvested LTIP awards, or unvested VCP awards because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil. Clawback is the recovery of cash payments made under the AIP or vested LTIP, deferred AIP and VCP awards as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of an Executive Director's payment under the AIP, LTIP or VCP award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The Remuneration Committee may apply malus/clawback when there are exceptional circumstances. Such exceptional circumstances include (without limitation):

- a material mis-statement in the published results of the Group or one of its members;
- an error in assessing any applicable performance condition or the number of shares subject to an award;
- misconduct on the part of the Executive Director concerned;
- where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the Executive Director has caused wholly or in part a material loss for the Group as a result of (i) reckless, negligent or wilful actions or omissions or (ii) inappropriate values or behaviour;
- where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the Executive Director has caused wholly or in part a corporate failure of the Company;
- a Group member being censured by a regulatory body; and
- events or behaviour on the part of the Executive Director leading to significant reputational damage to the Group.

The first four of the above triggers are applicable to the LTIP and GIP, and all seven triggers are applicable to the AIP and the VCP. The following table summarises the application of malus and clawback in respect of the incentive plans.

	Annual Incentive Plan (cash)	Annual Incentive Plan (deferred shares)	LTIP	VCP	GIP
Malus	Up to the date of payment of a cash bonus.	Three years from the grant of a deferred award.	Over the vesting period.	Over the vesting period.	Over the vesting period.
Clawback	Three years from the date of payment of a bonus.	Two years following the vesting of an award.	Two years following the vesting of an award.	Two years following the vesting of any share awards.	Two years from the end of the vesting period.

Loss of Service or Termination Policy

When considering compensation for loss of office, the Remuneration Committee will always seek to minimise the cost to the Company while applying the following philosophy:

Remuneration element	Treatment on Cessation of Employment
General	Each of the Executive Directors is employed pursuant to a service contract with Ocado Central Services Limited. An Executive Directors' employment may be terminated by the Company giving to the Executive Director not less than 12 months' notice or by the Executive Director giving to the Company not less than six months' notice. If an Executive Director's service contract is terminated without cause, Ocado Central Services Limited can request that the Executive Director work their notice period, take a period of garden leave or pay an amount in lieu of notice equal to one times their basic salary, benefits and pension for the remainder of their notice period. The Company's remuneration principles provide that any payments should be reduced in certain circumstances where the Executive Director's loss has been mitigated, for example, where he moves to other employment. If employment is terminated by the Company, the Remuneration Committee retains a discretion to settle any other amounts reasonably payable to the Executive Director including but not limited to: • Legal fees incurred by the Executive Director in connection with the termination of employment and obtaining independent legal advice on a settlement or compromise agreement; and • Outplacement and relocation costs for returning the departing Executive Director and his family. Other than described above, there are no relevant contractual provisions that are, or are proposed to be, contained in any Executive Director service contract that could give rise to remuneration payments or payments for loss of office, but which are not disclosed elsewhere in the 2019 Directors' Remuneration Policy. The Remuneration Committee generally has discretion to determine the treatment of a leaver, but will be conscious of the remuneration principle that it should not reward poor performance or behaviour. In addition to the discretion listed below, in each case the Remuneration Committee has the discretion to determine that an Executive Director is a good leaver (see Note 1 at the bottom of the table). It is the Remuneration Committee's intention to only use this discretion in circumstances where appropriate, which will be explained to shareholders.

Directors' Remuneration Report

Remuneration element	Treatment on Cessation of Employment		
	Good leaver	**Bad leaver**	**Discretion**
AIP – Cash Awards	The Executive Director service contracts do not oblige the Company to pay a bonus if the Executive Director is under notice of termination. However, under the rules of the AIP, the Executive Director may receive a bonus that the Remuneration Committee determines would otherwise have been payable or granted to him under the rules reduced pro-rata reflecting the proportion of the year that has elapsed to the date of cessation. The award will normally be paid at the usual payment date and may be made in such proportions of cash and shares as the Remuneration Committee may determine. In the event of death, the award will be determined as soon as reasonably practicable after the date of death and will, unless the Remuneration Committee determines otherwise, be satisfied as a cash payment as soon as reasonably practicable.	No payment of cash bonus for that year.	The Remuneration Committee has the following elements of discretion for a good leaver: • Determine that an award be made; • Determine whether the awards should be reduced pro-rata; and • Determine the timing of the payment.
AIP – Deferred Share Awards	The Executive Director will normally receive the award at the usual vesting date on the same timetable as if he had not left, subject to Remuneration Committee discretion. In the event of death, any outstanding deferred shares will vest and be released from any holding periods as soon as reasonably practicable after the date of death.	Lapse of any unvested deferred share awards on the date the Executive Director ceases to be an employee.	The Remuneration Committee has the following elements of discretion for a good leaver: • Determine that the individual is a good leaver; • Determine the timing of the payment; and • Determine whether the holding period should apply.
VCP	If the Executive Director leaves employment there will be no further Measurement Dates and ability to accrue share awards. Accrued share awards will vest at the normal vesting and will normally remain subject to the holding period (other than in the event of death). Any deferred awards (that have previously been rolled forward subject to the cap) will vest on the normal date.	Accrued share awards (other than deferred awards) will lapse on the date of cessation of employment.	The Remuneration Committee has the following elements of discretion for a good leaver: • Allow an Executive Director to continue to participate in the VCP until the next Measurement Date following his cessation of employment; • Reduce pro-rata the award to reflect the period elapsed between the date of the award and the date of cessation; and • Determine whether the holding period should apply.

Remuneration element	Treatment on Cessation of Employment		
	Good leaver	**Bad leaver**	**Discretion**
LTIP	Unvested LTIP awards will vest on the vesting date but only to the extent that the performance conditions have been satisfied. Awards will normally be reduced pro-rata to reflect the proportion of the performance period that has elapsed to the date of cessation of employment. The LTIP awards will normally continue to be subject to the post-vesting holding period. If an Executive Director dies, his LTIP awards will vest on the date of his death and the performance conditions will not apply but the LTIP award will be normally reduced pro-rata to reflect the proportion of the performance period that has elapsed at the date of death. The post-vesting holding period will not apply to his LTIP awards. To the extent that an Executive Director who leaves in circumstances other than dismissal for cause or who dies holding vested LTIP options, they may be exercised at any time during the usual exercise period and will otherwise lapse at the end of that period. The post-vesting holding period will normally continue to apply.	Lapse of any unvested LTIP awards. Vested LTIP options will only lapse if the Executive Director is summarily dismissed.	The Remuneration Committee has the following elements of discretion: • To determine whether or not to pro-rate the number of shares. The Remuneration Committee's normal policy is that it will pro-rate awards for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; • To allow the awards to vest earlier (to the extent the performance conditions have been met); and • Not to apply the post-vesting holding period to an LTIP award.
GIP	See LTIP above, as the same leaver rules apply (except with respect to holding periods which do not apply to GIP awards).	See LTIP above, as the same leaver rules apply (except with respect to holding periods which do not apply to GIP awards).	See LTIP above, as the same leaver rules apply (except with respect to holding periods which do not apply to GIP awards).
All-Employee Share Plans	Leavers will be treated a set out within the scheme rules.		

(1) A good leaver reason is defined as cessation in the following circumstances:

(a) a transfer of the undertaking, or part of the undertaking, in which the Executive Director works to a person which is neither under the control of the sale of the Executive Directors' employing company or business out of the Group;

(b) death; or

(c) any other reason determined at the discretion of the Remuneration Committee.

Cessation of employment in circumstances other than those set out above is deemed a bad leaver reason.

Directors' Remuneration Report

Change of Control Policy

The incentive schemes contain change of control provisions, as set out in the relevant scheme rules. These are summarised in the table below. Executive Director service contracts do not contain any specific provisions relating to a change of control of the business.

If other corporate events occur such as a winding-up of the Company, demerger, special dividend or other event which, in the Remuneration Committee's opinion, may materially affect the value of shares, and the Remuneration Committee determines it would not be appropriate or practicable to adjust awards, the Remuneration Committee may determine that Awards will vest (and be released from any holding periods) on the same basis as for a change of control.

Name of Incentive Plan	Change of Control	Discretion
AIP – Cash Awards	Pro-rated for time and performance to the date of the change of control.	The Remuneration Committee has discretion to determine otherwise.
AIP – Deferred Share Awards	Subsisting deferred share awards will vest early on a change of control, and any awards subject to a holding period will be released.	The Remuneration Committee has discretion to not release the award early and instead roll the award into an equivalent award in the acquiring company.
VCP	There will be a Measurement Date on the change of control and the value of additional share awards will be calculated as at any other Measurement Date. The share price used to calculate the Total Shareholder Return will be the offer price for the Company. Accrued share awards will immediately vest (and be released from any holding periods) on the date of the change of control.	The Remuneration Committee has discretion to not release the award early and instead roll the award into an equivalent award in the acquiring company.
LTIP	The number of shares subject to subsisting LTIP awards will vest on a change of control, subject to the following: • The extent that the performance and other conditions have been satisfied at that time; and • Unless the Remuneration Committee determines otherwise, pro-rating to reflect the proportion of the normal performance period that has elapsed at the date of that event.	The Remuneration Committee has discretion regarding whether to pro-rate the LTIP awards for time. The Remuneration Committee's normal policy is that it will pro-rate the LTIP awards for time. It is the Remuneration Committee's intention to use its discretion to not pro-rate in circumstances only where appropriate, which will be explained in full to shareholders. The Remuneration Committee may also, in its discretion, determine that the post-vesting holding period will no longer apply to an LTIP award or to any part of it as of the vesting date or on such later date as decided by the Remuneration Committee.
GIP	Options may be exercised early subject to the performance target being satisfied, and unless the Remuneration Committee determines otherwise, in proportion to the amount of the performance period that has elapsed.	The Remuneration Committee has discretion regarding whether to pro-rate the GIP awards to time. The Remuneration Committee's normal policy is that it will pro-rate the GIP awards for time. It is the Remuneration Committee's intention to use its discretion to not pro-rate if it is deemed inappropriate in the particular circumstances. The Remuneration Committee has discretion to not release the award early and instead roll the award into an equivalent award in the acquiring company.

Recruitment Policy

The Remuneration Committee will seek to align the remuneration package of a newly appointed Executive Director with the directors' remuneration policy that is in force at the time of appointment. However, the Remuneration Committee retains the discretion to include any other remuneration component or award in the remuneration package which it considers to be appropriate.

In determining the remuneration arrangements for a new Executive Director, the Remuneration Committee will take into account all relevant factors including (but not limited to) the specific circumstances, the calibre of the individual, the market practice for the candidate's location, the nature of the role they are being recruited to fulfil and any relevant market factors, including any competing offers the candidate may be considering. The Remuneration Committee is at all times conscious of the need to pay no more than is necessary.

Where promotion to an Executive Director role is from within the Company, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned, provided such element (if not otherwise within the terms of this Policy) was not made in contemplation of such person becoming an Executive Director.

The Company's detailed policy when setting remuneration for the appointment of new Executive Directors is summarised in the table below:

Remuneration element	Recruitment Policy
Salary, Benefits and Pension	Salary, benefits and pension will be set in line with the 2019 Policy for existing Executive Directors.
AIP	Maximum annual participation will be set in line with the 2019 Policy and will not exceed 275% of salary.
VCP	The Plan will allow for grants to new joiners as approved by the Remuneration Committee. The new Executive Director's share may be reduced to reflect the time elapsed from the grant of the initial awards, and the date of joining. The hurdle will remain unchanged and the starting price will be set at a minimum at the starting price for other Executive Directors. All awards limits and caps, as set out in the 2019 Policy, will apply to any new joiner.
LTIP	No LTIP awards will be granted to new recruits in line with the operation of the 2019 Policy.
"Buy-Out" of incentives forfeited on cessation of employment	To facilitate recruitment, the Remuneration Committee may, to the extent permitted by relevant plan rules or Listing Rules, make a one-off award to "buy-out" incentives or any other compensation arrangements forfeited by the appointee on leaving a previous employer. In doing so the Remuneration Committee will ensure that any such awards offered should be on a comparable basis, taking into account all relevant factors including: • any performance conditions; • the likelihood of those conditions being met; • the proportion of the vesting or performance period remaining; and • the form of the award. In determining whether it is appropriate to use such judgement, the Remuneration Committee will ensure that any awards made are in the best interests of both the Company and its shareholders.
Relocation Policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. However, these payments must reflect actual financial loss or cost of moving the Executive Director, their family or assets, and the market practice in the geographical location to which the Executive Director is moving to or from. The Company may provide relocation costs by funding services or a cash payment or a combination of both.

Recruitment of Non-Executive Directors

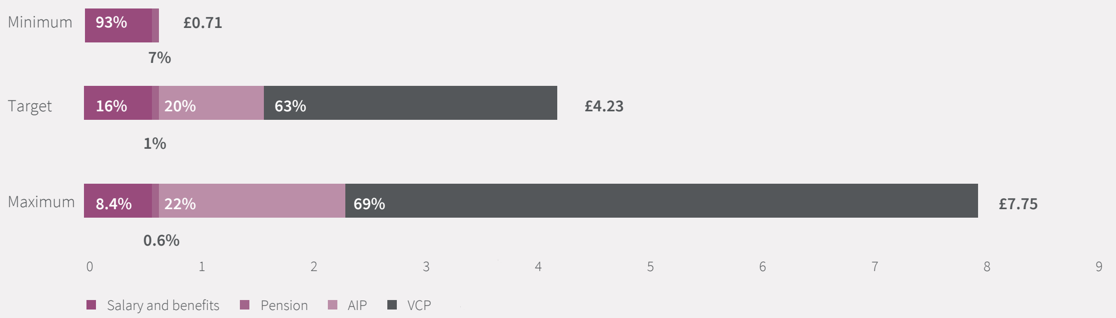
The remuneration package for newly appointed Non-Executive Directors will be in line with the structure set out in the remuneration policy table for Non-Executive Directors.

Directors’ Remuneration Report

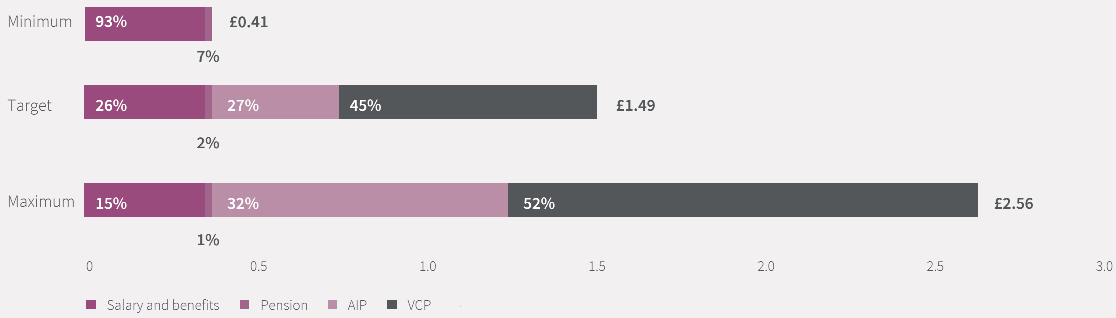
Illustration of 2019 Directors’ Remuneration Policy

The charts below provide estimates of the potential future reward opportunity for each of the Executive Directors based on the 2019 Policy outlined on pages 107 to 129.

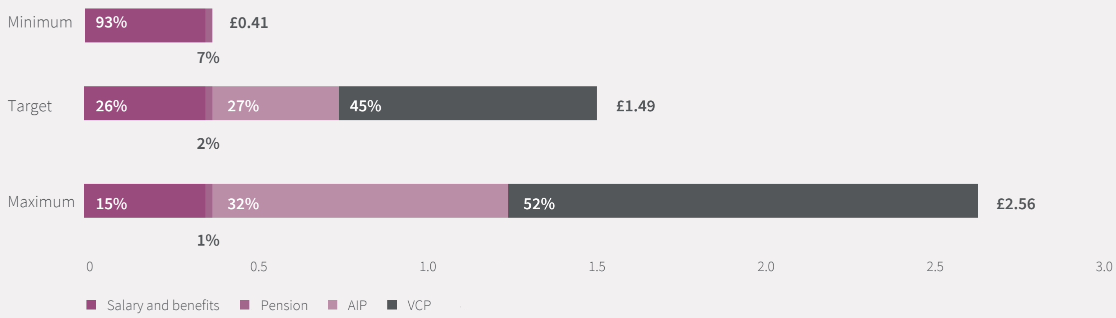
Tim Steiner, Chief Executive Officer (£m)



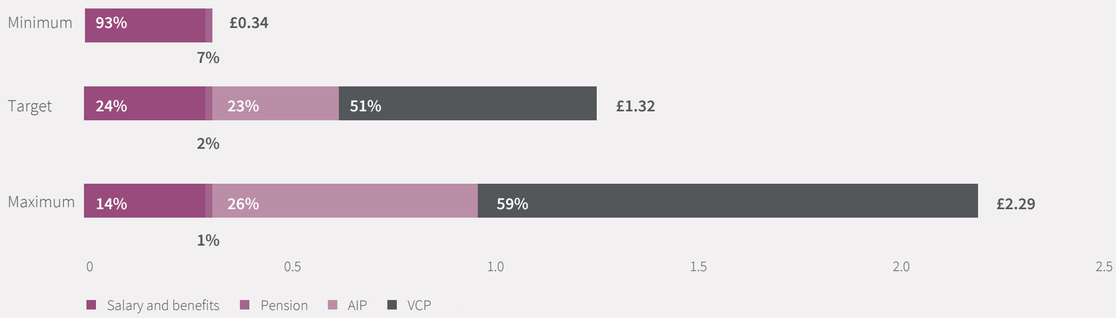
Duncan Tatton-Brown, Chief Financial Officer (£m)

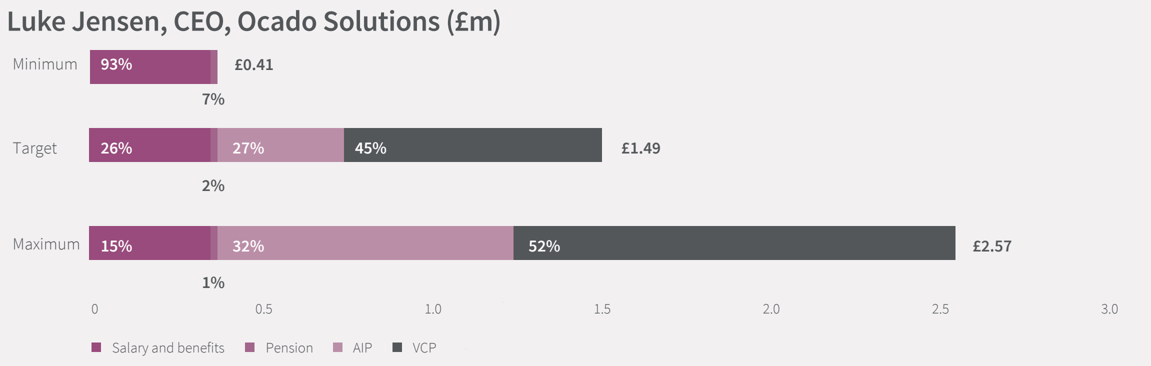


Mark Richardson, Chief Operations Officer (£m)



Neill Abrams, Group General Counsel and Company Secretary (£m)





The table below sets out the assumptions used to calculate the elements of remuneration for each of the scenarios.

	AIP	VCP	Base salary, Benefits and Pension
Minimum	Performance is below threshold on each metric – no annual variable	Performance is below threshold on each metric – no multiple year variable	Fixed – included
Target or at Expectation	Performance is in line with the Company's expectations – 50% of maximum bonus	Performance is in line with the Company's expectations – 50% of the average annual initial estimate of the accounting cost of award	Fixed – included
Maximum	Maximum performance is achieved on each metric – 100% of maximum bonus	Maximum performance is achieved – 100% of the average annual initial estimate of the accounting cost of award	Fixed – included

1. Maximum bonus under the AIP is 275% of salary for the Chief Executive Officer, 190% for the Group General Counsel and Company Secretary and 215% for all other Executive Directors.
2. The VCP is a one-off award with a performance period of five years and a minimum release period of five years. The maximum value represents 100% of the average annual initial estimate of the accounting cost of the award, which is intended to give an estimate of the value of the award on grant. The target value represents 50% of the average annual initial estimate of the accounting cost of the award. For this illustration, the average annual value has been calculated by dividing the total initial estimate of the accounting cost of the award by five.

The figures use the 2018 base salary, benefits received in 2018 and a pension of 8% of base salary. The performance related pay figures are based on the proposed awards for 2019, subject to the approval of the 2019 Directors' Remuneration Policy at the 2019 AGM.

The Company is aware of the revised regulations requiring the maximum scenario in the above charts to reflect Company share price appreciation of 50% during the relevant performance period for performance targets or measures relating to more than one financial year (i.e. Ocado's VCP). For the proposed VCP a share price appreciation of 50% over five years would result in a payout which is less than the payout shown in the target scenario above. As such, the 50% share price growth scenario has not been included. In addition, dividend equivalents have not been added to the AIP or VCP share awards.

Basis of Preparation and Audit

This report is a Directors' Remuneration Report for the 52 weeks ended 2 December 2018, prepared for the purposes of satisfying section 420(1) and section 421(2A) of the Companies Act. It has been drawn up in accordance with the Companies Act and the Code, the Regulations and the Listing Rules.

In accordance with section 497 of the Companies Act and the Regulations, certain parts of this Directors' Remuneration Report (where indicated) have been audited by the Company's auditor, Deloitte LLP.

A copy of this Directors' Remuneration Report will be available on the Company's corporate website.

This Directors' Remuneration Report is approved by the Board and signed on its behalf by:

Andrew Harrison
Remuneration Committee Chairman
Ocado Group plc
5 February 2019

Directors' Report

Introduction

This section of this Annual Report is a Directors' Report required by the Companies Act 2006 to be prepared by the Directors for the Company and the Group.

Index of Directors' Report Disclosures

This Directors' Report should be read in conjunction with the Strategic Report (pages 13 to 57) which includes Corporate Responsibility (pages 50 to 53), and the Corporate Governance Statement (defined in the index below as the "CG Statement") (pages 62 to 73), which are incorporated by reference into this Directors' Report.

The information required to be disclosed in the Directors' Report can be found in this Annual Report on the pages listed below. Pursuant to Listing Rule 9.8.4C, the information required to be disclosed in the Annual Report under Listing Rule 9.8.4R is marked with an asterisk (*).

This Annual Report

The Directors are required under the Companies Act 2006 to prepare a Strategic Report for the Company and the Group. The Strategic Report contains the Directors' explanation of the basis on which the Group preserves and creates value over the longer term and the strategy for delivering the objectives of the Group. The Companies Act requires that the Strategic Report must:

- contain a fair review of the Group's business and contain a description of the principal risks and uncertainties facing the Group; and
- be a balanced and comprehensive analysis of the development and performance of the Group's business during the financial year and the position of the Group's business at the end of that year, consistent with the size and complexity of the business.

The information that fulfils the strategic report requirements is set out in the Strategic Report on pages 13 to 57. The Non-Financial Reporting Statement on page 137 forms part of the Strategic Report.

The Company has chosen to include some of the information required to be disclosed in the Directors' Report within the Strategic Report (pages 13 to 57), as noted above. Certain matters, including those of sufficient importance, that would otherwise be required to be disclosed in the Directors' Report, have been set out in the Strategic Report and Corporate Governance Statement, as noted in the index on page 130.

The Strategic Report and the Directors' Report (or parts thereof), together with sections of this Annual Report incorporated by reference, are the "Management Report" for the purposes of the Disclosure Guidance and Transparency Rule 4.1.8.

The Strategic Report and the Directors' Report, together with the sections of this Annual Report incorporated by reference, have been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

For an explanation of how the Board satisfies itself that this Annual Report meets the disclosure requirements, refer to the Corporate Governance Statement on pages 62 to 73 and the Directors' responsibility statement on pages 136 and 137.

Amendment of the Articles

The Company's Articles, which govern a number of constitutional aspects of the Company's management, may be amended by a special resolution of its shareholders.

Appointment and Replacement of Directors

The appointment and replacement of Directors of the Company is governed by the Articles.

Appointment of Directors: A Director may be appointed by the Company by ordinary resolution of the shareholders or by the Board. The Board or any committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment. A Director appointed by the Board holds office only until the next annual general meeting of the Company and is then eligible for re-appointment.

Retirement of Directors: At every annual general meeting of the Company, each Director shall retire from office and may offer himself for re-appointment by the members.

Removal of Directors by Special Resolution: The Company may by special resolution remove any Director before the expiration of his period of office.

Vacation of Office: The office of a Director shall be vacated if: (i) he resigns; (ii) his resignation is requested by all of the other Directors (not less than three in number); (iii) he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated; (iv) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; (v) he becomes bankrupt; (vi) he is prohibited by law from being a Director; (vii) he ceases to be a Director by virtue of the Companies Act; or (viii) he is removed from office pursuant to the Articles.

For a description of any changes of the Company's Directors during the period see the Corporate Governance Statement on pages 62 to 73.

Directors' Insurance and Indemnities

The Company maintains directors' and officers' liability insurance cover for its Directors and officers as permitted under the Articles and the Companies Act. Such insurance policies were renewed during the period and remain in force as at the date of this Annual Report. The Company also agrees to indemnify the Directors under an indemnity deed with each Director which contains provisions that are permitted by the director liability provisions of the Companies Act and the Articles. An indemnity deed is usually entered into by a Director at the time of his or her appointment to the Board.

Directors' Report

Share Capital

The Company's authorised and issued ordinary share capital as at 2 December 2018 comprised a single class of ordinary shares. The shares have a nominal value of 2 pence each. The ISIN of the shares is GB00B3MBS747. The LEI of the Company is 213800LO8F61YB8MBC74.

As at 21 January 2019, being the last practicable date prior to publication of this report, the Company's issued share capital consisted of 698,309,337 issued ordinary shares, compared with 631,298,705 issued ordinary shares per the 2017 annual report. Details of movements in the Company's issued share capital can be found in Note 4.9 to the consolidated financial statements. During the period, shares in the Company were issued to satisfy options and awards under the Company's share and incentive schemes, as set out in Note 4.9 to the consolidated financial statements. During the year, the Company completed two placings of shares. More information can be found on pages 196 and 197.

Rights Attaching to Shares

The Company's shares when issued are credited as fully paid and free from all liens, equities, charges, encumbrances and other interests. All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below.

Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company.

The Company's shares are not redeemable. However, the Company may purchase or contract to purchase any of the shares on or off-market, subject to the Companies Act and the requirements of the Listing Rules, as described below.

No shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the JSOS, where share interests can be transferred to a spouse, civil partner or lineal descendant of a participant in the JSOS or certain trusts under the rules of the JSOS (as noted below).

Voting Rights

Each ordinary share carries one right to vote at a general meeting of the Company. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No shareholder shall be entitled to vote in respect of a share held by him if any call or sum then payable by him in respect of such share remains unpaid or if a member has been served a restriction notice, described below.

JSOS Voting Rights: Of the issued ordinary shares, as at 2 December 2018, 6,401,306 (2017: 32,800,390) were held by Wealth Nominees Limited on behalf of Estera Trust (Jersey) Limited, the independent company which is the trustee of Ocado's employee benefit trust (the "EBT Trustee"). The EBT Trustee has waived its right to exercise its voting rights in respect of 4,516,292 of these ordinary shares, although it may at the request of a participant vote in respect of 1,885,014 ordinary shares which have vested under the JSOS and remain in the trust at period end. The total of 6,401,306 ordinary shares held by the EBT Trustee are treated as treasury shares in the Group's Consolidated Balance Sheet in accordance with IAS 32 "Financial Instruments: Presentation". As such, calculations of earnings per share for Ocado exclude the 6,401,306 ordinary shares held by the EBT Trustee. Note 4.9 to the consolidated financial statements provides more information on the Group's accounting treatment of treasury shares.

Restrictions on Transfer of Securities

The Company's shares are freely transferable, save as set out below.

The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register. The Board can decline to register any transfer of any share which is not a fully paid share. The Company does not currently have any partially paid shares. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer: (A) is duly stamped or certified or otherwise shown to be exempt from stamp duty and is accompanied by the relevant share certificate; (B) is in respect of only one class of share; and (C) if to joint transferees, is in favour of not more than four such transferees. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Restriction on Transfer of JSOS Interests: Participants' interests under the JSOS are generally non-transferable during the period beginning on acquisition of the interest and ending at the expiry of the relevant restricted period as set out in the JSOS rules. However, interests can be transferred to a spouse, civil partner or lineal descendant of a participant; a trust under which no person other than the participant or their spouse, civil partner or lineal descendant has a vested beneficial interest; or any other person approved by the EBT Trustee. If a participant purports to transfer, assign or charge his interest other than as set out above, the EBT Trustee may acquire the participant's interest for a total price of £1.

Other than as described above and on page 98 with respect to agreements concerning the Directors' shareholdings, the Company is not aware of any agreements existing at the end of the period between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

Powers for the Company to Buy Back its Shares

The Company was authorised by shareholders on 2 May 2018, at the annual general meeting, to purchase in the market up to 10% of its issued ordinary shares (excluding any treasury shares), subject to certain conditions laid out in the authorising resolution. This standard authority is renewable annually; the Directors will seek to renew this authority at the AGM. The Directors did not exercise their authority to buy back any shares during the period.

Powers for the Company to Issue its Shares

The Directors were granted authority at the previous annual general meeting on 2 May 2018, to allot shares in the Company under two separate resolutions: (i) up to one-third of the Company's issued share capital; and (ii) up to two-thirds of the Company's issued share capital in connection with a rights issue. These authorities apply until the end of the AGM (or, if earlier, until the close of business on 1 August 2019).

The Directors were also granted authority at the previous annual general meeting on 2 May 2018 to disapply pre-emption rights. This resolution (which is in accordance with the guidance issued by the Pre-Emption Group (the "PEG Principles")) sought the authority to disapply pre-emption rights over 5% of the Company's issued ordinary share capital. A further authority was granted to the Directors to disapply pre-emption rights for an additional 5% for certain acquisitions or specified capital investments as allowed by the PEG Principles. The Company sought similar authorities at the 2017 annual general meeting, though not in respect of the additional 5%.

The Company will, consistent with the 2018 annual general meeting, continue to seek authority to allot shares on the basis of the authorities sought at the 2018 annual general meeting. The Company believes such approach is appropriate given that it follows the guidance set by the Pre-Emption Group and Investment Association on the allotment of shares.

During the period, shares in the Company were issued to satisfy options and awards under the Company's option and incentive schemes and to do share placings. During the period, on 6 February 2018, the Company used the relevant authorities to place 31,463,500 new ordinary shares. The placing represented approximately 5% of the issued ordinary share capital of the Company prior to the placing. On 24 May 2018, the Company used the relevant authorities to issue 33,146,200 new ordinary shares. The placing represented approximately 5% of the issued ordinary share capital of the Company prior to the issue.

Engagement with Shareholders

At the 2018 annual general meeting, the Company's share allotment resolution in connection with a rights issue only (Resolution 18) received less support than expected by management. The Company consulted the large shareholders who did not support the resolution. The Company Secretary received feedback from the larger unsupportive shareholders that indicated they had governance policies that were not wholly aligned with the Pre-Emption Group's Statement of Principles and Investment Association guidance. The Company will propose an equivalent resolution at the 2019 AGM that follows this guidance, in line with previous years.

This year the Company has conducted an extensive consultation with shareholders about the 2019 Directors' Remuneration Policy. More information about the consultation can be found on pages 83, 110 and 111.

Directors' Report

Significant Shareholders

During the period the Company has received notifications, in accordance with Disclosure Guidance and Transparency Rule 5.1.2R, of interests in 3% or more of the voting rights attaching to the Company's issued share capital, as set out in the table below:

	Number of Ordinary Shares/Voting Rights	Percentage of Issued Share Capital	Nature of Holding
The London & Amsterdam Trust Company Limited	105,041,409	15.05	Direct/Indirect
The Capital Group Companies, Inc.	94,134,661	13.50	Indirect
The Kroger Co.	42,282,300	6.06	Direct
Citigroup Global Markets Limited	35,272,069	5.31	Direct/Indirect
Generation Investment Management LLP	28,618,673	4.54	Indirect

These figures represent the number of shares and percentage held as at the date of notification to the Company.

No changes have been disclosed in accordance with Disclosure Guidance and Transparency Rule 5.1.2R in the period between 2 December 2018 and 21 January 2019 (being not more than one month prior to the date of the Notice of Meeting), except as set out in the table below:

	Number of Ordinary Shares/Voting Rights	Percentage of Issued Share Capital	Nature of Holding
The Capital Group Companies, Inc.	90,697,454	12.9885%	Indirect

These figures represent the number of shares and percentage held as at the date of notification to the Company.

American Depositary Receipt Program

The Company has a sponsored level 1 American Depositary Receipt (ADR) program with The Bank of New York Mellon as depositary bank. Each ADR represents two ordinary shares of the Company. The ADRs trade on the over-the-counter (OTC) market in the United States. The CUSIP number for the ADRs is 674488101, the ISIN is US6744881011 and the symbol is OCDDY. An ADR is a security that has been created to permit US investors to hold shares in non-US companies and, in a level 1 programme, to trade them on the OTC market in the United States. In contrast to underlying ordinary shares, ADRs permit US investors to trade securities denominated in US dollars in the US OTC market with US securities dealers. Were the Company to pay a dividend on its ordinary shares, ADR holders would receive dividend payments in respect of their ADRs in US dollars.

Senior Secured Notes Due 2024 and Irish Stock Exchange

The Company has Senior Secured Notes due 2024 (the "Notes") listed on the Irish Stock Exchange and trade on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The ISIN of the Notes is XS163400189. Interest on the notes is payable semi-annually in arrears. The Notes will mature on 15 June 2024.

The Company may redeem the Notes in whole or in part at any time on or after 15 June 2020, in each case, at the redemption prices set out as part of the offering. Prior to 15 June 2020, the Company will be entitled to redeem, at its option, all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, plus a "make-whole" premium. Prior to 15 June 2020, the Company may, at its option, and on one or more occasions, also redeem up to 40% of the original aggregate principal amount of the Notes with the net proceeds from certain equity offerings. Prior to 15 June 2020, the Company may redeem during each 12-month period commencing on the Issue Date up to 10% of the aggregate principal amount of the Notes originally issued (including the aggregate principal amount of any additional Notes) at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest to the applicable redemption date. Additionally, the Company may redeem the Notes in whole, but not in part, at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax law.

Significant Related Party Agreements

There were no contracts of significance during the period between the Company or any Group company and: (1) a Director of the Company; (2) a close member of a Director's family; or (3) a controlling shareholder of the Company.

Change of Control

The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover bid except that it should be noted that: (i) provisions of the Company's share schemes may cause options and awards granted to employees under such schemes to vest on a takeover; and (ii) certain members of senior management (not including the Directors) who were employed prior to 2010 are entitled to a payment contingent on a change of control of the Company or merger of the Company (irrespective of loss of employment) as set out in his or her respective employment contract. For further information on the change of control provisions in the Company's share schemes refer to the Directors' Remuneration Report on page 126.

Significant Agreements

There are a number of key agreements to which the Group is a party that contain certain rights triggered on the change of control of the Company. Details of the significant agreements are summarised below.

Solutions agreements: The Group has a number of agreements to provide overseas retailers with access to the Ocado Smart Platform (comprising the Ocado Group's proprietary MHE and end-to-end software platform). The key Solutions agreements are those with Casino Supply Chain SAS, Sobeys Capital Incorporated, ICA Sverige AB and The Kroger Co.

Under those agreements, the retailer is entitled to terminate for convenience at any time following the commencement date of the relevant services. On termination in these circumstances the client would be obliged to pay Ocado termination fees calculated relative to the length of time for which the service has been live. However, such termination fees are not payable should the client terminate within a certain period following the Company coming under the control of certain of the retailer's competitors or if there is a marked deterioration in service levels following the Company coming under the control of any person.

Morrisons Agreements: The Group has a number of commercial arrangements with Morrisons. If certain competitors of Morrisons acquire more than 50% of the voting rights in the Company's shares or take control of the composition of the Company's Board, or acquire all or substantially all of the Group's business and undertakings, then Morrisons would be entitled to give notice to terminate the agreements by giving not less than four (but not more than four and a half) years' notice.

Following Morrisons giving such a notice, Morrisons would be entitled to procure equivalent services from third parties, the Company ceasing to be Morrisons' exclusive supplier of online grocery fulfilment services. Similarly, all restrictions on the UK retail grocers to whom the Company is entitled to provide certain services would fall away.

At the end of the four to four and a half years' notice period, the Company would be required to purchase Morrisons' shares in MHE JVCo Limited (the owner of the mechanical handling equipment in Dordon CFC).

Sourcing Agreement with Waitrose: The Company's primary retail operating subsidiary, Ocado Retail Limited ("ORL"), is party to the Sourcing Agreement with Waitrose and its parent company, John Lewis. If certain competitors of Waitrose or John Lewis acquire 50% or more of the shares or control of the Company's Board, then each of ORL, Waitrose and John Lewis may terminate the Sourcing Agreement. In these circumstances, ORL is obliged to pay Waitrose the lower of £40 million and 4% of the market capitalisation of the Company. This change of control provision will cease to bind the parties if, prior to the change of control, any party has already given a valid notice of termination.

Amended and Restated Credit Facility Agreement: The Group has an unsecured £100 million credit facility with Barclays Bank PLC, HSBC Bank plc, The Royal Bank of Scotland plc, Cooperative Rabobank UA and Goldman Sachs Bank USA for general corporate and working capital purposes. If there is a change of control of the Company, and agreeable terms cannot be negotiated between the parties within 30 days from the date of the change of control, any lender may cancel their commitment under the facility and all outstanding utilisations for that lender, together with accrued interest, shall be immediately payable.

Senior Secured Notes due 2024: Following a change of control of the Company, holders of the Senior Secured Notes may require it to repurchase all or part of their holding at a purchase price in cash equal to 101% of the aggregate principal amount of their holding, plus accrued and unpaid interest.

Research and Development Activities

The Group has dedicated in-house software, logistics and engineering design and development teams with primary focus on IT and improvements to the customer interfaces, the CFCs and the automation equipment used in them. Costs relating to the development of computer software are capitalised if it is probable that the future economic benefits that are attributable to the asset will accrue to the entity and the costs can be measured reliably. The Company is carrying out a number of IT and engineering design and build projects with the intention of developing new and improved automation equipment and processes for its warehouses. Further information is contained in the Strategic Report on pages 13 to 57.

Directors' Report

Future Developments of the Business

The Group's likely future developments including its strategy are described in the Strategic Report on pages 13 to 57.

Employees with Disabilities

Applications for employment by people with disability are given full and fair consideration bearing in mind the respective aptitudes and abilities of the applicant concerned and our ability to make reasonable adjustments to the role and the work environment. In the event of existing employees becoming disabled, all reasonable effort is made to ensure that appropriate training is given and their employment within the Group continues. Training, career development and promotion of a disabled person is, as far as possible, identical to that of an able bodied person.

Profit and Dividends

The Group's results for the period are set out in the Consolidated Income Statement on pages 149 and 150. The Group's loss before tax for the period amounted to £(44.4) million (2017: £(8.3) million).

The Directors do not propose to pay a dividend for the period (2017: £nil).

Post-Balance Sheet Events

There have been no material events after the balance sheet date of 2 December 2018 to the date of this Annual Report.

Independent Auditor

The Company's auditor, Deloitte, have indicated their willingness to continue their role as the Company's auditor. Resolutions concerning the re-appointment of Deloitte as auditor of the Company and to authorise the Directors to determine their remuneration will be proposed at the AGM and set out in the Notice of Meeting. For further information on the re-appointment of the auditor, refer to pages 80 and 81 of the Audit Committee report.

Disclosure of Information to Auditor

In accordance with Section 418 of the Companies Act 2016, each Director who held office at the date of the approval of this Directors' Report (whose names and functions are listed in the Board of Directors section on page 61 of this Annual Report) confirms that, so far as he or she is aware, there is no relevant audit information of which the Group's auditor is unaware, and that each Director has taken all of the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Statement of Directors' Responsibilities

The Directors are responsible for preparing this Annual Report, the Directors' Remuneration 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 prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (the "IFRSs") as adopted by the European Union. 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 the Group and of the result of the Company and the Group 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group 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 Group's corporate website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors who held office at the date of the approval of this Annual Report (whose names and functions are listed on page 61 of this Annual Report) confirms, to the best of his or her knowledge, that:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the "Management Report" (as defined in the Directors' Report on page 131) includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Forward-Looking Statements

Certain statements made in this Annual Report are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. They appear in a number of places throughout this Annual Report and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the business. Persons receiving this report should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Non-Financial Information Statement

The table below sets out where stakeholders can find information in our strategic report that relates to non-financial matters, as required under the new requirements.

Reporting requirement	Relevant Ocado policies and procedures	Where to read more in this report	Page
Business model		Our Business Model	20
Non-financial KPIs		Our Strategic Objectives: Driving Growth Our Strategic Objectives: Maximising Efficiency Key Performance Indicators	28 30 34–35
Employee Engagement	The Ocado Citizenship Code The Ocado Way Group Health and Safety policy Whistleblowing policy Ocado Council Board diversity policy Employee engagement platform – Fuse	Our Business Model Our People Audit Committee Report Nomination Committee Report Directors' Remuneration Report Directors' Report	20 54–57 55 75 76–81 82–129
Human rights	The Ocado Citizenship Code Human Rights policy	Our people	54–57
Social matters	The Ocado Way	Corporate Responsibility Our people	50–53 54–57
Anti-bribery and corruption	Anti-Bribery and Money Laundering policy	Our people	54–57
Environmental matters	The Ocado Way	Corporate Responsibility	50–53

Directors' Report

Lord Rose
Chairman, 69

Appointment to the Board
11 March 2013

Committee Membership
Nomination (Chairman)

External Appointments
Chairman of Fat Face Group Limited; Chairman of Stylemania Limited, trading as Dressipi; Non-Executive Director of RM2 International S.A.; Chairman of Majid Al Futtaim Retail based in Dubai; Non-Executive Director of Time Out Group plc; Chairman of Zenith

Relevant Experience
Lord Rose has worked in retail for over 40 years. He has held Chief Executive Officer positions at Argos plc, Booker plc, Arcadia Group plc and Marks and Spencer plc. He was Chairman of Marks and Spencer plc from 2008 to 2011. Lord Rose was knighted in 2008 for services to the retail industry and corporate social responsibility, and granted a life peerage in August 2014.

Tim Steiner, OBE
Chief Executive Officer, 49

Appointment to the Board
13 April 2000

Relevant Experience
Tim is the founding Chief Executive Officer of Ocado, which he started in 2000. Prior to Ocado, he spent eight years at Goldman Sachs, during which time he was based in London, Hong Kong and New York in the Fixed Income division. Tim graduated from Manchester University in 1992 with an honours degree in Economics, Finance and Accountancy.

Duncan Tatton-Brown
Chief Financial Officer, 53

Appointment to the Board
1 September 2012

Relevant Experience
Prior to joining Ocado, Duncan was Chief Financial Officer of Fitness First plc, and previously Group Finance Director of Kingfisher plc, one of the world's largest home improvement retailers. He has also been Finance Director of B&Q plc, Chief Financial Officer of Virgin Entertainment Group and held various senior finance positions at Burton Group Plc. He has previously held Non-Executive Director positions at Rentokil Initial plc and ZPG plc.

Mark Richardson
Chief Operations Officer, 54

Appointment to the Board
3 February 2012

External Appointments
Non-Executive Director of Paneltex Limited

Relevant Experience
Mark was Head of Technology at Ocado from 2001 until he joined the Board in 2012. He is responsible for the day-to-day running of the Ocado operation, including CFCs, logistics developments, customer service, business planning, engineering and technology. Mark is a Director of Paneltex Limited, a company in which the Group holds a 25% shareholding. Prior to joining Ocado, Mark held a number of IT positions at the John Lewis Partnership, including Head of Selling Systems at Waitrose. He graduated from University College, London with a degree in Physics.

Neill Abrams
Group General Counsel and Company Secretary, 54

Appointment to the Board
8 September 2000

External Appointments
Non-Executive Director of Mr Price Group Limited, listed in South Africa

Relevant Experience
Neill was on the founding team of Ocado, joining the Board in September 2000. He has Board responsibility for the General Merchandise division and the Corporate Infrastructure departments – Legal, Governance, Insurance, Real Estate, Human Resources, Government Relations and Corporate Responsibility. Prior to Ocado, he was a barrister in practice at One Essex Court and spent nine years at Goldman Sachs in London in the investment banking and legal divisions. Neill holds degrees in industrial psychology and law from the University of the Witwatersrand in Johannesburg and a Masters in Law from Sidney Sussex College, Cambridge. He is admitted as a barrister in England & Wales, an attorney in New York and an advocate in South Africa.

Luke Jensen
Chief Executive Officer, Ocado Solutions, 52

Appointment to the Board
1 March 2018

External Appointments
Non-Executive Director of Hana Group SAS, registered in France

Relevant Experience
Luke joined Ocado as Chief Executive Officer of Ocado Solutions in 2017, before joining the Board in 2018. Prior to joining Ocado, Luke was a Senior Advisor at Boston Consulting Group and previously Group Development Director at Sainsbury's, where he was responsible for online and digital and all customer facing digital activities. During his career, Luke has also worked at OC&C Strategy Consultants where he was Partner and Head of the Retail and Consumer practice. He graduated from ESCP and holds a Masters in Business and Administration from INSEAD.

Ruth Anderson

Non-Executive Director, 65

Appointment to the Board
9 March 2010

Committee Membership
Audit (Chairman), Remuneration, Nomination

External Appointments
Non-Executive Director of Travis Perkins plc; Trustee and Director of The Royal Parks; Trustee and Director of The Duke of Edinburgh's Award

Relevant Experience
Since retiring from KPMG ten years ago, Ruth has been a non-executive director at three UK listed companies. Following her retirement from the Coats Group plc board last year she chairs the audit committee of two listed companies and of The Royal Parks charitable public corporation. She was a vice chairman of KPMG in the UK from 2004 to 2009 and prior to that a member of the KPMG UK board from 1998 to 2004. She is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Chartered Institute of Taxation. Ruth holds a BA (joint honours) degree in French and Spanish from the University of Bradford.

Douglas McCallum

Non-Executive Director, 52

Appointment to the Board
3 October 2011

Committee Membership
Remuneration, Nomination

External Appointments
Chairman of Trainline and PhotoBox

Relevant Experience
Douglas has been a pioneer of the Internet industry for a number of years, having been at eBay Inc. from 2001 to 2014, where he led the UK business and then turned around the pan-European business. Prior to joining eBay Inc. he was founder and general manager of a number of businesses in the Internet, broadcasting, software and hardware industries. Douglas read Philosophy, Politics and Economics at the University of Oxford, and has an MBA from Harvard Business School.

Jörn Rausing

Non-Executive Director, 58

Appointment to the Board
13 March 2003

Committee Membership
Nomination

External Appointments
Group Board Member of Tetra Laval; Board Member of Alfa Laval AB; Board Member of DeLaval Holding AB; Member of the Board of Governors of the Museum of London

Relevant Experience
Jörn has over 25 years' experience in corporate development and international mergers and acquisitions. Jörn holds a degree in Business Administration from Lund University, Sweden.

Andrew Harrison

Non-Executive Director, 48

Appointment to the Board
1 March 2016

Committee Membership
Audit, Remuneration (Chairman), Nomination

External Appointments
Trustee of The Mix; Chairman of House Simple Ltd; Partner of Freston Ventures Investments LLP; Director of Chik'n Ltd

Relevant Experience
Andrew is a partner at Freston Road Investments which invests in consumer brands that challenge the status quo. He chairs one of the investments, House Simple, an online estate agent, and advises and works with others such as Five Guys, MOD Pizza, Secret Cinema, Cubitts. Andrew previously served as Chairman of Carphone Warehouse Ltd and was formerly Group CEO of Carphone Warehouse PLC before its merger which he led with Dixon's Group plc. During his career he has successfully grown numerous new businesses, has international retail experience and developed and ran a global services business. Andrew graduated from The University of Leeds with a BA (Hons) in Management Studies in 1992.

Emma Lloyd

Non-Executive Director, 49

Appointment to the Board
1 December 2016

Committee Membership
Nomination

External Appointments
Group Director of Business Development, Strategic Partnerships and Investments of Sky, a Comcast Company

Relevant Experience
As Sky's Group Director of Business Development and Strategic Partnerships, Emma identifies and nurtures key strategic relationships with Sky's technology and content partners. Emma has overseen the creation of Sky's start-up venture investment function and US presence, leading to the investment in over 25 technology start-ups. Emma graduated with a BA Joint Hons in Management Studies and Geography from the University of Leeds in 1992.

Julie Southern

Non-Executive Director, 58

Appointment to the Board
1 September 2018

Committee Membership
Audit, Nomination

External Appointments
Non-Executive Director and Chairman of the Audit Committee of Cineworld Group plc; Non-Executive Director and Chairman of the Audit Committee of DFS Furniture plc (stepping down on 31 March 2019); Non-Executive Director and Chairman of the Audit Committee of Rentokil Initial plc; Non-Executive Director and Chairman of the Audit Committee at NXP Semiconductors NV; Non-Executive Director and Chairman of the Audit Committee of easyJet plc

Relevant Experience
Previously a finance director at Virgin Atlantic and at Porsche Cars Great Britain, Julie has extensive executive experience and has chaired audit committees at various FTSE listed companies with operations both in the UK and internationally. She is also an experienced remuneration committee chairman. Julie holds a BA (Hons) in Economics from the University of Cambridge and is a Chartered Accountant.

The Directors' Report is approved by the Board and signed on its behalf by

Neill Abrams

Group General Counsel and Company Secretary
Ocado Group plc
5 February 2019

4.

OUR GROUP FINANCIALS

Independent Auditor's Report

to the members of Ocado Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Ocado Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 2 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statement of cash flows; and
- the related notes 1 to 5.5 to the consolidated financial statements and notes 1 to 5.2 to the parent company financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 group and the parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year and prior year were: • Accounting for Solutions contracts • Capitalised project costs Key audit matters have been updated for the current year where required.
Materiality	The materiality that we used for the group financial statements was £6.6 million which was determined on the basis of revenue.
Scoping	The scope of our group audit includes all significant trading companies in the UK, whose results taken together account for over 95% of the group's revenue, profit after tax and net assets. All entities are managed from one central location in the UK and all audit work is completed by the group audit team. We performed analytical procedures over the remaining trading entities, the group's captive insurance company in Malta and development operations in Poland, Bulgaria and Spain.
Significant changes in our approach	In the prior year accounting for commercial income arrangements was included as a key audit matter. This has not been included in the current year as there is a consistent approach to the treatment of the commercial income year on year. There have been no significant changes in our approach in the period to 2 December 2018 compared to the prior period.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 1.2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the company, its business model and related risks, including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment and evaluating the directors' plans for future actions in relation to the going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 46 to 48 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 45 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 49 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Solutions contracts

Key audit matter description

A number of Solutions contracts were signed with customers during the year. The accounting for Ocado Solutions contracts, which generally have a range of deliverables and therefore possible performance obligations, is complex and requires judgement, particularly as to the timing of revenue recognition. There is a potential risk of misstatement due to fraud or error if an inappropriate approach to revenue recognition is taken.

The group has elected to adopt IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") a year earlier than required by the accounting standard.

Payments received in respect of these contracts during the year amounted to £200.1m (2017: £146.1m). The group recognised revenue of £123.0m (2017: £108.4m) in the Income Statement.

The key audit matter for our audit is whether management has applied the principles of IFRS15 appropriately to each of the material Solutions contracts and therefore recognised the appropriate amount of revenue in the year. In particular our work has focused on the identification of, and value allocated to, distinct performance obligations and the profile and period over which revenue is recognised.

Refer to pages 77 and 78 (Audit Committee report), note 1.5 to the consolidated financial statements on the impact of adopting the new standard including the restatement of the prior year comparative, note 2.2 to the consolidated financial statements on segmental reporting, and note 1 on the related Critical Accounting Judgements and Key Sources of Estimation Uncertainty.

Independent Auditor's Report

to the members of Ocado Group plc

Accounting for Solutions contracts

How the scope of our audit responded to the key audit matter	Our audit procedures included: • assessing the design and implementation of management's controls over the accounting for Solutions contracts including the impact of transition to IFRS 15; • meeting with senior management involved with the negotiation of the contracts, in particular the CEO of Ocado Solutions and the Deputy Legal Counsel to understand the substance of the agreements; • engaging with our internal specialists on the appropriate interpretation of the technical requirements in order to assess whether the accounting treatment applied by management for each contract is in line with IFRS 15; • reviewing each contract to understand the substance of the arrangement and to identify the potential accounting matters; • assessing the various deliverables inherent in each contract such as: exclusivity arrangements; set-up services; provision of software; and design and build of customer fulfilment centres ("CFC") to ascertain whether they constitute potential separate performance obligations; • assessing the fees that the Group will receive over the course of the contract in order to ascertain the appropriate amount of revenue that should be allocated to each performance obligation and the time period and profile over which that revenue should be recognised through consideration of the customer life; • obtaining evidence to support transactions such as invoices for services, cash receipts, or proof of delivery for software solutions; and • consideration of the complex disclosure requirements of IFRS 15 and obtaining evidence to support the amounts disclosed.
Key observations	We are satisfied that revenue from the Ocado Solutions contracts has been recognised appropriately in line with the contractual agreements and IFRS 15.

Capitalised project costs

Key audit matter description	The Group has invested significantly in developing the software and associated tangible assets it uses to operate the retail business and to provide the end-to-end Ocado Solutions Platform ("OSP") to Solutions partners. During the year the group invested £212.2m (2017: £160.1m) in capital expenditure. The carrying value of property, plant and equipment at the year end is £545.8m (2017: £453.7m) and for intangible assets is £143.7m (2017: £112.4m). Amounts capitalised included a internal development costs of £68.7m (2017: £54.5m). We identified this as a key audit matter due to the significant amounts invested and the level of judgement involved, for example in considering whether existing assets are potentially impaired (due to technology being superseded) and also the appropriateness of the useful economic life assigned to project assets. As assessment of useful life or potential impairment of assets requires considerable judgement and has an impact on the amounts recorded as an expense in the Income Statement, there is a potential risk of misstatement due to fraud or error. In the current year we focused our audit procedures on the risk of impairment, given the significant sums being invested and the fast pace of development. New technology could supersede previously capitalised projects or inappropriate amortisation rates could be used. Refer to page 78 (Audit Committee statement), notes 3.1 and 3.2 to the financial statements and the disclosures in respect of Critical Accounting Judgements and Key Sources of Estimation Uncertainty in note 1.

Capitalised project costs

How the scope of our audit responded to the key audit matter	Our audit procedures included: • assessing the design and implementation of management's controls over their process for assessing impairment, for example a half-yearly review of project status involving project managers and finance; • for the most significant projects, meeting with project managers responsible to inform our assessment of the feasibility and economic benefits of the projects, and to identify any indicators of impairment; • reviewing a sample of existing projects for indicators of impairment, including reviewing the profile of all project additions to assess whether abandoned or put on hold; • reviewing a sample of new projects to assess if they supersede previously capitalised assets; • reviewing amounts capitalised for projects that are still in progress and as a result are not being depreciated or amortised; this included reviewing the ageing of costs capitalised, as well as considering whether the classification is appropriate given our understanding of the projects and their likely future benefit; • benchmarking the useful economic lives applied by management against comparators; and • performing a series of analytic tests on the costs capitalised to identify items that in our judgement are unusual, and obtaining explanations and supporting evidence from management, for example challenging projects with limited or negative costs capitalised in the period, or project descriptions that could indicate impairment of assets already capitalised.
Key observations	Based on the audit procedures performed we are satisfied that the amounts capitalised are appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£6.6 million (2017: £6.0 million)	£6.5 million (2017: £5.6 million)
Basis for determining materiality	We determined materiality to be £6.6 million based on revenue. As a percentage, materiality is 0.4% of revenue (2017: 0.4% of revenue).	Parent company materiality equates to 1% (2017: 1%) of net assets.
Rationale for the benchmark applied	This has been based on professional judgement and the requirement of auditing standards. We believe revenue to be the financial measure most relevant to users of the financial statements given Ocado's performance, in particular its levels of profitability and the significant investment in technology.	The parent company does not generate significant revenues but instead incurs costs and as such net assets are an appropriate base to use to determine materiality.

On the basis of our risk assessment, together with our assessment of the group's control environment and the history of error we also set performance materiality for the group at £4.6 million (2017: £4.2 million) which represents 70% (2017: 70%) of materiality. We use performance materiality to determine the extent of our testing; it is lower than planning materiality to reflect our assessment of the risk of errors remaining undetected by our sample testing or uncorrected in the financial statements.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £330,000 (2017: £300,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's Report

to the members of Ocado Group plc

An overview of the scope of our audit

This was our second year as auditor of Ocado and as such our audit approach included furthering our understanding of the business, the key processes and the controls supporting the group's transactions to assess the risks of material misstatement for each account balance and disclosure item. In line with our audit plan we relied on the key business and IT controls over the following business processes: capitalisation of tangible and intangible assets; inventory; supplier income; operating expenses; and payroll. We also used IT specialists to test the general IT controls over the key financial reporting systems (Oracle and the Warehouse Management Systems).

We visited three of the four operating Customer Fulfilment Centres ("CFCs"), the two General Merchandise Distribution Centres ("GMDCs") and the Fabled store. The Audit Partner met members of the Audit Committee, the Chairman, and Executive Directors. In addition as part of understanding the business and performing our audit procedures we met with senior management across the group. Taken together, this informed our group audit scope.

The scope of our group audit includes all significant trading companies in the UK, including the joint venture with Wm Morrisons Supermarket Plc. The results for these entities account for over 95% (2017: 97%) of the group's revenue, profit after tax and net assets. For the entities not subject to detailed audit work, the group's captive insurance company in Malta and the development operations in Bulgaria, Poland and Spain, we tested the consolidation process and carried out analytical procedures to confirm our conclusion there were no material misstatements in the aggregated financial information. All entities are managed from one central location in the UK and all audit work is completed by the group audit team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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 group's and the parent 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 group or the parent 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including tax and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: accounting for Solutions contracts and capitalised project assets; and
- obtaining an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and relevant tax legislation.

Audit response to risks identified

As a result of performing the above, we identified accounting for Solutions contracts and capitalised project costs as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report

to the members of Ocado Group plc

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 group and of the parent company and their 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

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 3 May 2017 to audit the financial statements for the period ended 3 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering periods ending 3 December 2017 to the period ending 2 December 2018.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

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.

Mark Lee-Amies FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
5 February 2019

Consolidated Income Statement

for the 52 weeks ended 2 December 2018

	Notes	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 Restated* £m
Revenue	2.2–2.4	**1,598.8**	1,454.5
Cost of sales		**(1,051.3)**	(959.5)
Gross profit		**547.5**	495.0
Other income	2.5	**71.9**	61.0
Distribution costs		**(485.4)**	(434.2)
Administrative expenses		**(167.0)**	(117.7)
Operating (loss)/profit before result from joint venture and exceptional itemsⒶ		**(33.0)**	4.1
Share of result from joint venture	3.5	**1.2**	1.6
Exceptional itemsⒶ	2.8	**(0.1)**	(0.3)
Operating (loss)/profit	2.6	**(31.9)**	5.4
Finance income	4.5	**2.2**	0.2
Finance costs	4.5	**(14.7)**	(13.9)
Loss before tax		**(44.4)**	(8.3)
Taxation	2.9	**(0.5)**	–
Loss for the period		**(44.9)**	(8.3)

Loss per share		**pence**	pence
Basic and diluted loss per share	2.10	**(6.85)**	(1.38)

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

	Notes	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 Restated* £m
Operating (loss)/profit		**(31.9)**	5.4
Adjustments for:			
Depreciation of property, plant and equipment	3.2	**63.3**	55.0
Amortisation expense	3.1	**27.1**	15.4
Impairment of property, plant and equipment	3.2	**0.5**	0.4
Impairment of intangible assets	3.1	**0.4**	0.2
Exceptional itemsⒶ – other	2.8	**0.1**	0.3
EBITDAⒶ		**59.5**	76.7

*2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.5 for further details.

The notes on pages 154 to 209 form part of these financial statements.

Ⓐ See Alternative Performance Measures on pages 229 and 230

Consolidated Statement Of Comprehensive Income

for the 52 weeks ended 2 December 2018

	Notes	**52 Weeks Ended 2 December 2018 £m**	53 Weeks Ended 3 December 2017 Restated* £m
Loss for the period		**(44.9)**	(8.3)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges			
– Gains arising on hedging contracts	4.9	**1.0**	0.5
– Losses arising on hedging contracts	4.9	**–**	(0.2)
Foreign exchange (loss)/gains on translation of foreign subsidiary	4.9	**(0.3)**	0.2
Other comprehensive income for the period, net of tax		**0.7**	0.5
Total comprehensive expense for the period		**(44.2)**	(7.8)

* 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.5 for further details.

The notes on pages 154 to 209 form part of these financial statements.

Consolidated Balance Sheet

as at 2 December 2018

	Notes	2 December 2018 £m	3 December 2017 Restated* £m	28 November 2016 Restated* £m
Non-Current Assets				
Intangible assets	3.1	**143.2**	112.4	79.7
Property, plant and equipment	3.2	**556.7**	468.2	400.3
Deferred tax asset	2.9	**16.6**	14.3	14.2
Costs to obtain contracts	2.4	**0.8**	–	–
Financial assets	3.4	**4.1**	3.0	2.6
Investment in joint ventures	3.5	**52.2**	51.0	57.1
		773.6	648.9	553.9
Current Assets				
Asset held for sale	3.3	**4.2**	–	–
Inventories	3.8	**56.5**	42.9	39.1
Trade and other receivables	3.9	**104.7**	66.8	59.4
Derivative financial instruments	4.6	**0.1**	0.4	0.3
Cash and cash equivalents	3.10	**410.8**	150.0	50.9
		576.3	260.1	149.7
Total Assets		**1,349.9**	909.0	703.6
Current Liabilities				
Trade and other payables	3.11	**(291.0)**	(216.5)	(192.4)
Contract liabilities	2.4	**(6.6)**	(4.7)	(5.9)
Borrowings	4.2	**–**	–	(52.9)
Obligations under finance leases	4.3	**(22.9)**	(27.2)	(29.8)
Derivative financial instruments	4.6	**(0.5)**	(0.1)	(0.2)
Provisions	3.12	**(8.3)**	(1.3)	(2.4)
		(329.3)	(249.8)	(283.6)
Net Current Assets/(Liabilities)		**247.0**	10.3	(133.9)
Non-Current Liabilities				
Contract liabilities	2.4	**(108.6)**	(45.0)	(24.1)
Borrowings	4.2	**(244.3)**	(243.3)	(6.1)
Obligations under finance leases	4.3	**(93.4)**	(107.5)	(127.0)
Provisions	3.12	**(8.8)**	(8.8)	(7.3)
Deferred tax liability	2.9	**(8.9)**	(7.0)	(6.9)
		(464.0)	(411.6)	(171.4)
Net Assets		**556.6**	247.6	248.6
Equity				
Share capital	4.9	**14.0**	12.6	12.6
Share premium	4.9	**587.0**	258.4	256.9
Treasury shares reserve	4.9	**(9.2)**	(48.0)	(48.0)
Reverse acquisition reserve	4.9	**(116.2)**	(116.2)	(116.2)
Other reserves	4.9	**1.4**	0.7	0.2
Retained earnings		**79.6**	140.1	143.1
Total Equity		**556.6**	247.6	248.6

* 2016 and 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.5 for further details.

The notes on pages 154 to 209 form part of these financial statements.

The Consolidated financial statements on pages 149 to 209 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer

Duncan Tatton-Brown
Chief Financial Officer

Ocado Group plc
Company Registration Number 07098618 (England and Wales)
5 February 2019

Consolidated Statement of Changes in Equity

for the 52 weeks ended 2 December 2018

	Notes	Share Capital £m	Share Premium £m	Treasury Shares Reserve £m	Reverse Acquisition Reserve £m	Other Reserves £m	Retained Earnings £m	Total Equity £m
Balance at 27 November 2016		12.6	256.9	(48.0)	(116.2)	0.2	156.9	262.4
IFRS 15: Impact of change in accounting policy		–	–	–	–	–	(13.8)	(13.8)
Restated balance at 27 November 2016*		12.6	256.9	(48.0)	(116.2)	0.2	143.1	248.6
Restated loss for the period*		–	–	–	–	–	(8.3)	(8.3)
Other comprehensive income:								
Cash flow hedges								
– Gains arising on hedging contracts	4.9	–	–	–	–	0.5	–	0.5
– Losses arising on hedging contracts	4.9	–	–	–	–	(0.2)	–	(0.2)
Translation of foreign subsidiary	4.9	–	–	–	–	0.2	–	0.2
Restated Total Comprehensive Income/(Expense) for the Period Ended 3 December 2017*		–	–	–	–	0.5	(8.3)	(7.8)
Transactions with owners:								
– Issues of ordinary shares	4.9	–	0.9	–	–	–	–	0.9
– Allotted in respect of share option schemes	4.9	–	0.6	–	–	–	–	0.6
– Share-based payments charge	4.10	–	–	–	–	–	5.3	5.3
Total Transactions with Owners		–	1.5	–	–	–	5.3	6.8
Restated Balance at 3 December 2017*		12.6	258.4	(48.0)	(116.2)	0.7	140.1	247.6
Loss for the period		**–**	**–**	**–**	**–**	**–**	**(44.9)**	**(44.9)**
Other comprehensive income:								
Cash flow hedges								
– Gains arising on hedging contracts	4.9	**–**	**–**	**–**	**–**	**1.0**	**–**	**1.0**
– Losses arising on hedging contracts	4.9	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Translation of foreign subsidiary	4.9	**–**	**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
Total Comprehensive Income/(Expense) for the Period Ended 2 December 2018		**–**	**–**	**–**	**–**	**0.7**	**(44.9)**	**(44.2)**
Transactions with owners:								
– Issues of ordinary shares	4.9	**1.3**	**322.1**	**–**	**–**	**–**	**–**	**323.4**
– Allotted in respect of share option schemes	4.9	**0.1**	**6.2**	**–**	**–**	**–**	**–**	**6.3**
– Disposal of treasury shares	4.9	**–**	**–**	**11.7**	**–**	**–**	**3.5**	**15.2**
– Transfer of treasury shares to participants	4.9	**–**	**–**	**27.8**	**–**	**–**	**(27.8)**	**–**
– Reclassification between reserves	4.9	**–**	**0.3**	**(0.7)**	**–**	**–**	**0.4**	**–**
– Share-based payments charge	4.10	**–**	**–**	**–**	**–**	**–**	**6.1**	**6.1**
– Disposal of Ocado Information Technology Ltd		**–**	**–**	**–**	**–**	**–**	**2.2**	**2.2**
Total Transactions with Owners		**1.4**	**328.6**	**38.8**	**–**	**–**	**(15.6)**	**353.2**
Balance at 2 December 2018		**14.0**	**587.0**	**(9.2)**	**(116.2)**	**1.4**	**79.6**	**556.6**

* 2016 and 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.5 for further details.

The notes on pages 154 to 209 form part of these financial statements.

Consolidated Statement of Cash Flows

for the 52 weeks ended 2 December 2018

	Notes	**52 weeks Ended 2 December 2018 £m**	53 Weeks Ended 3 December 2017 Restated* £m
Cash Flows from Operating Activities			
Loss before tax		**(44.4)**	(8.3)
Adjustments for:			
– Depreciation, amortisation and impairment losses	3.1, 3.2	**91.3**	71.0
– Movement in provisions	3.12	**7.0**	0.4
– Share of profit in joint venture	3.5	**(1.2)**	(1.6)
– Share-based payments charge	2.7	**6.1**	5.3
– Net Finance costs	4.5	**12.5**	13.7
– Movement in costs to obtain contracts	2.4	**(0.8)**	–
Changes in working capital:			
– Movement in inventories	3.8	**(13.6)**	(3.8)
– Movement in trade and other receivables		**(36.1)**	(10.2)
– Movement in trade and other payables		**55.0**	46.2
– Movement in contract liabilities	2.4	**65.5**	19.7
Settlement of cash flow hedges		**1.6**	–
Cash Generated from Operations		**142.9**	132.4
Interest paid		**(14.5)**	(14.1)
Net Cash Flows from Operating Activities		**128.4**	118.3
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**(112.8)**	(131.0)
Purchase of intangible assets		**(57.3)**	(49.9)
Dividend received from joint venture		**–**	7.6
Interest received		**2.2**	0.2
Net Cash Flows used in Investing Activities		**(167.9)**	(173.1)
Cash Flows from Financing Activities			
Proceeds from the issue of ordinary share capital net of transaction costs		**333.1**	1.5
Proceeds from borrowings		**–**	307.5
Repayment of borrowings		**–**	(110.0)
Repayments of obligations under finance leases		**(32.0)**	(36.5)
Payment of financing fees		**(0.8)**	(8.6)
Net Cash Flows from Financing Activities		**300.3**	153.9
Net Increase in Cash and Cash Equivalents		**260.8**	99.1
Cash and cash equivalents at the beginning of the period		**150.0**	50.9
Cash and Cash Equivalents at the end of the Period	3.10	**410.8**	150.0

* 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.5 for further details.

The notes on pages 154 to 209 form part of these financial statements.

Notes to the Consolidated Financial Statements

Section 1 — Basis of Preparation

1.1 General Information

Ocado Group plc (hereafter "the Company") is a listed company incorporated in the United Kingdom under the Companies Act 2006 (Registration number 07098618). The Company is the parent and the ultimate parent of the Group. The address of its registered office is Buildings 1 & 2 Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL. The financial statements comprise the results of the Company, its subsidiaries and the Group's interest in a jointly controlled entity (hereafter "the Group"). See note 5.1. The Financial Period represents the 52 weeks ended 2 December 2018. The prior financial period represents the 53 weeks ended 3 December 2017. The principal activities of the Group are described in the Strategic Report on pages 14 to 57.

1.2 Basis of Preparation

The financial statements have been prepared in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority (where applicable), International Financial Reporting Standards (IFRS) and International Financial Reporting Standards Interpretation Committee (IFRIC) interpretations as endorsed by the European Union ("IFRS-EU"), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies applied are consistent with those described in the Annual Report and Financial Statements for the 53 weeks ended 3 December 2017 of Ocado Group plc, with the exception of the early adoption of IFRS 15 "Revenue from Contracts with Customers" and "Clarifications to IFRS 15 Revenue from Contracts with Customers".

The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset investments and certain financial assets and liabilities, which are held at fair value.

The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

New standards, amendments and interpretations issued that are effective for the current year

In the current year, the Group has early adopted IFRS 15 "Revenue from Contracts with Customers" as several Ocado Solutions contracts were signed during the year which are impacted by the adoption of IFRS 15. The adoption has had a material impact on the disclosures and amounts reported in these financial statements. See note 1.5 for further information.

The Group has also considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the financial year beginning 4 December 2017 and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's financial statements other than disclosures:

		Effective Date
Various	Amendments to various IFRSs and IASs including those arising from the IASB's annual improvements project	1 January 2017
IAS 7	Statement of cash flows (amendments)	1 January 2017
IAS 12	Income taxes (amendments)	1 January 2017

New standards, amendments and interpretations not yet adopted by the Group

The following further new standards, interpretations and amendments to published standards and interpretations which are relevant to the Group have been issued but are not effective for the financial year beginning 4 December 2017 and have not been adopted early:

		Effective Date
IFRS 2	Share-based payments (amendments)	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10	Consolidated financial statements (amendments)	Deferred
IAS 28	Investments in associates and joint ventures (amendments)	Deferred
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Various	Amendments to various IFRSs and IASs including those arising from the IASB's annual improvements project	Various

The following new standards are not yet effective and the impact on the Group is currently under review:

- IFRS 9 "Financial Instruments", published in July 2014, replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Our review of IFRS 9 has indicated that the impact of this new standard on the Group's results is not anticipated to be material.
- IFRS 16 "Leases" provides guidance on the classification, recognition and measurement of leases to help provide useful information to the users of financial statements. The main aim of this standard is to ensure all leases will be reflected on the Consolidated Balance Sheet, irrespective of substance over form. The new standard will replace IAS 17 "Leases" and is effective for annual periods beginning on or after 1 January 2019 unless adopted early. IFRS 16 is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in operating expenses and an increase in finance costs with no net impact.

Ⓐ See Alternative Performance Measures on pages 229 and 230

1.2 Basis of Preparation (continued)

The standard will also impact a number of statutory measures such as operating profit, cash generated from operations and alternative performance measures, such as EBITDA®, that are used by the Group. The Group's ongoing review of IFRS 16 indicates that the financial impact will result in an increase in finance leased assets of approximately £278 million, and a corresponding increase in financial liabilities of £297 million, on the Consolidated Balance Sheet based on the current portfolio at the year end.

1.3 Basis of Consolidation

The consolidated Group financial statements consist of the financial statements of the Company, all entities controlled by the Company (its subsidiaries) and the Group's share of its interests in joint ventures.

Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which power over the operating and financial decisions is obtained and cease to be consolidated from the date on which power is transferred out of the Group. Power is achieved when the Company has the ability and right, directly or indirectly, to govern the financial and operating policies of an entity. This ability enables the Company to affect the amount of economic benefit generated from the entity's activities. This is evident for all of the Group's subsidiaries listed in note 5.1.

Ocado Polska Sp. z o.o. has a year end of 30 November 2018, as the Poland Accounting Act requires a financial year to be 12 full calendar months from the prior year end date. Ocado Spain S.L.U. and Ocado Bulgaria EOOD have a year end of 31 December 2018, as established in its articles of association. There was no material movement between the reporting date of the Group and the reporting dates of these entities.

All other subsidiaries have a year end of 2 December 2018.

All intercompany balances and transactions, including recognised gains arising from inter-Group transactions, have been eliminated in full. Unrealised losses are eliminated in the same manner as recognised gains except to the extent that they provide evidence of impairment.

Joint Ventures

The Group's share of the results of joint ventures is included in the Consolidated Income Statement using the equity method of accounting. Investments in joint ventures are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. The carrying values of the investments in joint ventures include acquired goodwill.

If the Group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the entity.

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 Presentational Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Pound sterling is the Company's functional and the Group's presentational 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement, except when deferred in equity as qualifying cash flow hedges.

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

Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

b. income and expenses for each income statement are translated at average exchange rates (unless average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

c. all resulting exchange differences are recognised as a separate component of equity.

Notes to the Consolidated Financial Statements

1.4 Significant Accounting Policies and Critical Estimates, Judgements and Assumptions

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

Key estimation uncertainties are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Significant judgements are those that the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information or more experience. Significant accounting policies, key estimation uncertainties, and judgements are provided below.

Accounting policies that are significant due to the nature of business:

Area	Policy	Note
Revenue recognition	For Ocado Retail; revenue from the sale of goods is recognised when the customer obtains controls of the goods, which is generally on delivery to the customer's home for Ocado deliveries and upon transfer of goods to the courier for third party deliveries. For Ocado Solutions; revenue from the rendering of services is recognised over the life of the contract from the date the customer benefits from those services.	2.1

Key estimation uncertainties:

Area	Estimate	Note
Cost of Sales	At the period end the Group is required to estimate supplier income due from annual agreements for volume rebates, which span across the year end date. Confirmation of some amounts due is often only received three to six months after the period end. These post year end amounts are further outlined in note 3.9 on page 182.	2.1
Recognition of deferred tax assets	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 estimates regarding the prudent forecasting of future taxable profits of the business and in applying an appropriate risk adjustment factor.	2.9
Useful economic life and residual value of assets	The assessment of the useful economic life and residual value of the Group's assets involves a significant amount of judgement based on historical experience with similar assets as well as anticipation of future events which may impact their useful life, such as changes in technology. Given the significant investment in technology and other assets, the Group undertakes a review of the remaining useful lives of assets each year and will reduce the remaining useful lives, or impair where necessary, assets that are being superceded by new technology.	3.1/3.2

Significant Judgements:

Area	Judgement	Note
Revenue from contracts with customers	Due to the size and complexity of some of the Ocado Solutions contracts, there are significant judgements to be applied, particularly the duration of the contract and the expected customer life as the majority of the contracts do not have a fixed term. This key judgement determines the amount of deferred income released each year and impacts related balance sheet items such as accrued income and contract liabilities.	2.1
Intangible assets (capitalisation of software costs)	The cost of internally generated assets is capitalised as an intangible asset where it is determined by management's judgement that the ability to develop the assets is technically feasible, will be completed, and that the asset will generate economic benefit that outweighs its cost.	3.1
Provisions, contingent liabilities and contingent assets	A typical Solutions contract includes numerous key milestones and failure to achieve these can be subject to contractual financial penalties. Management judgement is required to review the progress of ongoing projects and determine whether there is a risk that the Group will not meet the agreed milestones and potentially incur a financial penalty.	3.12
Exceptional items Ⓐ	The Group applies judgement in identifying the significant non-recurring items of income and expense that are recognised as exceptional to help provide an indication of the Group's underlying business performance.	2.8
Share options and other equity instruments	When determining the fair value of equity instruments granted, the Group applies a valuation technique. The selection of which option pricing model is most appropriate for each scheme requires careful consideration and the Group will review each scheme's particular features.	4.10

Other estimates, assumptions and judgements are applied by the Group. These include, but are not limited to, depreciation and amortisation on tangible and intangible assets respectively, and provisions. These estimates, assumptions and judgements are also evaluated on a continual basis but are not significant.

Ⓐ See Alternative Performance Measures on pages 229 and 230

1.5 Changes in Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the early adoption of IFRS 15 "Revenue from Contracts with Customers" and "Clarifications to IFRS 15 Revenue from Contracts with Customers".

Initial adoption of IFRS 15 "Revenue from Contracts with Customers"

The standard has an effective date of 1 January 2018 but the Group has decided to early adopt this standard with a date of initial application to the Group of 4 December 2017 using the full retrospective method.

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards such as IAS 17 "Leases".

The standard outlines the principles that entities must apply to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a customer.

The principles in IFRS 15 must be applied using the following 5 step model:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when or as the entity satisfies its performance obligations.

The standard requires entities to exercise considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, as well as requirements covering matters such as licences of intellectual property, warranties, principal versus agent assessment and options to acquire additional goods or services.

The Group has applied IFRS 15 fully retrospectively in accordance with paragraph C3 (a) of the standard, restating the prior period's comparatives and electing to use the following practical expedient:

- in respect of completed contracts that have variable consideration, the Group will use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative periods (para. C5(b));

Details of the change in the Group's accounting policy in respect of revenue recognition are set out in note 2.1.

Notes to the Consolidated Financial Statements

1.5 Changes in Significant Accounting Policies (continued)

The Group early adopted IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) using the full retrospective method. This note details the Group's new accounting policy for revenue and shows the impact of the adoption of IFRS 15 on the Group's primary financial statements.

Below is a description of the IFRS 15 impact on material areas requiring reclassification or restatement:

Consolidated Income Statement Restatement under IFRS 15

	Notes	As previously reported, 53 Weeks Ended 3 December 2017 £m	Impact of IFRS 15	**53 Weeks Ended 3 December 2017 Restated £m**
Revenue	2.3–2.4	1,463.8	(9.3)	**1,454.5**
Cost of sales		(959.5)		**(959.5)**
Gross profit		504.3	(9.3)	**495.0**
Other income	2.5	61.0		**61.0**
Distribution costs		(434.2)		**(434.2)**
Administrative expenses		(117.7)		**(117.7)**
Operating profit before result from joint venture and exceptional itemsⒶ		13.4	(9.3)	**4.1**
Share of result from joint venture	3.5	1.6		**1.6**
Exceptional itemsⒶ	2.8	(0.3)		**(0.3)**
Operating profit	2.6	14.7	(9.3)	**5.4**
Finance income	4.5	0.2		**0.2**
Finance costs	4.5	(13.9)		**(13.9)**
Profit/(loss) for the period		1.0	(9.3)	**(8.3)**
Taxation	2.9	—	—	**—**
Profit/(loss) for the period		1.0	(9.3)	**(8.3)**
Earnings/(loss) per share		pence	pence	**pence**
Basic and diluted earnings/(loss) per share	2.10	0.16	(1.54)	**(1.38)**

Recognition of Revenue:

Under the Group's previous accounting policy, revenue for certain contracts was recognised under the percentage of completion method based upon costs incurred to date as a proportion of the estimated full cost of completing the contract and applying the percentage to the total revenue expected to be earned. Such percentage of completion accounting would typically result in higher levels of revenue recognised in the earlier stages of a contract in line with the profile of costs incurred.

Under IFRS 15 revenue is recognised once, or as, a performance obligation is fulfilled. Typically, in an Ocado Solutions contract, revenue recognition would not commence until the date of "go-live". Previously revenue was typically recognised in the earlier development stages of a contract. This change has resulted in a reduction of £9.3 million in revenue recognised in the period to 3 December 2017. Under IFRS 15, revenue is now spread over the period the services are provided.

Ⓐ See Alternative Performance Measures on pages 229 and 230

1.5 Changes in Significant Accounting Policies (continued)

Consolidated Balance Sheet Restatement under IFRS 15

	Notes	As previously reported, 28 November 2016 £m	Impact of IFRS 15 £m	28 November 2016 Restated £m	As previously reported, 3 December 2017 £m	Impact of IFRS 15 £m	**3 December 2017 Restated £m**
Non-Current Assets							
Intangible assets	3.1	79.7		79.7	112.4		**112.4**
Property, plant and equipment	3.2	397.3	3.0	400.3	453.7	14.5	**468.2**
Deferred tax asset	2.9	14.2		14.2	14.3		**14.3**
Costs to obtain contracts	2.4	–		–	–		**–**
Financial assets	3.4	2.6		2.6	3.0		**3.0**
Investment in joint ventures	3.5	57.1		57.1	51.0		**51.0**
		550.9	3.0	553.9	634.4	14.5	**648.9**
Current Assets							
Inventories	3.8	39.1		39.1	42.9		**42.9**
Trade and other receivables	3.9	59.4		59.4	66.8		**66.8**
Derivative financial instruments	4.6	0.3		0.3	0.4		**0.4**
Cash and cash equivalents	3.10	50.9		50.9	150.0		**150.0**
		149.7	–	149.7	260.1	–	**260.1**
Total Assets		700.6	3.0	703.6	894.5	14.5	**909.0**
Current Liabilities							
Trade and other payables	3.11	(205.6)	13.2	(192.4)	(228.6)	12.1	**(216.5)**
Contract liabilities	2.4	–	(5.9)	(5.9)	–	(4.7)	**(4.7)**
Borrowings	4.2	(52.9)		(52.9)	–		**–**
Obligations under finance leases	4.3	(29.8)		(29.8)	(27.2)		**(27.2)**
Derivative financial instruments	4.6	(0.2)		(0.2)	(0.1)		**(0.1)**
Provisions	3.12	(2.4)		(2.4)	(1.3)		**(1.3)**
		(290.9)	7.3	(283.6)	(257.2)	7.4	**(249.8)**
Net Current (Liabilities)/Assets		(141.2)	7.3	(133.9)	2.9	7.4	**10.3**
Non-Current Liabilities							
Contract liabilities	2.4	–	(24.1)	(24.1)	–	(45.0)	**(45.0)**
Borrowings	4.2	(6.1)		(6.1)	(243.3)		**(243.3)**
Obligations under finance leases	4.3	(127.0)		(127.0)	(107.5)		**(107.5)**
Provisions	3.12	(7.3)		(7.3)	(8.8)		**(8.8)**
Deferred tax liability	2.9	(6.9)		(6.9)	(7.0)		**(7.0)**
		(147.3)	(24.1)	(171.4)	(366.6)	(45.0)	**(411.6)**
Net Assets		262.4	(13.8)	248.6	270.7	(23.1)	**247.6**
Equity							
Share capital	4.9	12.6		12.6	12.6		**12.6**
Share premium	4.9	256.9		256.9	258.4		**258.4**
Treasury shares reserve	4.9	(48.0)		(48.0)	(48.0)		**(48.0)**
Reverse acquisition reserve	4.9	(116.2)		(116.2)	(116.2)		**(116.2)**
Other reserves	4.9	0.2		0.2	0.7		**0.7**
Retained earnings		156.9	(13.8)	143.1	163.2	(23.1)	**140.1**
Total Equity		262.4	(13.8)	248.6	270.7	(23.1)	**247.6**

The cumulative effect of the adoption of IFRS 15 has resulted in a decrease in net assets of £23.1 million as at 3 December 2017 (28 November 2016 : £13.8 million) and a corresponding decrease in retained earnings. This reflects an important change in accounting policy as the Group moves from percentage of completion to a methodology that is focused on aligning revenue recognition to the delivery of their performance obligation as described in note 2.1. The new policy results in lower levels of revenue being recognised in the early stages of a contract but higher levels towards the end of a contract.

The decrease in trade and other payables relates to the reclassification and restatement of deferred income as non-current and current contract liabilities. Prior to adoption of IFRS 15 deferred income was classified within 'Trade and other payables'.

The increase in property, plant and equipment relates to contributions received from a customer towards the cost of an asset. These are within the scope of IFRS 15 and are therefore recognised as contract liabilities and released over the life of the contract but were previously offset against the cost of the asset.

Notes to the Consolidated Financial Statements

1.5 Changes in Significant Accounting Policies (continued)

Consolidated Statement of Cash Flows Restatement under IFRS 15

	Notes	As previously reported, 53 weeks Ended 3 December 2017 £m	Impact of IFRS 15	**53 weeks Ended 3 December 2017 Restated £m**
Cash Flows from Operating Activities				
Profit/(loss) before tax		1.0	(9.3)	**(8.3)**
Adjustments for:				
– Depreciation, amortisation and impairment losses	3.1, 3.2	71.0		**71.0**
– Movement in provisions	3.12	0.4		**0.4**
– Share of profit in joint venture	3.5	(1.6)		**(1.6)**
– Share-based payments charge	2.7	5.3		**5.3**
– Net Finance costs	4.5	13.7		**13.7**
Changes in working capital:				
– Movement in inventories		(3.8)		**(3.8)**
– Movement in trade and other receivables		(10.2)		**(10.2)**
– Movement in trade and other payables		45.1	1.1	**46.2**
– Movement in contract liabilities	2.4	—	19.7	**19.7**
Cash Generated from Operations		120.9	11.5	**132.4**
Interest paid		(14.1)		**(14.1)**
Net Cash Flows from Operating Activities		106.8	11.5	**118.3**
Cash Flows from Investing Activities				
Purchase of property, plant and equipment		(119.5)	(11.5)	**(131.0)**
Purchase of intangible assets		(49.9)		**(49.9)**
Dividend received from joint venture		7.6		**7.6**
Interest received		0.2		**0.2**
Net Cash Flows used in Investing Activities		(161.6)	(11.5)	**(173.1)**
Cash Flows from Financing Activities				
Proceeds from the issue of ordinary share capital		1.5		**1.5**
Proceeds from borrowings		307.5		**307.5**
Repayment of borrowings		(110.0)		**(110.0)**
Repayments of obligations under finance leases		(36.5)		**(36.5)**
Payment of financing fees		(8.6)		**(8.6)**
Net Cash Flows from Financing Activities		153.9	—	**153.9**
Net Increase in Cash and Cash Equivalents		99.1	—	**99.1**
Cash and cash equivalents at the beginning of the period		50.9	—	**50.9**
Cash and Cash Equivalents at the end of the Period	3.10	150.0	—-	**150.0**

As a result of the adoption of IFRS 15, certain reclassifications are required in relation to the cash flow movements between relevant balance sheet accounts. There has been no change in the net increase in cash and cash equivalents as a result of these reclassifications or the restatement of these balance sheet accounts.

1.6 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 the going concern basis. There has been no material uncertainty identified which would cast significant doubt upon the Group's ability to continue using the going concern basis of accounting for the 12 months following the approval of this Annual Report.

In assessing going concern, the Directors take into account the Group's cash flows, solvency and liquidity positions and borrowing facilities. At the period end, the Group had cash and cash equivalents of £410.8 million (2017: £150.0 million), external gross debt[A] (excluding finance leases payable to MHE JVCo) of £286.1 million (2017: £283.9 million) and net current assets of £247.0 million (2017: £10.3 million). The Group has a mix of short and medium term finance arrangements and has £250 million senior secured notes due 2024 and a £100 million revolving credit facility which contains typical financial covenants and runs until June 2022. The facility has not been drawn down to date. The Group forecasts its liquidity requirements, working capital position and the maintenance of sufficient headroom against the financial covenants in its borrowing facilities (see below). The financial position of the Group, including information on cash flow, can be found in our Financials on pages 142 to 223. In determining whether there are material uncertainties, the Directors consider the Group's business activities, together with factors that are likely to affect its future development and position (see Our Strategy on pages 26 and 27) and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors (see pages 44 to 49).

Further details of the Group's considerations are provided in the Group's Viability and Going Concern Statement on page 49.

[A] See Alternative Performance Measures on pages 229 and 230

Section 2 — Results for the Year

2.1 Loss Before Tax

Accounting Policies

Revenue

Revenue represents the transaction price that Ocado 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 a 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. The following provides information about the nature and timing of the satisfaction of performance obligations in our contracts and the related revenue recognition policies, categorised by reportable segments. For information about reportable segments, see note 2.2.

Retail Segment

Identification of the Performance Obligations

In a typical retail contract there is one performance obligation which is to deliver goods ordered online to the retail customer at the scheduled time and to the agreed address. "Ocado Smart Pass", the Group'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. Ocado is able to apply the practical expedient allowed in the standard to apply the standard requirements to a portfolio of contracts, rather than individual contracts, as it believes the characteristics of each sale are similar and the effects on the financial statements of doing so would not differ materially from applying the standard to individual contracts.

Determining the Transaction Price

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

Allocation of Transaction Price to the Performance Obligations

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

Revenue Recognition

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

Solutions Segment

Identification of the Performance Obligations

Each Solutions contract is considered on a case by case basis. A typical Ocado Solutions contract has a single performance obligation – "to enable the client to access the OSP end-to-end online grocery platform from the go-live date, with an agreed physical capacity, from a CFC for example, for the use of its retail brands". The ability to derive independent benefit is a key determinant. For example, there are several critical contractual milestones which occur before the service is operational such as the design of the CFC for the client or preparation of the OSP. However, management has concluded that the customer is not able to derive any benefit from these individual elements until the service is operational and they are able to fulfil an order. Consequently, designing the CFC or building the customer OSP is not a performance obligation and no revenue can be assigned to satisfying these aspects of the contract. Some contracts however will have multiple components for example, the addition of Store Pick services or additional CFCs, which could lead to additional distinct performance obligations. In these situations, management will use their judgement to determine whether there are separable performance obligations that the customer is able to benefit from independently.

Determining the Transaction Price

At contract inception, the total transaction price is estimated, being the amount to which the Group expects to be entitled over the expected duration of the contract, based on the rights it has under the present contract. Such expected amounts are only included to the extent that it is highly probable that no revenue reversal will occur.

In order to arrive at the transaction price, management are initially required to make a judgement on contract duration. The majority of our Solutions contracts do not have a fixed contract term, but instead run for an indefinite period until cancelled. For the purposes of applying IFRS 15, and in particular the disclosures in respect of unsatisfied performance obligations, management determines contract duration having considered the type of contract, performance against contract SLAs and termination provisions. The point from which any termination penalties payable by the customer would no longer be considered "substantive" is particularly relevant. This key judgement on contract duration defines the period for which unsatisfied and partially unsatisfied performance obligations are measured and disclosed when calculating the transaction price.

Notes to the Consolidated Financial Statements

2.1 Loss Before Tax (continued)

Typically, our Solutions contracts include both upfront fees, paid by the customer in the period prior to the solution going live, and subsequent annual amounts that are either recurring or variable. The upfront fees are one-off payments and are included in the transaction price and recognised over the expected customer life. Expected customer life is a key judgement as it affects the amount of deferred upfront fees that are released as revenue each year and the factors considered in reaching the judgement on expected customer life include the nature of the performance obligation, the scale of current and future planned investment, performance against contract SLAs, the evolving technology and competitive landscape. The judgements made for contract duration may be different than those judgements for expected customer life.

A Solutions contract often includes recurring fees which are repeated on an annual basis throughout the contract, which are recognised over the contract duration and are included in the estimate of total transaction price.

Variable amounts are annual fees whereby typically the variability relates to the volume of sales transactions processed or variable costs associated with providing the service to the customer. We determine that these variable amounts should be recognised in the period in which they arise, because they relate to the services provided in that period. In determining the total transaction price for disclosure we have estimated the amount of future variable consideration for the contract duration described above.

IFRS 15 requires estimates of future variable consideration to adopt a conservative amount that is 'highly probable' to become due. In respect of agreements that are already operating, we have based our constrained estimate by assuming 90% of FY18 performance. This estimate also excludes potential benefits from both indexation and future revenue growth from capacity improvements and the continued channel shift to online in the industry. It also considers potential risks from new entrants to the online fulfilment market as it continues to grow and the competitive nature of the grocery market itself which could have an adverse impact on volumes.

Although for most Solutions contracts there is the possibility that the customer will add capacity in the form of additional modules in existing CFCs or additional CFCs in new locations, which would lead to increased revenue, this has been excluded from the calculation of the estimated transaction price.

Taken together we therefore consider that this approach represents a suitably conservative view of future estimated revenue in the disclosures of unsatisfied obligations as required by IFRS 15.

For each Solutions contract an assessment has been made by the Group as to whether there is a significant finance benefit arising from the timing of payments required from the customer. Judgement is required to choose an appropriate interest rate used in the assessment and to set a reasonable threshold for determining that any finance benefit is significant.

Allocation of Transaction Price to the Performance Obligations

Single component contracts have a single performance obligation and all the transaction price is assigned to that single deliverable. Multiple component contracts will have more than one obligation, each with its own contract duration as judged by management. Each contract clearly states the fees relating to each component. This provides management with a basis for allocation of the calculated transaction price to the performance obligations as required by the standard in proportion to their relative revenue value in the contract.

Revenue Recognition

For each performance obligation and its allocated transaction price, recognition of the revenue is made from the point at which the customer starts to benefit from the services and over the period the services are provided. The nature of the services provided, that is the ability to fulfil online grocery orders, represents equal value to the customer every day that the service is provided. This uniformity of value to the customer over time has led the Group to the decision that the most appropriate method of measuring the satisfaction of obligations should be on a straight-line time-elapsed basis. IFRS 15 defines this as an "output method" which recognises revenue by reference to the value to the customer.

Judgement is applied in relation to contract and customer lives as typically, contracts have no end date. Depending on the expected contract life, the amount and timing of revenue recognised may be different in the relevant accounting periods. As the Group has not yet launched a CFC internationally, the Directors have limited relevant historical information on which to base their assumptions. Therefore, in making their judgements, the Directors have considered qualitative and quantitative reasonable and supportable information such as market evidence and certain clauses contained within Solutions' contracts.

Contract Modifications

The Group's contracts may be amended for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

a. prospectively as an additional separate contract;

b. prospectively as a termination of the existing contract and creation of a new contract

c. as part of the original contract using a cumulative catch up; or

d. as a combination of b) and c)

2.1 Loss Before Tax (continued)

For contracts for which the Group has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognised over time, the modification will always be treated under a) or b).

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end as management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price. Importantly any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur.

Contract Costs and Liabilities

As a result of the contracts which the Group enters into with its clients, a number of different assets and liabilities are recognised on the Group's balance sheet. These include but are not limited to:

- Property, plant and equipment
- Intangible assets
- Costs to obtain contracts
- Contract liabilities

Incremental Costs of Obtaining a Contract

These are costs that are incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The incremental costs of obtaining a contract with a customer are recognised as an asset if they are expected to be recoverable.

Utilisation, Derecognition and Impairment of Costs to Obtain a Contract

Incremental costs to obtain a contract shall be amortised on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Incremental costs to obtain a contract are derecognised either when they are disposed of or when no further economic benefits are expected to flow from their use or disposal.

Management is required to determine the recoverability of contract related assets within property, plant and equipment, intangible assets as well as capitalised costs to obtain a contract, accrued income and trade receivables. At each reporting date, the Group determines whether or not the capitalised costs to obtain a contract are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Contract Liabilities

The Group's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. The Group often agrees payment schedules at the inception of long-term contracts under which it receives payments throughout the term of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance. Where payments made, or when the Group has an unconditional right to payment, are greater than the revenue recognised at the period end date, the Group recognises a contract liability. Where payments made are less than the revenue recognised at the period end date, and the Group have an unconditional right to payment, the Group recognises accrued income for this difference.

Cost of Sales

Cost of sales represents the cost of groceries and other products the Group sells, any associated licence fees which are driven by the volume of sales of specific products or product groups, including the branding and sourcing fees payable to Waitrose, adjustments to inventory and charges for transportation of goods from a supplier to a CFC.

Commercial Income

The Group continues to have agreements with suppliers whereby promotional allowances and volume-related rebates are received in connection with the promotion or purchase of goods for resale from those suppliers. The allowances and rebates are included in cost of sales. For the 52 weeks ended 2 December 2018, promotional allowances represent 80% (2017: 81%) of commercial income, with volume-related rebates representing 20% (2017: 19%).

Notes to the Consolidated Financial Statements

2.1 Loss Before Tax (continued)

Promotional Allowances

Cost of sales includes monies received from suppliers in relation to the agreed funding of selected items that are sold by the Group on promotion and is recognised once the promotional activity has taken place in the period to which it relates on an accruals basis. The estimates required for this source of income are limited because the time periods of promotional activity, in most cases, are less than one month and the invoicing for the activity occurs on a regular basis shortly after the promotions have ended.

Volume-Related Rebates

At the period end the Group is required to estimate supplier income due from annual agreements for volume rebates, which span across the year end date. Estimates are required due to the fact that confirmation of some amounts due is often only received three to six months after the period end. Where estimates are required, these are based on current performance, historical data for prior years and a review of significant supplier contracts. A material amount of this income is received from third parties via the Group's supply agreement with Waitrose. The estimates for this income are prepared following discussions with Waitrose throughout the year and regularly reviewed by senior management.

Uncollected Commercial Income

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

Other Income

Other income comprises the fair value of consideration received or receivable for advertising services provided by Ocado to suppliers and other third parties on the Webshop, commission income, rental income, sublease payments receivable and amounts receivable not in the ordinary course of business. Income for advertising services is recognised over the particular time period for which the service is provided on an accruals basis. An adjustment is made at the period end to accrue the amount of income in relation to campaigns that may span the period end; however, such adjustments are not typically material.

Employee Benefits

The Group contributes to the personal pension plans of its staff through two pension plans: a defined contribution Group personal pension, which is administered by Legal & General, and a defined contribution Money Purchase Scheme administered by People's Pensions. Legacy employer contributions to the schemes are calculated as a percentage of salary based on length of scheme membership. From October 2017 new members to the scheme are enrolled into a matching contribution structure. Contributions are charged to the income statement in the period to which they relate.

Distribution Costs

Distribution costs consist of all the costs incurred, excluding product costs, to the point of sale. In most cases, this is the customer's home. 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, call centre costs and payment processing charges. This includes costs incurred on behalf of Morrisons which are subsequently recharged.

Administrative Expenses

Administrative expenses consist of all IT costs, advertising and marketing expenditure (excluding vouchers), share-based payments costs, employment costs of all central functions, which include board, legal, finance, human resources, marketing and procurement, rent 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. Additionally, this includes costs incurred on behalf of Morrisons which are subsequently recharged.

Exceptional ItemsⒶ

The Group has adopted an income statement format which seeks to highlight significant items within the Group results for the year. The Group believes this format is useful as it highlights non-recurring items, such as material set-up costs for new fulfilment warehouses, reorganisation and restructuring costs, profit or loss on disposal of operations, and impairment of assets. Exceptional itemsⒶ, as disclosed on the face of the Consolidated Income Statement, are items that due to their material and/or non-recurring nature, as determined by management, have been classified separately in order to draw them to the attention of the reader of the financial statements and to avoid distortion of underlying performance. This facilitates comparison with prior periods to assess trends in financial performance more readily. It is determined by management that each of these items relates to events or circumstances that are non-recurring in nature.

The Group applies judgement in identifying the significant non-recurring items of income and expense that are recognised as exceptional to help provide an indication of the Group's underlying business performance. Examples of items that the Group considers as exceptional include, but are not limited to, material costs relating to the opening of a new warehouse, corporate reorganisations, head office relocation costs and any material costs outside of the normal course of business as determined by management.

Ⓐ See Alternative Performance Measures on pages 229 and 230

2.2 Segmental Reporting

The Group's principal activities are grocery retailing and the development and monetisation of Intellectual Property ("IP") and technology used for the online retailing, logistics and distribution of grocery and consumer goods. The Group is not reliant on any major customer for 10% or more of its revenue.

In accordance with IFRS 8 "Operating Segments", an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision-maker ("CODM"), for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, as required by IFRS 8. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

During the period, the Group determined it has two reportable segments: Retail and Solutions. The Retail segment provides online grocery and general merchandise offerings to customers within the UK. The Solutions segment provides end-to-end online retail solutions to corporate customers within and outside of the UK. In order to reconcile segment revenuesⒶ to the Group revenue and profit, a third category entitled "Other" shows unallocated costs such as central business activities.

The Board assesses the performance of all segments on the basis of EBITDA. EBITDAⒶ as reported internally by segment, is the key measure utilised in assessing the performance of operating segments within the Group.

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment Revenue and EBITDAⒶ	Retail £m	Solutions £m	Other £m	Total £m
2017 (restated)*				
Segment revenueⒶ	1,346.1	108.4	—	1,454.5
Segment EBITDAⒶ	81.0	(6.9)	2.6	76.7
2018				
Segment revenueⒶ	**1,475.8**	**123.0**	**—**	**1,598.8**
Segment EBITDAⒶ	**82.5**	**(17.9)**	**(5.1)**	**59.5**

*2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.5 for further details.

No measure of total assets and total liabilities are reported for each reportable segment, as such amounts are not regularly provided to the chief operating decision-maker.

2.3 Gross SalesⒶ

The reconciliation of revenue to gross salesⒶ is as follows:

	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Revenue	**1,598.8**	1,454.5
VAT	**124.0**	113.1
Marketing vouchers	**25.5**	22.7
Gross salesⒶ	**1,748.3**	1,590.3

Ⓐ See Alternative Performance Measures on pages 229 and 230

Notes to the Consolidated Financial Statements

2.4 Revenue from Contracts with Customers

Disaggregation of revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Segment Revenue Ⓐ	52 Weeks Ended 2 December 2018 £'000	53 Weeks Ended 3 December 2017 £'000
Retail	**1,475.8**	1,346.1
Solutions	**123.0**	108.4
	1,598.8	1,454.5
Timing of Revenue Recognition		
At a point in time	**1,475.8**	1,346.1
Over time	**123.0**	108.4
	1,598.8	1,454.5

Contract Balances

	Notes	2 December 2018 £m	3 December 2017 Restated* £m	28 November 2016 Restated* £m
Trade receivables	3.9	**8.6**	8.6	6.0
Contract liabilities		**(115.2)**	(49.7)	(30.0)

Analysis of total contract liabilities:

	2 December 2018 £m	3 December 2017 Restated* £m	28 November 2016 Restated* £m
Current	**(6.6)**	(4.7)	(5.9)
Non-current	**(108.6)**	(45.0)	(24.1)
	(115.2)	(49.7)	(30.0)

The contract liabilities primarily relate to the advance consideration received from customers for Solutions contracts, for which revenue is recognised as the performance obligation is satisfied.

Significant changes in the contract liabilities balance during the period is as follows:

	2 December 2018 Contract liabilities £m	3 December 2017 Contract liabilities £m
At beginning of the period	**(49.7)**	(30.0)
Increase due to the cash received	**(70.2)**	(25.6)
Recognised as revenue	**4.7**	5.9
At the end of the period	**(115.2)**	(49.7)

* 2016 and 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.5 for further details.

Ⓐ See Alternative Performance Measures on pages 229 and 230

2.4 Revenue from Contracts with Customers (continued)

Set out below is the amount of revenue recognised from:

	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Amount included in the contract liabilities at the beginning of the year	4.7	5.9

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are, as follows:

	2 December 2018 £m	3 December 2017 £m
Within one year	112	123
Between one and five years	833	487
More than five years	2,136	1,713
Total transaction price	3,081	2,323

Total transaction price includes £1,736.3 million (2017: £1,827.2 million) in respect of potential revenues in relation to the recovery of costs that are expected to be incurred in exisiting Solutions contracts.

The amounts disclosed above in respect of unsatisfied and partially unsatisfied performance obligations do not include estimates of any amounts that will arise if the customer continues to receive services beyond our estimate of the contract term. In addition, they are reduced, during the contract term, so as to limit our estimate of future variable amounts to a conservative amount that is 'highly probable'. For additional information in respect of key judgements, please refer to note 2.1. The figures disclosed do not include any incremental amounts in relation to CFCs and other solutions to which a customer is not yet committed. However, they do include any amounts that are payable by the customer irrespective of whether an option for future CFCs and other solutions is exercised (e.g. amounts that are equivalent to a non-refundable deposit).

Costs to Obtain Contracts

	£m
As at 4 December 2017	—
Additions	0.8
Impairment and derecognition	—
Amortised in the year	—
As at 2 December 2018	0.8

Management expects that the incremental costs of obtaining the contract i.e. sales bonus are recoverable. The Group has therefore capitalised them as costs to obtain contracts of £0.8 million as at 2 December 2018 (2017: £nil).

These capitalised costs will be amortised over the period of transferring goods or services to the customer.

2.5 Other Income

Other income comprises:

	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Media and other income	58.5	48.1
Rental income	13.4	12.9
Other income	71.9	61.0

Notes to the Consolidated Financial Statements

2.6 Operating Expenses

Operating expenses include:

	Notes	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Cost of inventories recognised as an expense		**1,035.5**	944.3
Employment costs	2.7	**319.7**	285.2
Amortisation expense	3.1	**27.1**	15.4
Depreciation of property, plant and equipment	3.2	**63.3**	55.0
Impairment of property, plant and equipment, included in:			
– Distribution costs	3.2	**0.5**	0.4
Impairment of intangible assets, included in:			
– Administrative expenses	3.1	**0.4**	0.2
Impairment of receivables	3.9	**(1.1)**	(0.2)
Research and development costs		**—**	0.2
Operating lease rentals:			
– Land and buildings		**20.9**	22.7
– Other leases		**—**	0.1
Net foreign exchange movements		**0.1**	0.3

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

	52 Weeks Ended 2 December 2018 £'000	53 Weeks Ended 3 December 2017 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**75**	70
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries	**356**	275
Audit other	**25**	—
Total audit fees	**456**	345
– Audit related assurance services	**39**	40
– Other assurance services	**—**	51
– Corporate finance services	**—**	220
Total non-audit fees	**39**	311
	495	656

2.7 Employee Information

Employment costs during the financial period were as follows:

	Notes	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Staff Costs During the Period:			
Wages and salaries		**337.8**	297.4
Social security costs		**29.8**	25.7
Other pension costs		**7.7**	5.9
Share-based payment expense*		**13.1**	6.9
Total gross employment costs		**388.4**	335.9
Staff costs capitalised to intangible assets	3.1	**(51.5)**	(38.9)
Staff costs capitalised to property, plant and equipment	3.2	**(17.2)**	(11.8)
Total employment cost expense		**319.7**	285.2
Average Monthly Number of Employees (including Executive Directors) by Function			
Operational staff		**11,199**	10,267
Support staff		**2,253**	1,966
		13,452	12,233

* Included in the share-based payment expense is the IFRS 2 equity-settled charge of £6.1 million (2017: £5.3 million) and an additional provision of £7.0 million (2017: £1.6 million) for the payment of amounts due to participants of the Cash LTIP and the Beauty MIP, and for the payment of employer's national insurance contributions on certain employee incentive schemes.

2.8 Exceptional Items Ⓐ

	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Head office relocation costs	**—**	0.2
Litigation costs	**0.1**	0.1
	0.1	0.3

Litigation costs

The Group has incurred litigation costs relating to the recovery of interchange fees for card transactions. The fees relating to this are material and non-recurring and have therefore been treated as exceptional.

Head office relocation costs

In the prior period, the Group relocated its head office. The move to the new premises was completed in stages to minimise the impact on the business and the Group incurred dual running costs as it transitioned to the new premises. Due to the one-off nature of the head office move, these costs were treated as exceptional.

Ⓐ See Alternative Performance Measures on pages 229 and 230

Notes to the Consolidated Financial Statements

2.9 Taxation

Accounting Policies

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

Current Taxation

Current tax is the expected tax payable on the taxable income for the period, calculated using tax rates enacted by the balance sheet date. Management periodically evaluate 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. 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. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Recognition, therefore, involves judgement regarding the prudent risk-adjusted forecasting of future taxable profits of the business and in applying an appropriate risk adjustment factor. The final outcome of some of these items may give rise to material profit and loss and/or cash flow variances. At the balance sheet date, management have forecast that the Group would generate future taxable profits against which existing tax losses could be relieved. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

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.

Research and Development Expenditure Credit

The Group takes advantage of the incentives offered under the UK's Research and Development Expenditure Credit (RDEC) regime to claim a credit for the Group's significant expenditure on qualifying research and development. As enacted in the Finance Act 2015, the credit due to the Group is equal to 11% of the Group's qualifying expenditure. The Group continues to utilise the additional benefits from the scheme in light of the Group's commitment to its innovative technology and software.

During the year the Group claimed a credit of £3.0 million for the 53 weeks ended 3 December 2017 (2016: £2.4 million for the 52 weeks ended 27 November 2016).

Future Changes to Tax Legislation

The Group undertakes regular reviews in order to ensure its ongoing compliance with current and future proposed changes to UK tax legislation. The Group has undertaken a review of the Group's activities in light of the OECD's Base Erosion and Profit Shifting (BEPS) publications and does not foresee any significant impact on the Group's effective tax rate resulting from the proposed changes in the short to medium term.

The Group's future tax charge, and effective tax rate, could be affected by several factors including; tax reform in countries around the world, including any arising from the OECD's or European Commission's work on the taxation of the digital economy and European Commission initiatives such as the anti tax avoidance directive.

We do not anticipate any significant impact on our future tax charge, liabilities or assets, as a result of the triggering of Article 50(2) of the Treaty on European Union but cannot rule out the possibility that, for example, a failure to reach satisfactory arrangements for the UK's future relationship with the European Union, could have an impact on such matters. We continue to monitor developments in this area.

2.9 Taxation (continued)

Taxation — Income Statement

	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Recognised in the Consolidated Income Statement		
Current tax:		
UK corporation tax on profits of the period	—	—
Adjustments in respect of prior periods	(0.1)	—
Total current tax	(0.1)	—
Deferred tax:		
Overseas deferred tax on profits of the period	(0.4)	
Origination and reversal of temporary differences	—	—
Total deferred tax	(0.4)	—
Income tax expense	(0.5)	—

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

	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Loss before tax	(44.4)	(8.3)
Effective tax charge at the UK tax rate of 19% (2017: 19%)	(8.4)	(1.6)
Effect of:		
Losses arising in year on which no deferred tax is recognised	(2.0)	(3.9)
Permanent differences	(9.1)	2.7
Temporary differences on which no deferred tax recognised	19.1	1.0
Prior year adjustments	(0.1)	—
IFRS 15 adjustment in respect of prior years	—	1.8
Income tax charge for the period	(0.5)	—

Taxation — Balance Sheet

Movement in the deferred tax asset is as follows:

	Tax Losses Carried Forward £m	Other Short Term Timing Differences £m	Total £m
As at 27 November 2016	14.2	—	14.2
Recognised through the Consolidated Income Statement	0.1	—	0.1
As at 3 December 2017	14.3	—	14.3
Recognised through the Consolidated Income Statement	(4.8)	7.1	2.3
As at 2 December 2018	9.5	7.1	16.6

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 19% to 17% from 1 April 2020. Deferred tax has been provided at the rate at which the deferred tax asset is expected to be utilised.

Notes to the Consolidated Financial Statements

2.9 Taxation (continued)

Movement in the unrecognised deferred tax asset is set out below:

	Tax Losses Carried Forward £m	Accelerated Capital Allowances £m	Other Short-Term Timing Differences £m	Total £m
As at 27 November 2016	34.2	11.6	–	45.8
Effect of change in UK corporation tax rate	(2.7)	8.8	0.2	6.3
Potential movement in the period unrecognised through:				
— Consolidated Income Statement	(15.0)	2.3	1.1	(11.6)
IFRS 15 Prior year adjustment	4.4	–	(4.4)	–
As at 3 December 2017	20.9	22.7	(3.1)	40.5
Effect of change in UK corporation tax rate				
Potential movement in the period unrecognised through:				
— Consolidated Income Statement	**13.7**	**(2.3)**	**4.1**	**15.5**
As at 2 December 2018	**34.6**	**20.4**	**1.0**	**56.0**

As at 2 December 2018 the Group had approximately £256.4 million of unutilised tax losses (2017: approximately £183.6 million) available for offset against future profits. A deferred tax asset of £9.5 million (2017: £14.3 million) has been recognised in respect of £55.9 million (2017: £84.0 million) of such losses, the recovery of which is supported by the expected level of future profits of the Group. The recognition of the deferred tax asset is based on forecast operating results calculated in approved business plans and a review of tax planning opportunities.

No deferred tax asset has been recognised in respect of the remaining losses on the basis that their future economic benefit is uncertain given the unpredictability of future profit streams. All tax losses, both recognised and unrecognised, can be carried forward indefinitely.

Management have concluded that there is sufficient evidence for the recognition of the deferred tax asset of £16.6 million (2017: £14.3 million).

Movement in the recognised deferred tax liability is set out below:

	£m
As at 27 November 2016	(6.9)
Effect of change in UK corporation tax rate	–
Recognised through the Consolidated Income Statement	(0.1)
As at 3 December 2017	(7.0)
Recognised through the Consolidated Income Statement	**(1.9)**
As at 2 December 2018	**(8.9)**

For the year ended 2 December 2018 the Group has recognised a deferred tax liability of £8.9 million (2017: £7.0 million). Of this amount, £8.8 million (2017: £4.5 million) is in respect of intangible assets that management assessed as qualifying for research and development corporation tax relief. The timing of the tax deductions in respect of expenditure incurred on these assets differs from the amortisation profile of the assets giving rise to the deferred tax liability. This liability will be unwound over the useful lives of the assets

2.10 Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held pursuant to the Group's JSOS, which are accounted for as treasury shares.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion or vesting of all dilutive potential shares. The Company has three classes of instruments that are potentially dilutive: share options, share interests held pursuant to the Group's Joint Share Ownership scheme and shares under the Group's staff incentive plans.

There was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

Basic loss and diluted loss per share have been calculated as follows:

	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Issued shares at the beginning of the period, excluding treasury shares	**601.4**	598.8
Effect of share options exercised in the period	**20.7**	0.7
Effect of treasury shares disposed of in the period	**(5.0)**	–
Effect of treasury shares transferred to participants in the period	**(4.4)**	–
Effect of shares issued in the period	**42.7**	–
Weighed average number of shares at the end of the period	**655.4**	599.5
	£m	£m
Loss attributable to the owners of the Company	**(44.9)**	(8.3)
	pence	pence
Basic and diluted loss per share	**(6.85)**	(1.38)

Notes to the Consolidated Financial Statements

Section 3 — Assets and Liabilities

3.1 Intangible Assets

Accounting Policies

Intangible Assets

Intangible assets comprise internally generated assets relating mainly to computer software and other intangible assets relating mainly to externally acquired computer software and assets, and the right to use land. These are carried at cost less accumulated amortisation and any recognised impairment loss. Other intangible assets such as externally acquired computer software and software licences are capitalised and amortised on a straight-line basis over their useful lives of three to fifteen years. Costs relating to the development of computer software for internal use are capitalised once all the development phase recognition criteria of IAS 38 "Intangible Assets" are met. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software. Amortisation and impairment of computer software or licences are charged to administrative expenses in the period in which they arise. For the Group's impairment policy on non-financial assets see note 3.2.

Amortisation of intangible assets is calculated on a straight-line basis from the date on which they are brought into use, charged to administrative expenses, and is calculated based on the useful lives indicated below:

Internally generated assets	3–15 years, or the lease term if shorter
Other intangible assets	3–15 years, or the lease term if shorter
Right to use land	The estimated useful economic life, or the lease term if shorter

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

Cost Capitalisation

The cost of internally generated assets is capitalised as an intangible asset where it is determined by management's judgement that the ability to develop the assets is technically feasible, will be completed, and that the asset will generate economic benefit that outweighs its cost. This is in line with the recognition criteria as outlined in IAS 38 "Intangible Assets". Management determine whether the nature of the projects meets the recognition criteria to allow for the capitalisation of internal costs, which include the total cost of any external products or services and labour costs directly attributable to development. During the year management have considered whether costs in relation to the time spent on specific software projects can be capitalised. Time spent that was eligible for capitalisation included time which was intrinsic to the development of new assets, CFC and General Merchandise Distribution Centre, and the enhancement and efficiency improvements of existing warehouse system capabilities to accommodate expanding capacity and scalable opportunities. Time has also been spent to continuously implement and integrate the functionality of the Ocado Smart Platform used by the Group's customers.

Other development costs that do not meet the above criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

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

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

3.1 Intangible Assets (continued)

Of the internally generated assets capitalised, 25% (2017: 22%) relates to asset additions within property, plant and equipment.

Estimation of Useful Life

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

The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Group will receive benefits from the software.

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

Where the right to use land has been granted, the period over which the amortisation is charged is the lower of the estimated useful economic life and the lease expiry date.

	Internally Generated Assets £m	Other Intangible Assets £m	Total Intangible Assets £m
Cost			
At 27 November 2016	117.6	22.3	139.9
Additions	–	5.6	5.6
Internal development costs capitalised	42.7	–	42.7
Disposals	–	–	–
At 3 December 2017	160.3	27.9	188.2
Additions	**–**	**6.8**	**6.8**
Internal development costs capitalised	**51.5**	**–**	**51.5**
Disposals	**(0.4)**	**–**	**(0.4)**
At 2 December 2018	**211.4**	**34.7**	**246.1**
Accumulated Amortisation			
At 27 November 2016	(55.0)	(5.2)	(60.2)
Charge for the period	(13.6)	(1.8)	(15.4)
Impairment	(0.2)	–	(0.2)
Disposals	–	–	–
At 3 December 2017	(68.8)	(7.0)	(75.8)
Charge for the period	**(23.6)**	**(3.5)**	**(27.1)**
Impairment	**(0.4)**	**–**	**(0.4)**
Disposals	**0.4**	**–**	**0.4**
At 2 December 2018	**(92.4)**	**(10.5)**	**(102.9)**
Net Book Value			
At 3 December 2017	91.5	20.9	112.4
At 2 December 2018	**119.0**	**24.2**	**143.2**

Included within intangible assets is capital work-in-progress for internally generated assets of £10.9 million (2017: £15.1 million) and capital work-in-progress for other intangible assets of £2.9 million (2017: £1.7 million).

The net book value of intangible assets held under finance leases is analysed below:

	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Cost	**14.4**	14.4
Accumulated amortisation	**(13.8)**	(13.0)
Net book value	**0.6**	1.4

For the 52 weeks ended 2 December 2018, internal development costs capitalised represented approximately 88% (2017: 88%) of expenditure on intangible assets and 24% (2017: 27%) of total capital spend including property, plant and equipment.

Notes to the Consolidated Financial Statements

3.2 Property, Plant and Equipment

Accounting Policies

Property, Plant and Equipment

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.

Property, plant and equipment represents 41% of the total asset base of the Group in 2018 (2017: 52%). The estimates and assumptions made to determine the carrying value of property, plant and equipment and related depreciation are important to the Group's financial position and performance. Management assess the estimates and assumptions based on available external information and historical experience.

In determining the cost of property, plant and equipment, certain costs that relate to the intangible element of an asset are separately disclosed within Intangible assets, note 3.1. Management exercise judgement to review each material asset addition and consider whether the intangible asset element can be used for other property, plant and equipment additions in the current or future years. The Ocado Smart Platform has been identified as a standalone intangible asset, because it has been developed and used to deliver the Group's third and fourth CFCs in Andover and Erith, and will be used to provide part of the foundation software for future CFCs. Similarly, the restructuring of the software which manages CFC operations to increase modularity is identified as an asset because it will improve software stability for both existing operational CFCs.

Depreciation on property, plant and equipment 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 is 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.

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

For more information on the Group's policy on capitalisation of borrowings costs, see note 4.1.

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 Consolidated Income Statement. The useful lives of the Group's assets are determined by management at the time the asset is acquired and reviewed at least annually for appropriateness.

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

3.2 Property, Plant and Equipment (continued)

Impairment of Non-Financial Assets (Including Intangible Assets)

Those which do not have indefinite useful lives are subject to an annual depreciation or amortisation charge. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Management make an assessment based on the current usage level and condition of the assets and assess whether the asset will continue to stay in use for the remainder of its useful life. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period. When an impairment loss subsequently reverses, the carrying amount of the asset (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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Given the Group's current operating structure the lowest level at which cash flows can reasonably be assessed is the Retail and Solutions segments. The Group prepares detailed forward projections which are constantly updated and refined. Based on these projections the Board does not consider that any further impairment of assets is required, other than that recognised in the Income Statement.

	Land and Buildings £m	Fixtures, Fittings, Plant and Machinery £m	Motor Vehicles £m	Total £m
Cost				
At 27 November 2016 (restated)*	110.7	472.7	64.3	647.7
Additions	19.8	77.1	14.6	111.5
Internal development costs capitalised	–	11.8	–	11.8
Disposals	–	(1.3)	(4.8)	(6.1)
At 3 December 2017 (restated)*	130.5	560.3	74.1	764.9
Additions	**5.8**	**119.8**	**13.7**	**139.3**
Internal development costs capitalised	**–**	**17.2**	**–**	**17.2**
Disposals	**–**	**(0.3)**	**(5.3)**	**(5.6)**
Transfer of non-current asset held for sale	**(5.8)**	**–**	**–**	**(5.8)**
At 2 December 2018	**130.5**	**697.0**	**82.5**	**910.0**
Accumulated Depreciation				
At 27 November 2016	(22.3)	(199.5)	(25.6)	(247.4)
Charge for the period	(2.9)	(39.3)	(12.8)	(55.0)
Impairment	–	(0.4)	–	(0.4)
Disposals	–	1.3	4.8	6.1
At 3 December 2017	(25.2)	(237.9)	(33.6)	(296.7)
Charge for the period	**(4.2)**	**(45.2)**	**(13.9)**	**(63.3)**
Impairment	**–**	**(0.5)**	**–**	**(0.5)**
Disposals	**–**	**0.3**	**5.3**	**5.6**
Transfer of non-current asset held for sale	**1.6**	**–**	**–**	**1.6**
At 2 December 2018	**(27.8)**	**(283.3)**	**(42.2)**	**(353.3)**
Net Book Value				
At 3 December 2017	105.3	322.4	40.5	468.2
At 2 December 2018	**102.7**	**413.7**	**40.3**	**556.7**

* 2016 and 2017 restatement was due to the adoption of IFRS 15 during the year. Refer to note 1.5 for further details.

Included within property, plant and equipment is capital work-in-progress for land and buildings of £0.1 million (2017: £37.2 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £45.8 million (2017: £61.6 million).

Notes to the Consolidated Financial Statements

3.2 Property, Plant and Equipment (continued)

The net book value of non-current assets held under finance leases is set out below:

	Land and Buildings £m	Fixtures, Fittings, Plant and Machinery £m	Motor Vehicles £m	Total £m
At 3 December 2017				
Cost	31.9	211.1	61.5	304.5
Accumulated depreciation and impairment	(21.2)	(127.8)	(26.2)	(175.2)
Net book value	10.7	83.3	35.3	129.3
At 2 December 2018				
Cost	**32.4**	**211.1**	**69.8**	**313.3**
Accumulated depreciation and impairment	**(23.2)**	**(143.2)**	**(32.8)**	**(199.2)**
Net book value	**9.2**	**67.9**	**37.0**	**114.1**

3.3 Non-Current Asset Held for Sale

Accounting Policies

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-Current Assets Held for Sale and Discontinued Operations

The non-current asset held for sale of £4.2 million represents the carrying value of a UK property that was previously used in the Group's distribution network that the Group is in the process of selling. Sale negotiations are well advanced and the sale is expected to complete within one year of the balance sheet date. The proceeds of disposal are expected to exceed the book value and accordingly no gain or loss was recognised on the classification of the property as held for sale.

3.4 Financial Assets

Accounting Policies

Financial Assets

Financial assets comprise available-for-sale financial assets, prepaid fees in relation to financing activities and contribution towards dilapidations.

Available-for-sale financial assets are those non-derivatives that are not designated as held for trading or that are not designated as "at fair value through profit and loss". They are included in non-current assets unless the investment matures or management intend to dispose of it within 12 months of the end of the reporting period. Management consider that the Group's investments fall within this category as explained below.

Prepaid fees in relation to financing activities are recognised when incurred. The prepaid fees are amortised in proportion to the drawdown and utilisation of the underlying facility. Amortisation commenced when the underlying facility was first utilised through to the earlier of the expected refinancing date or end of the term. Any residual of the prepaid fee which is not amortised when the facility is refinanced or repaid will be charged to the Consolidated Income Statement.

Financial assets comprise:

	2 December 2018 £m	3 December 2017 £m
Unlisted equity investment — cost and net book value	**0.4**	0.4
Prepaid financing fees	**2.2**	1.1
Contribution towards dilapidation costs	**1.5**	1.5
Financial assets	**4.1**	3.0

3.4 Financial Assets (continued)

Investments

Available-for-sale investments are held at fair value if this can be reliably measured. If the equity instruments are not quoted in an active market and their fair value cannot be reliably measured, the available-for-sale investment is carried at cost, less accumulated impairment. Unless the valuation falls below its original cost, gains and losses arising from changes in fair value of available-for-sale assets are recognised directly in equity. On disposal the cumulative net gain or loss is transferred to the statement of comprehensive income. Valuations below cost are recognised as impairment losses in the Consolidated Income Statement. Dividends are recognised in the Consolidated Income Statement when the right to receive payment is established.

The unlisted equity investment comprises a 25% interest in Paneltex Limited (“Paneltex”), a company incorporated in the UK, which has not been treated as an associated undertaking as the Group does not have significant influence over the company. In arriving at this decision, the Board has reviewed the conditions set out in IAS 28 “Investments in Associates” and concluded that despite the size of its holding it is unable to participate in the financial and operating policy decisions of Paneltex due to the position of the majority shareholder as Executive Managing Director. The relationship between the Group and the company is at arm’s length.

The shares of Paneltex are not quoted in an active market and their fair value cannot be reliably measured. As such, the investment in Paneltex is measured at cost less accumulated impairment. The Group does not intend to dispose of this investment in the foreseeable future.

Prepaid Financing Fees

The prepaid financing fees are in relation to financing facilities entered into during the previous year. The non-current portion of prepaid finance costs relates to amounts capitalised during the year which will not be amortised to the Consolidated Income Statement within the next 12 months.

Contribution Towards Dilapidations

A contribution towards dilapidations is due from the former tenant of two leases entered into during the year and will be utilised when dilapidation costs are incurred at the end of the lease.

3.5 Investment in Joint Ventures

Accounting Policies

The Group has assessed the nature of its joint arrangement under IFRS 11 “Joint Arrangements” and determined it to be a joint venture.

The Group’s share of the results of joint ventures is included in the Consolidated Income Statement and is accounted for using the equity method of accounting. Investments in joint ventures are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group’s share of the net assets of the entity, less any impairment in value. On transfer of land and/or work-in-progress to joint ventures, the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

If the Group’s share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group’s interest in the entity.

Investment in Joint Ventures

The Group has an equity interest of £52.2 million (2017: £51.0 million) in MHE JVCo, a joint venture company. MHE JVCo is incorporated in the UK, in which Morrisons and Ocado Operating Limited, a subsidiary in the Group, are the sole investors. In the current year the Group received a dividend of £nil (2017: £7.6 million) from MHE JVCo. The Group made no additional capital contributions into MHE JVCo.

The Group’s share of profit after tax for the year is detailed as follows:

	2 December 2018 £m	3 December 2017 £m
Group share of revenue	**2.2**	2.6
Group share of expenses, inclusive of tax	**(1.0)**	(1.0)
Group share of profit after tax	**1.2**	1.6

At the period end the Group’s share of the net assets of MHE JVCo were valued at £52.2 million (2017: £51.0 million) The principal movements during the year were the £1.2 million Group share of profit after tax and a dividend of £nil paid by MHE JVCo to the Group.

For the 52 weeks ended 2 December 2018 the entity, MHE JVCo Limited, has recognised net interest income of £4.4 million (2017: £5.2 million). Costs incurred by MHE JVCo include depreciation of £2.0 million (2017: £1.9 million) and a tax charge of £nil (2017: £nil). Material amounts held on its balance sheet as at 2 December 2018 include finance lease receivables of £74.5 million (2017: £94.1 million), £9.2 million (2017: £9.4 million) of property, plant and equipment, £1.2 million (2017: £0.1 million) of cash and cash equivalents and £3.9 million (2017: £1.7 million) of trade and other payables, contributing towards net assets of £105.2 million (2017: £102.8 million). Other than as a finance lessor to the Group, MHE JVCo has no other significant operations. The principal place of business is the same as for Ocado Group plc, details of which are provided on page 154.

Notes to the Consolidated Financial Statements

3.6 Business Combinations
Accounting Policies
Business Combinations
The acquisition method of accounting is used for the acquisition of subsidiaries. The cost of the acquisition is measured at the aggregate fair value of the consideration given. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair value at the date the Group assumes control of the acquiree.

Acquisition related costs are recognised in the Consolidated Income Statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement measured at fair value at the date control is achieved. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs.

Investments in Subsidiaries
Investments in subsidiaries held by the Company are carried at cost less accumulated impairment losses. Goodwill is the excess of consideration transferred over the fair value of the identifiable net assets acquired.

There were no significant investments in new subsidiaries during the 52 weeks to 2 December 2018.

3.7 Working Capital
Accounting Policies
Inventories
Inventories comprise goods held for resale, fuel and other consumable goods. Inventories are valued at the lower of cost and net realisable value as provided in IAS 2 "Inventories". Goods held for resale and consumables are valued using the historical cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. It also takes into account slow-moving, obsolete and defective inventory. Fuel stocks are valued at calculated average cost. Costs include all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition. There has been no security granted over inventory unless stated otherwise.

The Group has a mix of grocery and general merchandise items within inventory which have different characteristics. For example, grocery lines have high inventory turnover, while non-food lines are typically held within inventory for a longer period of time and so run a higher risk of obsolescence. As inventories are carried at the lower of cost and net realisable value, this requires the estimation of the eventual sales price of goods to customers in the future. Judgement is applied when estimating the impact on the carrying value of inventories such as slow-moving, obsolete and defective inventory, which includes reviewing the quantity, age and condition of inventories throughout the year.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables are included in "Trade and other Receivables" in the Consolidated Balance Sheet.

Trade and Other Receivables
Trade receivables are non-interest bearing and are on commercial terms. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

3.7 Working Capital (continued)

Provision for Impairment of Trade Receivables

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

Any provision made against an impaired receivable is recognised in the Consolidated Income Statement within administrative expenses. Subsequent recoveries of amounts previously written off are credited against this same financial statement caption.

The outcome of an impaired receivable depends on future events which are by their nature uncertain. In assessing the likely outcome, management base their 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 Consolidated 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 Instruments

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 Group after deducting all of its liabilities.

Trade and Other Payables

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

3.8 Inventories

	2 December 2018 £m	3 December 2017 £m
Goods for resale	**55.3**	42.3
Consumables	**1.2**	0.6
	56.5	42.9

Write down of inventories amounted to £0.6 million (2017: £0.3 million) in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

3.9 Trade and Other Receivables

	2 December 2018 £m	3 December 2017 £m
Trade receivables	**53.9**	30.7
Less: provision for impairment of trade receivables	**(1.5)**	(2.6)
Net trade receivables	**52.4**	28.1
Other receivables	**10.0**	6.6
Prepayments	**12.9**	12.9
Accrued income	**29.4**	19.2
	104.7	66.8

Included within trade receivables is a balance of £3.3 million (2017: £1.7 million) owed by MHE JVCo. £8.6 million (2017: £8.6 million) of trade receivables in the year related to contract balances outstanding for Solutions contracts. See note 2.4 for more detail.

Included in trade receivables is £29.9 million (2017: £12.2 million) due from suppliers in relation to commercial and media income. As at 6 January 2019 £26.7 million has been received. Included in accrued income is £8.4 million (2017: £8.6 million) to be invoiced to suppliers in relation to supplier funded promotional activity and £10.8 million (2017: £8.0 million) to be invoiced to suppliers in relation to volume-related rebate amounts. As at 6 January 2019 £8.1 million of accrued income has been invoiced.

Also included in accrued income is £3.8 million (2017: £3.1 million) relating to the Group's right to consideration for work completed but not billed at the reporting date on Solutions contracts.

The ageing analysis of trade and other receivables (excluding prepayments), including the provision for impairment, is set out below:

	2 December 2018		3 December 2017	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	**89.0**	**–**	50.1	–
Past due 0–3 months	**2.8**	**(0.2)**	4.0	(0.2)
Past due 3–6 months	**0.4**	**(0.2)**	0.1	(0.1)
Past due over 6 months	**1.1**	**(1.1)**	2.3	(2.3)
	93.3	**(1.5)**	56.5	(2.6)

The provisions account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amounts considered irrecoverable are written off against trade receivables directly. Impairment losses are included within administrative expenses in the Consolidated Income Statement. Trade receivables that are past due but not impaired amount to £2.8 million (2017: £3.8 million) and relate to a number of suppliers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2 December 2018 £m	3 December 2017 £m
Past due 0–3 months	**2.6**	3.8
Past due 3–6 months	**0.2**	–
Past due over 6 months	**–**	–
	2.8	3.8

3.10 Cash and Cash Equivalents

	2 December 2018 £m	3 December 2017 £m
Cash at bank and in hand	**410.8**	150.0

£2.5 million (2017: £3.3 million) of the Group's cash and cash equivalents are held by the Group's captive insurance company to maintain its solvency requirements. Included in this amount are credit card payments of £28.2 million (2017: £25.6 million) received within 10 days. A further £1.2 million (2017: £0.8 million) is held by the trustee of the Group's employee benefit trust in relation to the Ocado Group Sharesave Scheme for employees in Poland. Therefore, these funds are restricted and are not available to circulate within the Group on demand.

3.11 Trade and Other Payables

	2 December 2018 £m	3 December 2017 £m
Trade payables	**133.4**	92.9
Taxation and social security	**9.9**	8.3
Accruals and other payables	**135.2**	106.0
Deferred income	**12.5**	9.3
	291.0	216.5

Deferred income represents the value of delivery income received under the Ocado Smart Pass scheme allocated to future periods, lease incentives and media income from suppliers which relate to future periods.

3.12 Provisions

Accounting Policies

Provisions are recognised in line with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions can be distinguished from other types of liability by considering the events that give rise to the obligation and the degree of uncertainty as to the amount or timing of the liability. These are recognised in the Consolidated Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The amounts recognised as a provision are management's best estimates of the expenditure to settle present obligations as at the Consolidated Balance Sheet date. The outcome depends on future events, which are by their nature uncertain. Any difference between expectations and the actual future liability will be accounted for in the period when this is determined. In assessing the likely outcome, management base their assessment on historical experience and other factors that are believed to be reasonable in the circumstances.

Insurance Claims

Provisions for insurance claims relate to potential motor insurance claims and potential public liability claims where accidents have occurred but a claim has yet to be made. The provision is made based on estimates provided to Ocado by the third party manager of the Ocado Cell in Atlas Insurance PCC Limited (the "Ocado Cell").

Dilapidations

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

Employee Incentive Schemes

Provisions for employee incentive schemes relate to HMRC unapproved equity-settled schemes, the Beauty Management Incentive plan ("Beauty MIP") and the Cash-Based Long-Term Incentive Plan ("Cash LTIP"). For all unapproved schemes and the Cash LTIP, the Group is liable to pay employer's NIC upon allotment of the share awards.

Unapproved schemes are the Long-Term Incentive Plan ("LTIP"), the Chairman's Share Matching Award, the Growth Incentive Plan ("GIP") and unapproved Executive Share Ownership Scheme ("ESOS"). For more details on these schemes, refer to note 4.10.

In 2014, the Group established the Cash LTIP in order to incentivise selected high performing employees of the Company. At the end of the three-year vesting period, employees will be paid a cash amount equal to the notional number of awards at the prevailing share price, adjusted for the achievement of the performance conditions.

Notes to the Consolidated Financial Statements

3.12 Provisions (continued)

Provisions

	Insurance Claims £m	Dilapidations £m	Employee Incentive Schemes £m	Total £m
As at 27 November 2016	1.2	6.0	2.5	9.7
Charged/(credited) to the Consolidated Income Statement				
– additional provision	0.3	1.3	1.7	3.3
– unused amounts reversed	(0.4)	(0.8)	(0.1)	(1.3)
Used during the period	(0.6)	(0.3)	(0.7)	(1.6)
Unwinding of discount	–	–	–	–
As at 3 December 2017	0.5	6.2	3.4	10.1
Charged/(credited) to the Consolidated Income Statement				
– additional provision	**0.2**	**0.8**	**7.2**	**8.2**
– unused amounts reversed	**(0.1)**	**–**	**(0.2)**	**(0.3)**
Used during the period	**(0.3)**	**(0.1)**	**(0.5)**	**(0.9)**
As at 2 December 2018	**0.3**	**6.9**	**9.9**	**17.1**

Analysis of total provisions as at 3 December 2017

	Insurance Claims £m	Dilapidations £m	Employee Incentive Schemes £m	Total £m
Current	0.1	0.4	0.8	1.3
Non-current	0.4	5.8	2.6	8.8
	0.5	6.2	3.4	10.1

Analysis of total provisions as at 2 December 2018

	Insurance Claims £m	Dilapidations £m	Employee Incentive Schemes £m	Total £m
Current	**0.1**	**0.6**	**7.6**	**8.3**
Non-current	**0.2**	**6.3**	**2.3**	**8.8**
	0.3	**6.9**	**9.9**	**17.1**

Insurance Claims

The Ocado Cell uses statistical information built up over several years to estimate, as accurately as possible, the future out-turn of the total claims value incurred but not reported as at the balance sheet date. In practice the Ocado Cell receives newly reported claims after the end of the underwriting period that have to be allocated to the year of loss (i.e. the underwriting year of occurrence). The calculation of this provision involves estimating a number of variables, principally the level of claims which may be received and the level of any compensation which may be payable. Uncertainty associated with these factors may result in the ultimate liability being different from the reported provision. Although it is expected that £0.1 million claims will be settled within 12 months of the balance sheet date, the exact timing of utilisation of the provision is uncertain.

3.12 Provisions (continued)

Dilapidations

The dilapidations provision is based on the future expected repair costs required to restore the Group's leased buildings and vehicles to their fair condition at the end of their respective lease terms.

The Hatfield CFC lease expires in 2032, the Dordon CFC lease expires in 2038, the Andover CFC lease expires in 2092, the Erith CFC lease expires in 2046, the GMDC leases expire between 2022 and 2037, head office leases expire between 2019 and 2028, with leases for the spokes expiring up to 2068. Contractual amounts are due to be incurred at the end of the respective lease terms.

Leases for vehicles run for five years, with the contractual obligation per vehicle payable at the end of the five-year lease term. If a non-contractual option to extend individual leases for a further six months is exercised by the Group, the contractual obligation remains the same but is deferred by six months.

Employee Incentive Schemes

The provision consists of the Cash LTIP, the Beauty MIP and employer's NIC on HMRC unapproved equity-settled schemes.

The Cash LTIP provision represents the expected cash payments to participants upon vesting of the awards. It has been calculated using various assumptions regarding liquidity, participants' retention and achievability of the performance conditions, and valued with reference to the year end share price. If at any point following initial valuation any of these assumptions are revised, the charge will need to be amended accordingly. In addition to the base cost, since this is a cash benefit, the Group will be liable to pay employer's NIC on the value of the cash award on vesting, which is included in the above employer's NIC provision.

To calculate the employer's NIC provision, the applicable employer's NIC rate is applied to the number of share awards which are expected to vest, valued with reference to the year end share price. The number of share awards expected to vest is dependent on various assumptions which are determined by management; namely participants' retention rate, the expectation of meeting the performance criteria, if any, and the liquidity discount. All assumptions are supported by historical trends and internal financial forecasts, where appropriate.

For the GIP, an external valuation was carried out to determine the fair value of the awards granted (see note 4.10 (f)).

If at any point during the life of each share award, any non-market conditions are subject to change, such as the retention rate or the likelihood of the performance condition being met, the number of share awards likely to vest will need to be recalculated which will cause the value of the employer's NIC provision to change accordingly.

Once the share awards under each of the schemes have vested, the provision will be utilised when they are allocated to participants. Vesting will occur between 2019 and 2021.

Notes to the Consolidated Financial Statements

Section 4 — Capital Structure and Financing Costs

4.1 Leases and Borrowings

Accounting Policies

Borrowings

Interest bearing bank loans and 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 capitalised to qualifying assets or recognised in the Consolidated Income Statement over the period of the borrowings on the effective interest rate basis.

Leased Assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. For the Hatfield, the land and building elements are accounted for separately after determining the appropriate lease classification.

The Group follows the guidance of IAS 17 "Leases" to determine the classification of leases as operating leases versus finance leases. The classification of a lease as a finance lease as opposed to an operating lease will change EBITDAⒶ as the charge made by the lessor will pass through finance charges and depreciation will be charged on the capitalised asset. Retained earnings may also be affected depending on the relative size of the amounts apportioned to capital repayments and depreciation. IAS 17 "Leases" requires the Group to consider splitting property leases into their component parts (i.e. land and building elements). As only the building elements could be considered as a finance lease, management must make a judgement, based on advice from suitable experts, as to the relative value of the land and buildings.

Finance Leases

Assets funded through finance leases are capitalised either as property, plant and equipment, or intangible assets, as appropriate, and are depreciated/amortised over their estimated useful lives or the lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the asset or 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 finance leases are charged directly to the Consolidated Income Statement on the effective interest rate basis.

Operating Leases

Assets leased under operating leases are not recorded on the Consolidated Balance Sheet. Rental payments are charged directly to the Consolidated Income Statement on a straight-line basis.

Sale and Leaseback

A sale and leaseback transaction is one where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer.

The leaseback transaction is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leasebacks are classified as operating leases.

For sale and finance leasebacks, any profit from the sale is deferred and amortised over the lease term. For sale and operating leasebacks, the assets are expected to be sold at fair value, and accordingly the profit or loss from the sale is recognised immediately in the Consolidated Income Statement.

Lease Incentives

Lease incentives primarily include upfront cash payments or rent-free periods. Lease incentives are capitalised and released against the relevant rental expense over the lease term.

Ⓐ See Alternative Performance Measures on pages 229 and 230

4.2 Borrowings and Finance Leases

	Notes	2 December 2018 £m	3 December 2017 £m
Current Liabilities			
Obligations under finance leases	4.3	**22.9**	27.2
		22.9	27.2
Non-Current Liabilities			
Borrowings		**244.3**	243.3
Obligations under finance leases	4.3	**93.4**	107.5
		337.7	350.8
Total borrowings and finance leases		**360.6**	378.0

Borrowings

	Less Than One Year £m	Between One Year and Two Years £m	Between Two Years and Five Years £m	Over Five Years £m	Total £m
As at 3 December 2017					
Senior secured notes	–	–	–	243.3	243.3
Total borrowings	–	–	–	243.3	243.3
As at 2 December 2018					
Senior secured notes	**–**	**–**	**–**	**244.3**	**244.3**
Total borrowings	**–**	**–**	**–**	**244.3**	**244.3**

The loans outstanding at the period end can be analysed as follows:

Principal amount £m	Inception	Security Held	Current Interest Rate	Instalment Frequency	Final Payment Due	Carrying Amount as at 2 December 2018 £m	Carrying Amount as at 3 December 2017 £m
250.0	June 2017	Collateral	4%	Semi-annually	June 2024	**244.3**	243.3
						244.3	243.3
Disclosed as:							
Current						**–**	–
Non-current						**244.3**	243.3
						244.3	243.3

In the current year, the unsecured £100 million revolving facility expiring in 2022 has not been utilised. Senior secured notes were issued in June 2017 raising £250 million; this is shown net of transaction fees. The senior secured notes are secured by charges over the issued share capital of the subsidiary undertakings that acted as guarantors for the notes.

The Group regularly reviews its financing arrangements. The revolving facility and the senior secured notes contain typical restrictions concerning dividend payments and additional debt and leases.

Notes to the Consolidated Financial Statements

4.3 Obligations Under Finance Leases

	2 December 2018 £m	3 December 2017 £m
Obligations under finance leases due:		
Within one year	**22.9**	27.2
Between one and two years	**26.7**	24.6
Between two and five years	**60.9**	65.3
After five years	**5.8**	17.6
Total obligations under finance leases	**116.3**	134.7

External obligations under finance leases are £41.8 million (2017: £40.6 million) excluding £74.5 million (2017: £94.1 million) payable to MHE JVCo, a joint venture company.

	2 December 2018 £m	3 December 2017 £m
Minimum lease payments due:		
Within one year	**35.8**	33.6
Between one and two years	**30.6**	29.3
Between two and five years	**65.7**	72.7
After five years	**12.9**	18.3
	145.0	153.9
Less: future finance charges	**(28.7)**	(19.2)
Present value of finance lease liabilities	**116.3**	134.7
Disclosed as:		
Current	**22.9**	27.2
Non-current	**93.4**	107.5
	116.3	134.7

The existing finance lease arrangements entered into by the Group 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.

4.4 Analysis of Net Cash/(Debt)Ⓐ

Net Cash /(Debt)Ⓐ

	Notes	2 December 2018 £m	3 December 2017 £m
Current Assets			
Cash and cash equivalents	3.10	**410.8**	150.0
Current Liabilities			
Obligations under finance leases	4.2	**(22.9)**	(27.2)
		(22.9)	(27.2)
Non-Current Liabilities			
Borrowings	4.2	**(244.3)**	(243.3)
Obligations under finance leases	4.2	**(93.4)**	(107.5)
		(337.7)	(350.8)
Total net cash/(debt)Ⓐ		**50.2**	(228.0)

Net cash position is £124.7 million (2017: £133.9 million net debtⒶ), excluding finance lease obligations of £74.5 million (2017: £94.1 million) payable to MHE JVCo, a joint venture company. £3.7 million (2017: £4.1 million) of the Group's cash and cash equivalents are considered to be restricted and are not available to circulate within the Group on demand. For more information see note 3.10.

Ⓐ See Alternative Performance Measures on pages 229 and 230

4.4 Analysis of Net Cash/(Debt)Ⓐ (continued)

Reconciliation of Net Cash Flow to Movement in Net Cash/(Debt)Ⓐ

	2 December 2018 £m	3 December 2017 £m
Net increase in cash and cash equivalents	**260.8**	99.1
Net decrease/(increase) in debt and lease financing	**31.0**	(147.7)
Non-cash movements:		
– Assets acquired under finance lease	**(13.6)**	(14.5)
Movement in net cash/(debt)Ⓐ in the period	**278.2**	(63.1)
Opening net debtⒶ	**(228.0)**	(164.9)
Closing net cash/(debt)Ⓐ	**50.2**	(228.0)

4.5 Finance Income and Costs

Accounting Policies

Borrowing Costs

Borrowing costs which are directly attributable to the acquisition or construction of qualifying assets are capitalisable. They are defined as the borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. All other borrowing costs which are not capitalised are charged to finance costs, using the effective interest rate method.

Borrowing costs capitalised during the year is £2.8 million (2017: £1.6 million). The capitalisation rate used to determine the amount of finance costs capitalised during the year is 4% (2017: 4%).

Finance Income and Costs

Interest income is accounted for on an accruals basis using the effective interest method. Finance costs comprise obligations on finance leases and borrowings and are recognised in the period in which they fall due.

	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Interest on cash balances	**2.2**	0.2
Finance income	**2.2**	0.2
Borrowing costs		
– Obligations under finance leases	**(6.5)**	(8.2)
– Borrowings	**(8.2)**	(5.7)
Finance costs	**(14.7)**	(13.9)
Net finance costs	**(12.5)**	(13.7)

The carrying value of the finance income and costs approximates their fair value.

4.6 Derivative Financial Instruments

Accounting Policies

Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the contract date and are subsequently measured at their fair value at each balance sheet date. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. At 2 December 2018 and at 3 December 2017, the Group's derivative financial instruments consisted of commodity swap contracts which are designated as cash flow hedges of highly probable transactions.

The Group documents at the inception of the hedge the relationship between hedging instruments and hedged items, the risk management objectives and strategy and its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

This assessment is performed retrospectively at each financial reporting period. Movements on the hedging reserve within shareholders' equity are shown in the Consolidated statement of comprehensive income. The full fair value of hedging derivatives is classified as current when the remaining maturity of the hedged item is less than 12 months.

Ⓐ See Alternative Performance Measures on pages 229 and 230

Notes to the Consolidated Financial Statements

4.6 Derivative Financial Instruments (continued)

Cash Flow Hedging

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges and qualify for hedge accounting is recognised in other comprehensive income. Amounts accumulated through other comprehensive income are recycled in the Consolidated Income Statement in the periods when the hedged item affects profit or loss. When the hedged forecast transaction results in the recognition of property, plant and equipment, the gains or losses previously deferred in equity are included in the initial cost of the asset and are ultimately recognised in profit or loss within the depreciation expense. During the period all of the Group's cash flow hedges were effective and there is therefore no ineffective portion recognised in profit or loss.

Commodity Swap Contracts

The notional principal amounts of the outstanding commodity swap contracts at 2 December 2018 were £11.3 million (2017: £6.9 million). The hedged highly probable forecast transactions are expected to occur at various dates during the next 12 months. Cumulative net gains of £1.0 million have been recognised in the hedging reserve within other comprehensive income. These gains and losses are recognised in the Consolidated Income Statement in periods during which the hedged forecast transaction affects the Consolidated Income Statement.

	2 December 2018 £m	3 December 2017 £m
Commodity swap contracts		
Derivative asset	**0.1**	0.4
Derivative liability	**(0.5)**	(0.1)
	(0.4)	0.3

4.7 Financial Instruments

Accounting Policies

Financial assets and financial liabilities are recognised on the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial instruments in the following categories:

- available-for-sale;
- loans and receivables;
- other financial liabilities at amortised cost; and
- financial assets and liabilities at fair value through profit or loss.

The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determine the classification of their financial instruments at initial recognition or in certain circumstances on modification.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Consolidated Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of Financial Assets

Assets Carried at Amortised Cost

The Group assesses whether there is objective evidence that a financial asset is impaired at the end of each reporting period. A financial asset is impaired and an impairment loss recognised if there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include but are not limited to:

- financial difficulty indicators;
- breach of contract such as missed payments;
- fraud;
- bankruptcy; and
- disappearance of an active market.

4.7 Financial Instruments (continued)

The amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying value is reduced and the loss recognised in the Consolidated Income Statement.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the Consolidated Income Statement.

Available-For-Sale Financial Assets

Equity investments classified as available-for-sale and held at cost are reviewed annually to identify if an impairment loss has occurred. The amount of the impairment loss is measured as the difference between the carrying value of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses recognised in the Consolidated Income Statement on equity investments are not reversed.

Financial Assets and Liabilities at Fair Value

Financial instruments carried at fair value in the Consolidated Balance Sheet comprise the derivative assets and liabilities — see note 4.6. The Group uses the following hierarchy for determining and disclosing the fair value of these financial instruments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset and liability, either directly or indirectly (level 2); and
- Inputs for the assets or liabilities that are not based on observable market data (level 3).

The Group's derivative assets and liabilities other than the senior secured notes are all classified as level 2. The senior secured notes are classified as level 1.

Set out below is a comparison by category of carrying values and fair values of all financial instruments that are included in the financial statements:

		2 December 2018		3 December 2017	
	Notes	**Carrying Value £'000**	**Fair Value £'000**	Carrying Value £'000	Fair Value £'000
Financial Assets					
Cash and cash equivalents	3.10	**410.8**	**410.8**	150.0	150.0
Trade receivables	3.9	**52.4**	**52.4**	28.1	28.1
Other receivables	3.9	**39.4**	**39.4**	25.8	25.8
Non-current financial assets	3.4	**4.1**	**4.1**	3.0	3.0
Derivative assets	4.6	**0.1**	**0.1**	0.4	0.4
Total financial assets		**506.8**	**506.8**	207.3	207.3
Financial Liabilities					
Trade payables	3.11	**(133.4)**	**(133.4)**	(92.9)	(92.9)
Other payables	3.11	**(135.2)**	**(135.2)**	(106.0)	(106.0)
Senior secured notes	4.2	**(244.3)**	**(238.6)**	(243.3)	(240.9)
Finance lease obligations	4.3	**(116.3)**	**(116.3)**	(134.7)	(134.7)
Derivative liabilities	4.6	**(0.5)**	**(0.5)**	(0.1)	(0.1)
Total financial liabilities		**(629.7)**	**(624.0)**	(577.0)	(574.6)

The derivative assets and liabilities relate to forward commodity swap contracts.

The Group's non current financial assets consist of an unlisted equity investment, prepaid financing fees and contribution towards dilapidation costs.

The fair values of cash and cash equivalents, receivables, payables and accruals of a maturity of less than one financial period are assumed to approximate to their carrying values but for completeness are included in this analysis.

Notes to the Consolidated Financial Statements

4.7 Financial Instruments (continued)

The fair value of the senior secured notes is determined based on the quoted price in the active market. The carrying value in the table above is stated after deduction of issue costs of £5.7 million.

The fair values of all other financial assets and liabilities have been calculated by discounting the expected future cash flows at prevailing market interest rates.

The Group has categorised its financial instruments as follows:

	Notes	Available-for-Sale £m	Loans and Receivables £m	Financial Liabilities at Amortised Cost £m	Financial Liabilities at Fair Value Through Profit and Loss £m	Total £m
As at 3 December 2017						
Financial Assets as per the Consolidated Balance Sheet						
Cash and cash equivalents	3.10	–	150.0	–	–	150.0
Trade receivables	3.9	–	28.1	–	–	28.1
Other receivables	3.9	–	25.8	–	–	25.8
Financial assets	3.4	0.4	2.6	–	–	3.0
Derivative assets	4.6	–	–	–	0.4	0.4
Total		0.4	206.5	–	0.4	207.3
Financial Liabilities as per the Consolidated Balance Sheet						
Trade payables	3.11	–	–	(92.9)	–	(92.9)
Other payables	3.11	–	–	(106.0)	–	(106.0)
Senior secured notes	4.2	–	–	(243.3)	–	(243.3)
Obligations under finance leases	4.3	–	–	(134.7)	–	(134.7)
Derivative liabilities	4.6	–	–	–	(0.1)	(0.1)
Total		–	–	(576.9)	(0.1)	(577.0)

	Notes	Available-for-Sale £m	Loans and Receivables £m	Financial Liabilities at Amortised Cost £m	Financial Liabilities at Fair Value Through Profit and Loss £m	Total £m
As at 2 December 2018						
Financial Assets as per the Consolidated Balance Sheet						
Cash and cash equivalents	3.10	–	**410.8**	–	–	**410.8**
Trade receivables	3.9	–	**52.4**	–	–	**52.4**
Other receivables	3.9	–	**39.4**	–	–	**39.4**
Financial assets	3.4	**0.4**	**3.7**	–	–	**4.1**
Derivative assets	4.6	–	–	–	**0.1**	**0.1**
Total		**0.4**	**506.3**	–	**0.1**	**506.8**
Financial Liabilities as per the Consolidated Balance Sheet						
Trade payables	3.11	–	–	**(133.4)**	–	**(133.4)**
Other payables	3.11	–	–	**(135.2)**	–	**(135.2)**
Senior secured notes	4.2	–	–	**(244.3)**	–	**(244.3)**
Obligations under finance leases	4.3	–	–	**(116.3)**	–	**(116.3)**
Derivative liabilities	4.6	–	–	–	**(0.5)**	**(0.5)**
Total		–	–	**(629.2)**	**(0.5)**	**(629.7)**

4.8 Financial Risk Management

Overview

The Group's financial instruments comprise trade receivables and payables, borrowings and finance leases, cash and cash equivalents, and derivatives. The main financial risks faced by the Group relate to the risk of default by counterparties following financial transactions, the availability of funds for the Group to meet its obligations as they fall due and fluctuations in interest and foreign exchange rates.

The management of these risks is set out below.

Credit Risk

The Group's exposures to credit risk arise from holdings of cash and cash equivalents, trade and other receivables (excluding prepayments) and derivative assets. The carrying value of these financial assets, as set out in note 4.7, represents the maximum credit exposure. No collateral is held as security against these assets.

Cash and Cash Equivalents

The Group's exposure to credit risk on cash and cash equivalents is managed by investing in banks and financial institutions with strong credit ratings and by regular review of counterparty risk.

Trade and Other Receivables

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

The Group has very low retail credit risk due to transactions being principally of a high volume, low value and short maturity. The Group has effective controls over this area. The Group has allowed for doubtful receivables in respect of consumer sales by reviewing the ageing profile and, based on prior experience, assessing the recoverability of overdue balances.

Movements in the allowance for the impairment of trade and other receivables are as follows:

	Notes	**2 December 2018 £m**	3 December 2017 £m
At the beginning of the period		**(2.6)**	(2.8)
Provision for impairment of receivables		**(1.2)**	(0.3)
Uncollectable amounts written off		**1.7**	(0.7)
Recovery of amounts previously provided		**0.6**	1.2
At the end of the period	3.9	**(1.5)**	(2.6)

The Group has adequate cash resources to manage the short-term working capital needs of the business. In the prior year, the unsecured £210 million revolving facility was reduced to £100 million and extended by three years to 2022. As at 2 December 2018 the facility has not been utilised. Senior secured notes were issued in June 2017, raising £250 million. The Group regularly reviews its financing arrangements. For further details of the review please refer to the Group's Viability Statement on page 49.

The Group monitors its liquidity requirements to ensure it has sufficient cash to meet operational needs. For further details see note 4.11.

Notes to the Consolidated Financial Statements

4.8 Financial Risk Management (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date at the Balance Sheet date. The amounts disclosed in the table are the carrying values and undiscounted contractual cash flows.

	Notes	Carrying Value £m	Contractual Cash Flows £m	1 Year or Less £m	1–2 Years £m	2–5 Years £m	More Than 5 Years £m
Financial Liabilities							
Trade payables	3.11	(92.9)	(92.9)	(92.9)	–	–	–
Other payables	3.11	(106.0)	(106.0)	(106.0)	–	–	–
Senior secured notes	4.2	(243.3)	(243.3)	–	–	–	(243.3)
Obligations under finance leases	4.3	(134.7)	(153.9)	(33.6)	(29.3)	(72.7)	(18.3)
Derivative liabilities	4.6	(0.1)	(0.1)	(0.1)	–	–	—
3 December 2017		(577.0)	(596.2)	(232.6)	(29.3)	(72.7)	(261.6)

	Notes	**Carrying Value £m**	**Contractual Cash Flows £m**	**1 Year or Less £m**	**1–2 Years £m**	**2–5 Years £m**	**More Than 5 Years £m**
Financial Liabilities							
Trade payables	3.11	**(133.4)**	**(133.4)**	**(133.4)**	–	–	–
Other payables	3.11	**(135.2)**	**(135.2)**	**(135.2)**	–	–	–
Senior secured notes	4.2	**(244.3)**	**(244.3)**	–	–	–	**(244.3)**
Obligations under finance leases	4.3	**(116.3)**	**(145.0)**	**(35.8)**	**(30.6)**	**(65.7)**	**(12.9)**
Derivative liabilities	4.6	**(0.5)**	**(0.5)**	**(0.5)**	–	–	—
2 December 2018		**(629.7)**	**(658.4)**	**(304.9)**	**(30.6)**	**(65.7)**	**(257.2)**

Market Risk

Currency Risk

The Group has foreign currency exposure in relation to its foreign currency trade payables and a portion of its cash and cash equivalents.

Foreign currency trade payables arise principally on purchases of plant and equipment, primarily in relation to the euro, Polish zloty and US dollar. Bank accounts are maintained in these foreign currencies in order to minimise the Group's exposure to fluctuations in the currency relating to current and future purchases of plant and equipment.

The Group's exposure to currency risk is based on the following amounts:

	2 December 2018 £m	3 December 2017 £m
Cash and cash equivalents – EUR	**1.2**	–
Cash and cash equivalents – PLN	**2.9**	3.4
Cash and cash equivalents – USD	**2.9**	–
Trade payables at period end – EUR	**(0.4)**	(0.1)
Trade payables at period end – PLN	**(2.1)**	(0.1)
Trade payables at period end – USD	**(1.2)**	(1.0)
	3.3	2.2

4.8 Financial Risk Management (continued)

The table below shows the Group's sensitivity to changes in foreign exchange rates on its financial instruments denominated in foreign currencies.

	2 December 2018		3 December 2017	
	Increase/ (Decrease) in Income £m	Increase/ (Decrease) in Equity £m	Increase/ (Decrease) in Income £m	Increase/ (Decrease) in Equity £m
10% appreciation of the above foreign currencies	0.3	–	0.2	–
10% depreciation of the above foreign currencies	(0.4)	–	(0.2)	–

A movement of the euro, as indicated, against sterling at 2 December 2018 would have increased/(decreased) equity and profit or loss by the amounts detailed above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the period. The analysis assumes that all other variables remain constant.

Interest Rate Risk

The Group is exposed to interest rate risk on its floating rate interest bearing borrowings and floating rate cash and cash equivalents. The Group's interest rate risk policy seeks to minimise finance charges and volatility by structuring the interest rate profile into a diversified portfolio of fixed rate and floating rate financial assets and liabilities. Interest rate risk on floating rate interest bearing borrowings is not significant.

At the balance sheet date, the interest rate profile of the Group's interest bearing financial instruments was:

	2 December 2018 £m	3 December 2017 £m
Fixed Rate Instruments		
Financial assets	408.8	149.5
Financial liabilities	(360.6)	(376.7)
Variable Rate Instruments		
Financial assets	2.0	0.5
Financial liabilities	–	–

Sensitivity Analysis

An increase of 100 basis points (1.0%) in interest rates would impact equity and profit or loss by the amounts shown below. A rate of 100 basis points was assessed as being appropriate, considering the current short-term interest rate outlook. The calculation applies the increase to average floating rate interest bearing borrowings and cash and cash equivalents existing during the period. This analysis assumes that all other variables remain constant and considers the effect on financial instruments with variable interest rates.

	2 December 2018 £m	3 December 2017 £m
Equity		
Result	–	–
Income		
Loss	–	(0.2)

Notes to the Consolidated Financial Statements

4.9 Share Capital and Reserves

Accounting Policy

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

Share Capital and Reserves

As at 2 December 2018, the number of ordinary shares available for issue under the Block Listing Facilities was 10,014,711 (2017: 12,083,504). These ordinary shares will only be issued and allotted when the shares under the relevant share incentive plan have vested or the share options under the Group's executive share ownership scheme and non-employee share options and Sharesave schemes have been exercised. They are therefore not included in the total number of ordinary shares outstanding below.

The reclassification is correcting both the accounting for the reacquisition of bad leaver JSOS interests in 2015 and the inception to date reclassification to retained earnings of gains on disposal of JSOS interests previously recognised in the share premium reserve.

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

	Ordinary Shares Number of Shares (million)	Ordinary Shares £m	Share Premium £m
At 27 November 2016	629.2	12.6	256.9
Issues of ordinary shares	1.1	–	0.9
Allotted in respect of share option schemes	0.4	–	0.6
At 3 December 2017	630.7	12.6	258.4
Issues of ordinary shares	**65.0**	**1.3**	**322.1**
Allotted in respect of share option schemes	**2.6**	**0.1**	**6.2**
Reclassification between reserves	**–**	**–**	**0.3**
At 2 December 2018	**698.3**	**14.0**	**587.0**

Included in the total number of ordinary shares outstanding above are 6,438,706 (2017: 32,803,390) ordinary shares held by the Group's employee benefit trust (see note 4.10(b)). The ordinary shares held by the trustee of the Group's employee benefit trust pursuant to the JSOS are treated as treasury shares in the Consolidated Balance Sheet in accordance with IAS 32 "Financial Instruments: Presentation". These ordinary shares have voting rights but these have been waived by the trustee (although the trustee may vote in respect of shares that have vested and remain in the trust). The number of allotted, called up and fully paid shares, excluding treasury shares, at the end of each period differs from that used in the basic loss per share calculation in note 2.10 as basic loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

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

	Notes	Treasury Shares Reserve £m	Reverse Acquisition Reserve £m	Fair Value Reserve £m
At 27 November 2016		(48.0)	(116.2)	0.2
Movement on derivative financial instruments	4.9(b)	–	–	0.3
Translation of foreign subsidiary		–	–	0.2
At 3 December 2017		(48.0)	(116.2)	0.7
Movement on derivative financial instruments	4.9(b)	**–**	**–**	**1.0**
Disposal of treasury shares	4.9(a)	**11.7**	**–**	**–**
Transfer of shares to participants		**27.8**	**–**	**–**
Reclassification between reserves		**(0.7)**	**-**	**-**
Translation of foreign subsidiary		**–**	**–**	**(0.3)**
At 2 December 2018		**(9.2)**	**(116.2)**	**1.4**

4.9 Share Capital and Reserves (continued)

(a) Treasury Shares Reserve

This reserve arose when the Group issued equity share capital under its JSOS, which is held in trust by the trustee of the Group's employee benefit trust. Treasury shares cease to be accounted for as such when they are sold outside the Group or the interest is transferred in full to the participant pursuant to the terms of the JSOS. Participant interests in unexercised shares held by participants are not included in the calculation of treasury shares. See note 4.10(b) for more information on the JSOS.

(b) Other Reserves

The fair value reserve comprises gains and losses on movements in the Group's cash flow hedges, which consist of commodity swaps and foreign currency hedges.

The acquisition by the Company of the entire issued share capital in 2010 of Ocado Limited was accounted for as a reverse acquisition under IFRS 3 (revised). Consequently, the previously recognised book values and assets and liabilities have been retained and the consolidated financial information for the period to 2 December 2018 has been presented as if the Company had always been the parent company of the Group.

4.10 Share Options and Other Equity Instruments

Accounting Policies

Employee Benefits

Employees (including Directors) of the Group receive part of their remuneration in the form of share-based payments, whereby, depending on the scheme, employees render services in exchange for rights over shares ("equity-settled transactions") or entitlement to a future cash payment ("cash-settled transactions").

The cost of equity-settled transactions with employees is measured, where appropriate, with reference to the fair value at the date on which they are granted. Where options need to be valued an appropriate valuation model is applied. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of cash-settled transactions is measured with reference to the fair value of the liability, which is taken to be the closing price of the Company's shares. Until the liability is settled it is remeasured at the end of each reporting period and at the date of settlement, with any changes in the fair value being recognised in the Consolidated Income Statement for the period. For more details please refer to note 3.12 Provisions – Employee Incentive Schemes.

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

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

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

The Group has exposure in respect of cash-settled share-based payment transactions and share-based payment transactions with cash alternatives as defined by IFRS 2 "Share-Based Payment" in respect of bad leaver provisions in the Group's JSOS, the Cash LTIP and the Beauty MIP (see note 3.12 Provisions). National insurance contribution (NIC) obligations arising from cash-settled schemes and HMRC unapproved equity-settled schemes are treated as if they are cash-settled, regardless of the actual cash/equity determination of the scheme itself.

Share Options and Other Equity Instruments

The Group operates various employee share incentive schemes, namely the Executive Share Ownership Scheme (the "ESOS"), the Joint Share Ownership Scheme (the "JSOS"), the Sharesave Scheme, the Long Term Incentive Plan ("LTIP"), the Growth Incentive Plan ("GIP") and the share incentive plan ("SIP"). The Group also operates two cash-settled incentive schemes, the Cash LTIP and the Beauty MIP.

The total expense for the period relating to employee share-based payment plans was £13.1 million (2017: £6.9 million), of which £6.1 million (2017: £5.3 million) related to equity-settled share-based payment transactions and £7.0 million (2017: £1.6 million) as a provision for the payment of employers' NIC upon allotment of HMRC unapproved equity-settled share schemes, the Cash LTIP and the Beauty MIP (see note 3.12 Provisions for further details).

(a) ESOS

The Group's ESOS is an equity-settled share option scheme approved by HMRC. Options have also been granted under the terms of HMRC's schedule, which is not approved. The ESOS was established by Ocado in 2001.

Notes to the Consolidated Financial Statements

4.10 Share Options and Other Equity Instruments (continued)

Under the ESOS, Ocado or the trustees of an employee trust may grant options over shares in the Company to eligible employees. The eligible employees to whom options are granted and the terms of such options will be determined by the Directors of Ocado or the trustees. The employees who are eligible to participate in the ESOS are all Ocado's Executive Directors and employees, including the employees of the Company's subsidiaries. Options are not transferable. The exercise price of options may not be less than the market value of the Company's shares on the date of grant. If the trustees or the Directors have determined that the exercise of an option will be satisfied by the issue of ordinary shares, the exercise price may also not be less than the nominal value of ordinary shares.

The Directors of Ocado or the trustees may impose a performance target and any further condition determined to be appropriate on the exercise of an option. In most cases any performance target must be measured over a period of at least three years. There are currently no options granted which are subject to performance targets that have not yet been met. The vesting period for the ESOS is three years. If the options remain unexercised after a period of ten years from the date of grant or the employee leaves the Group, the options expire (subject to a limited number of exceptions).

At each respective balance sheet date the outstanding options were as follows:

	Year of Issue	2 December 2018	**Exercise Price (£)**	3 December 2017	Exercise Price (£)	Exercise Period
Approved						
	2008	–	–	6,695	1.35	31/05/11–30/05/18
	2008	–	–	19,710	1.20	30/11/11–29/11/18
	2009	16,339	**1.20**	25,106	1.20	31/05/12–30/05/19
	2009	55,460	**1.35**	97,743	1.35	02/11/12–29/11/19
	2010	100,754	**1.65**	163,049	1.65	30/06/13–29/06/20
	2011	72,932	**2.55**	163,777	2.55	14/02/14–13/02/21
	2011	5,800	**1.89**	52,839	1.89	19/07/14–18/07/21
	2012	77,827	**1.03**	192,174	1.03	21/02/15–13/02/22
	2012	218,417	**1.05**	418,925	1.05	09/03/15–08/03/22
	2012	18,149	**0.85**	90,747	0.85	27/06/15–26/06/22
	2013	95,591	**1.28**	246,073	1.28	05/03/16–04/03/23
	2013	47,955	**3.02**	116,506	3.02	08/07/16–07/07/23
	2014	10,594	**5.10**	40,579	5.10	05/02/17–04/02/24
	2014	151,907	**4.84**	357,294	4.84	17/03/17–16/03/24
	2015	144,814	**3.77**	369,011	3.77	13/03/18–12/03/25
	2015	19,166	**4.46**	22,980	4.46	01/07/18–30/06/25
	2015	19,061	**4.39**	30,435	4.39	10/07/18–09/07/25
	2016	486,334	**2.70**	549,780	2.70	16/03/19–15/03/26
	2016	26,757	**2.59**	31,196	2.59	15/07/19–14/07/26
	2017	992,286	**2.56**	1,119,038	2.56	14/03/20–13/03/27
	2017	16,464	**2.92**	23,667	2.92	15/08/20–14/08/27
	2018	351,865	**5.68**	–	–	21/03/21–20/03/28
	2018	21,264	**10.45**	–	–	13/08/21–12/08/27
Total approved options		2,949,736		4,137,324		
Non-Approved						
	2009	39,000	**1.20**	122,600	1.20	31/05/12–30/05/19
	2012	77,294	**1.05**	119,088	1.05	09/03/15–08/03/22
	2014	19,286	**4.84**	23,945	4.84	17/03/17–16/03/24
	2014	6,955	**3.36**	27,901	3.36	01/08/17–31/07/24
	2014	2,954	**3.27**	10,617	3.27	08/08/17–07/08/24
	2015	8,056	**3.77**	28,807	3.77	13/03/18–12/03/25
	2015	11,443	**4.46**	16,222	4.46	01/07/18–30/06/25
	2015	8,494	**4.39**	16,740	4.39	10/07/18–09/07/25
	2016	127,784	**2.70**	139,674	2.70	16/03/19–15/03/26
	2016	50,810	**2.59**	58,933	2.59	15/07/19–14/07/26
	2017	187,100	**2.56**	204,616	2.56	14/03/20–13/03/27
	2017	87,443	**2.92**	96,956	2.92	15/08/20–14/08/27
	2018	72,718	**5.68**	–	–	21/03/21–20/08/28
	2018	30,207	**10.45**	–	–	13/08/21–14/08/28
Total non-approved options		729,544		866,099		
Total		3,679,280		5,003,423		

4.10 Share Options and Other Equity Instruments (continued)

Of the total employee share options above, the following options were subject to performance criteria in relation to the average contribution by basket and EBITDA[A] :

		2 December 2018		3 December 2017		
	Year of Issue	**Number of Share Options**	**Exercise Price (£)**	Number of Share Options	Exercise Price (£)	Exercise Period
	2009	**49,600**	**1.20**	133,200	1.20	31/05/12–30/05/19
Total options subject to performance criteria		**49,600**		133,200		

Details of the movement in the number of share options outstanding during each period are as follows:

	2 December 2018		3 December 2017	
	Number of Share Options	**Weighted Average Exercise Price (£)**	Number of Share Options	Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	**5,003,423**	**2.51**	4,156,637	2.38
Granted during the period	**498,143**	**6.18**	1,503,946	2.59
Forfeited during the period	**(306,013)**	**2.99**	(242,828)	2.95
Exercised during the period	**(1,516,273)**	**2.46**	(414,332)	1.28
Outstanding at the end of the period	**3,679,280**	**3.01**	5,003,423	2.51
Exercisable at the end of the period	**1,228,248**	**3.55**	2,295,368	2.10

Since the Company's Admission, the market value of the Company's shares at each option grant date was taken to be the closing mid-market price of the shares on the day prior to issuance. Prior to the Admission, the market value of the Company's shares was derived based on the market value of similar companies and by taking into account transactions with shareholders during the relevant period. The Share Valuation Office of HMRC has confirmed in correspondence that in respect of options granted prior to Admission, the exercise price was not less than the market value of the Company's shares at each option grant date.

For exercises during the period, the weighted average share price at the date of exercise was £7.27 (2017: £2.83).

In determining the fair value of the share options granted during the period, the Black–Scholes Option Pricing Model was used with the following inputs:

	2 December 2018	3 December 2017
Weighted average share price	**£6.18**	£2.59
Weighted average exercise price	**£6.18**	£2.59
Expected volatility	**0.40**	0.40
Weighted expected life – years	**3.00**	3.00
Weighted average risk-free interest rate	**1.0%**	0.1%
Expected dividend yield	**0.0%**	0.0%

The expected volatility was determined by considering the historical performance of the Company's shares. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. All share awards under the ESOS are equity-settled, apart from employer's NIC due on unapproved ESOS awards which is treated as cash-settled.

[A] See Alternative Performance Measures on pages 229 and 230

Notes to the Consolidated Financial Statements

4.10 Share Options and Other Equity Instruments (continued)

The weighted average remaining contractual lives for outstanding share options under the ESOS are as follows:

	2 December 2018			3 December 2017		
	Exercise Price (£)	**Number of Share Options**	**Weighted Average Remaining Contractual Life (years)**	Exercise Price (£)	Number of Share Options	Weighted Average Remaining Contractual Life (years)
	0.85	**18,149**	**3.6**	0.85	90,747	4.6
	1.03	**77,827**	**3.2**	1.03	192,174	4.2
	1.05	**295,711**	**3.3**	1.05	538,013	4.3
	1.20	**55,339**	**0.5**	1.20	167,416	1.4
	1.28	**95,591**	**4.3**	1.28	246,073	5.3
	1.35	**55,460**	**0.9**	1.35	104,438	1.8
	1.65	**100,754**	**1.6**	1.65	163,049	2.6
	1.89	**5,800**	**2.6**	1.89	52,839	3.6
	2.55	**72,932**	**2.2**	2.55	163,777	3.2
	2.56	**1,179,386**	**8.3**	2.56	1,323,654	9.3
	2.59	**77,567**	**7.6**	2.59	90,129	8.6
	2.70	**614,118**	**7.3**	2.70	689,454	8.3
	2.92	**103,907**	**8.7**	2.92	120,623	9.7
	3.02	**47,955**	**4.6**	3.02	116,506	5.6
	3.27	**2,954**	**5.7**	3.27	10,617	6.7
	3.36	**6,955**	**5.7**	3.36	27,901	6.7
	3.77	**152,870**	**6.3**	3.77	397,818	7.3
	4.39	**27,555**	**6.6**	4.39	47,175	7.6
	4.46	**30,609**	**6.6**	4.46	39,202	7.6
	4.84	**171,193**	**5.3**	4.84	381,239	6.3
	5.10	**10,594**	**5.2**	5.10	40,579	6.2
	5.68	**424,583**	**9.3**	–	–	–
	10.45	**51,471**	**9.7**	–	–	–
Outstanding at the end of the period		**3,679,280**			5,003,423	

(b) JSOS

The JSOS is an executive incentive scheme which was introduced to incentivise and retain its Executive Directors and select members of senior management of the Group (the "Participants"). It is a share ownership scheme under which the Participants and Estera Trust (Jersey) Limited, the Employee Benefit Trust Trustee, held at the balance sheet date separate beneficial interests in 6,438,706 (2017: 32,803,390) ordinary shares which represents 0.9% (2017: 5.2%) of the issued share capital of the Company. Of these ordinary shares, 4,516,292 (2017: 79,032) are held by the Employee Benefit Trust on an unallocated basis.

Nature of Interests

Interests take the form of a restricted interest in ordinary shares in the Company (the "Interest"). An Interest permits a Participant to benefit from the increase (if any) in the value of a number of ordinary shares in the Company ("Shares") over specified threshold amounts. In order to acquire an Interest, a Participant must enter into a joint share ownership agreement with the Employee Benefit Trust Trustee, under which the Participant and the Employee Benefit Trust Trustee jointly acquire the Shares and agree that once all vesting conditions have been satisfied the Participant is awarded a specific number of Shares equivalent to the benefit achieved, or at their discretion, when the Shares are sold, the Participant has a right to receive a proportion of the sale proceeds insofar as the value of the Shares exceeds the threshold amount.

4.10 Share Options and Other Equity Instruments (continued)

Participants

In prior periods, Interests were acquired by the Participants under the first JSOS scheme ("JSOS1") in 32,476,700 Shares at an issue price of £1.50 per share, and the second group of Participants' JSOS scheme ("JSOS2") in 3,990,799 Shares at an issue price of £1.70 per share. In prior periods 2,953,675 Shares, in which interests of Participants have lapsed, were reallocated to the third group of Participants under the JSOS scheme ("JSOS3"). For JSOS1 and JSOS2 there are four tranches, each with their own hurdle price. For JSOS3 there are two tranches, each with their own hurdle price.

JSOS1				JSOS2				JSOS3			
Tranche	Vesting Date	Hurdle Value	% of Issue Price	Tranche	Vesting Date	Hurdle Value	% of Issue Price	Tranche	Vesting Date	Hurdle Value	% of Market Price
1 (2011)	Jan 2011	£1.73	115%	1 (2012)	Jun 2012	£1.96	115%	1 (2013)	Jan 2013	£1.70	230%–265%
2 (2012)	Jan 2012	£1.91	127%	2 (2013)	Jun 2013	£2.15	127%	2 (2014)	Jan 2014	£1.80	244%–280%
3 (2013)	Jan 2013	£2.08	139%	3 (2014)	Jun 2014	£2.36	139%	–	–	–	–
4 (2014)	Jan 2014	£2.28	152%	4 (2015)	Jun 2015	£2.59	152%	–	–	–	–

For JSOS1, Participants were required to purchase their Interest for 2.0% of the issue price. For JSOS2, the price was in a range of 7.1% to 10.8%, and for JSOS3, the price was in a range of 1.47% to 1.70% of the share price at date of issue. When an Interest vests, the Employee Benefit Trust Trustee will transfer Shares to the Participant of equal value to the Participant's Interest or the Shares will be sold and the Employee Benefit Trust Trustee will account to the Participant for the balance, i.e. the difference between the sale proceeds (less expenses) and the hurdle price.

Vesting Conditions

The vesting of the Interests granted to Participants is subject to a time vesting condition, as detailed above.

The fair value of the Interests awarded under the JSOS was determined using the Black–Scholes Option Pricing Model. As per IFRS 2 "Share-Based Payment", market-based vesting conditions and the share price target conditions in the JSOS have been taken into account in establishing the fair value of the equity instruments granted. Other non-market or performance-related conditions were not taken into account in establishing the fair value of equity instruments granted; instead, these non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that ultimately the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that will eventually vest.

In determining the fair value of the Interests granted, the Black–Scholes Option Pricing Model was used with the following inputs:

JSOS1	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
Weighted average share price	£1.35	£1.35	£1.35	£1.35
Weighted average exercise price	£1.73	£1.91	£2.08	£2.28
Expected volatility	0.25	0.25	0.25	0.25
Weighted expected life – years	0.91	1.91	2.91	3.91
Risk-free interest rate	3.5%	3.5%	3.5%	3.5%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

JSOS2	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
Weighted average share price	£1.70	£1.70	£1.70	£1.70
Weighted average exercise price	£1.96	£2.15	£2.36	£2.59
Expected volatility	0.25	0.25	0.25	0.25
Weighted expected life — years	1.0	2.0	3.0	4.0
Risk-free interest rate	3.5%	3.5%	3.5%	3.5%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

Expected volatility was determined by comparing the Company to a basket of others of a similar size or which operate in a similar industry.

As the Interests in JSOS3 were reallocated from lapsed Interests in JSOS1 and JSOS2, the fair value of those Interests had been calculated in prior periods using the inputs disclosed in the tables above.

Notes to the Consolidated Financial Statements

4.10 Share Options and Other Equity Instruments (continued)

Details of the movement in the number of allocated Interests in Shares during each period are as follows:

	2 December 2018		3 December 2017	
	Number of Interests in Shares	**Weighted Average Exercise Price (£)**	Number of Interests in Shares	Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	**32,724,358**	**1.99**	32,751,581	1.99
Exercised during the period	**(30,801,944)**	**1.97**	(27,223)	2.79
Outstanding at the end of the period	**1,922,414**	**2.25**	32,724,358	1.99
Exercisable at the end of the period	**1,922,414**	**2.25**	32,724,358	1.99

(c) Non-Employee Share Options

Options to subscribe for ordinary shares and convertible preference shares have been granted by Ocado Limited to non-employees. These options are equity- settled, and do not have any vesting criteria. As a result of the Group's restructuring in 2014, these options are now held over ordinary shares in Ocado Group plc.

At each respective balance sheet date the outstanding options were as follows:

	2 December 2018		3 December 2017		
	Number of Share Options	**Exercise Price (£)**	Number of Share Options	Exercise Price (£)	Exercise Period
January 2004	—	—	435,300	1.03	03/01/04 – 03/01/18
Outstanding at the end of the period	—		435,300		

All non-employee share options were fully exercised in the period.

The weighted average remaining contractual lives for outstanding non-employee share options are as follows:

	2 December 2018			3 December 2017		
	Exercise Price (£)	**Number of Share Options**	**Weighted Average Remaining Contractual Life (years)**	Exercise Price (£)	Number of Share Options	Weighted Average Remaining Contractual Life (years)
	–	–	–	1.03	435,300	0.1
Outstanding at the end of the period		–			435,300	

(d) Sharesave Scheme

In 2010 the Group launched the Ocado Group Sharesave Scheme ("SAYE"). This is an HMRC approved scheme and is open to any person that was an employee or officer of the Group at the launch date. Under the scheme, members save a fixed amount each month for three years. At the end of the three-year period they are entitled to use these savings to buy shares in the Company at 90% of the market value at launch date.

4.10 Share Options and Other Equity Instruments (continued)

At 2 December 2018 employees of the Company's subsidiaries held 1,135 (2017: 1,817) contracts in respect of options over 5,396,601 (2017: 4,454,396) shares. Details of the movement in the number of Sharesave options outstanding during each period are as follows:

	2 December 2018		3 December 2017	
	Number of Share Options	**Weighted Average Exercise Price (£)**	Number of Share Options	Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	**4,454,396**	**2.03**	6,260,286	2.51
Granted during the period	**2,071,434**	**4.57**	–	–
Forfeited during the period	**(469,447)**	**3.14**	(1,648,874)	2.69
Exercised during the period	**(659,782)**	**3.22**	(157,016)	3.01
Outstanding at the end of the period	**5,396,601**	**3.09**	4,454,396	2.03
Exercisable at the end of the period	**1,211**	**3.24**	–	–

(e) Long-Term Incentive Plan

The Group operates equity-settled long-term incentive plans ("LTIP") as approved by the Remuneration Committee and shareholders, under which shares are conditionally awarded to Executive Directors and select members of senior management. The number of awards issued are calculated based on a percentage of the participants' salaries and will vest at the end of a period of three years from the grant date. The final number and proportion of awards expected to vest will depend on achievement of certain performance conditions. For both the 2015 LTIP and the 2016 LTIP, there are four equally weighted performance conditions, which are operational efficiency and capital efficiency metrics related to the retail business and the platform business, the Group's retail business revenue and the Group's retail business earnings before tax for the financial year ended 3 December 2017, and financial year ending 2 December 2018 respectively. For the 2017 LTIP, there are four equally weighted performance conditions based on performance in the 2019 financial year, which are operational efficiency related to the retail business, Ocado Smart Platform sales target, the Group's retail business revenue and the Group's retail business earnings before tax. For the 2018 LTIP, there are four equally weighted performance conditions based on performance in the 2020 financial year, which are Ocado Smart Platform efficiency target, the Ocado Solutions revenue target, the Group's retail business revenue target and Group's retail business earnings before interest and tax.

The number of awards issued, adjusted to reflect the achievement of the performance conditions, will then vest during 2019 for the 2016 LTIP, 2020 for the 2017 LTIP and 2021 for the 2018 LTIP, with the exception of awards issued to the Executive Directors which have a two year holding period and will be released in 2023. Full vesting will only therefore occur where exceptional performance levels have been achieved and significant shareholder value created. An award will lapse if a participant ceases to be employed within the Group before the vesting date.

A summary of the status of the LTIP as at 2 December 2018 and changes during the year is presented below:

	Number of Share Awards 2 December 2018	Number of Share Awards 3 December 2017
Outstanding at the beginning of the period	**4,308,708**	3,151,610
Granted during the period	**927,102**	1,829,906
Forfeited during the period	**(741,585)**	–
Vested during the period	**(247,188)**	(672,808)
Outstanding at the end of the period	**4,247,037**	4,308,708

There were no awards exercisable as at 2 December 2018 and as at 3 December 2017.

The Group recognised an expense of £2.8 million (2017: £1.5 million) related to these awards in the Consolidated Income Statement during the year. The expectation of meeting the performance criteria, based upon internal budgets and forecasts, was taken into account when calculating this expense.

Notes to the Consolidated Financial Statements

4.10 Share Options and Other Equity Instruments (continued)

(f) Growth Incentive Plan

In 2014, the Group introduced an equity-settled growth incentive plan ("GIP"), under which nil cost shares were conditionally awarded to certain Executive Directors.

The final number and proportion of awards expected to vest will depend on achievement of a performance condition, being the growth in the Company's share price relative to the growth in the FTSE 100 Share Index over a five-year performance period.

These awards will vest in 2019. An award will lapse if a participant ceases to be employed within the Group before the vesting date.

Performance will be assessed based on the three-month average share price of the Company and the FTSE 100 Share Index at the end of the performance period in comparison to the three-month average share price of the Company and the FTSE 100 Share Index prior to the start of the performance period.

In determining the fair value of the awards granted, a unique Monte Carlo model was used with the following inputs:

Weighted average share price	£3.19
Value of FTSE 100 Index	6,389.25
Expected correlation	29%
Expected volatility of Company	40%
Expected volatility of FTSE 100 Index	16%
Weighted expected life – years	5.0
Risk-free rate	1.96%
Expected dividend yield	0%
Valuation model	Monte Carlo Pricing

Expected correlation was determined with reference to the share price correlation of the shares in the Company and the FTSE 100 Index over a period commensurate with the terms of the award (i.e. five years).

Expected volatility of the Company was determined by comparing the Company to others of a similar size or which operate in a similar industry. Expected volatility of the FTSE 100 Index was determined by reference to its historical volatility over a period commensurate with the terms of the award (i.e. five years). Volatility is a key estimate in determining the fair value of the GIP award, as the overall charge is most sensitive to changes in this assumption. Management have had regard to an appropriate range of alternative volatility assumptions, and concluded that a change in the volatility within this range would not have a material impact on the financial statements.

The use of the Monte Carlo model and calculation of the associated input parameters requires judgement. Therefore management obtained professional advice to assist in determining the fair value of the awards granted.

A summary of the GIP as at 2 December 2018 and changes during the year is presented below:

	Number of Share Awards
Outstanding at 27 November 2016	6,000,000
Granted during the year	470,000
Outstanding at 3 December 2017	6,470,000
Granted during the year	–
Outstanding at 2 December 2018	**6,470,000**

There were no awards exercisable as at 2 December 2018 (2017: none).

The Group recognised an expense of £4.3 million (2017: £1.6 million) related to these awards in the Consolidated Income Statement during the year. The expectation of meeting the performance criteria was taken into account when calculating this expense.

4.10 Share Options and Other Equity Instruments (continued)

(g) Share Incentive Plan

In 2014, the Group introduced the Ocado Share Incentive Plan ("SIP"). This HMRC approved scheme provides all employees, including Executive Directors, the opportunity to receive and invest in Company shares. All SIP shares are held in a SIP Trust, administered by Yorkshire Building Society.

There are two elements in the plan – the Buy As You Earn ("BAYE") arrangement and the Free Share Award. Under the BAYE, participants can purchase shares in the Company ("Partnership Shares") each month using contributions from pre-tax pay, subject to an upper limit. For every seven shares purchased, the Company gifts the participant one free share ("Matching Shares").

Under the Free Shares Award, shares are given to eligible employees, as a proportion of their annual base pay, subject to a maximum. Eligible employees are those with six months' service as at the grant date.

For Partnership Shares, eligible employees are those with three months' service. Partnership shares can be withdrawn from the Plan Trust at any time; however, Matching Shares and Free Shares are subject to a three-year holding period, during which continuous employment within the Group is required. The Matching Shares and Free Shares will be forfeited if any corresponding Partnership Shares are removed from the Plan Trust within this three-year period, or if the participant leaves Ocado.

A summary of the status of the SIP as at 2 December 2018 and changes during the year is presented below:

	Partnership Shares	Matching Shares	Free Shares	Number of Share Awards Total
Outstanding at 27 November 2016	318,294	45,176	1,293,730	1,657,200
Awarded during the period	197,130	28,072	752,800	978,002
Forfeited during the period	–	(10,108)	(202,568)	(212,676)
Released during the period	(78,635)	(1,042)	(43,110)	(122,787)
Outstanding at 3 December 2017	436,789	62,098	1,800,852	2,299,739
Unrestricted at 3 December 2017	436,789	–	1,032	437,821

	Partnership Shares	**Matching Shares**	**Free Shares**	**Number of Share Awards Total**
Outstanding at 3 December 2017	**436,789**	**62,098**	**1,800,852**	**2,299,739**
Awarded during the period	**89,553**	**12,670**	**276,566**	**378,789**
Forfeited during the period	**–**	**(14,778)**	**(306,522)**	**(321,300)**
Released during the period	**(123,089)**	**(2,679)**	**(133,438)**	**(259,206)**
Outstanding at 2 December 2018	**403,253**	**57,311**	**1,637,458**	**2,098,022**
Unrestricted at 2 December 2018	**403,253**	**113**	**2,134**	**405,500**

In the year, the Group recognised an expense of £1.2 million (2017: £1.0 million) related to these awards. The expectation of meeting the holding period was taken into account when calculating this expense.

Notes to the Consolidated Financial Statements

4.11 Capital Management

The Board's objective is to maintain an appropriate balance of debt and equity financing to enable the Group to continue as a going concern, to sustain future development of the business and to maximise returns to shareholders and benefits to other stakeholders.

The Board closely manages trading capital, defined as net assets plus net cash/(debt)Ⓐ. Net cash/(debt)Ⓐ is calculated as total debt (obligations under finance leases and borrowings as shown in the Consolidated Balance Sheet), less cash and cash equivalents. The Group's net assets at the end of the period were £556.6 million (2017: £247.6 million) and it had net cash of £50.2 million (2017: £228.0 million net debtⒶ).

The main areas of capital management revolve around working capital management and compliance with externally imposed financial covenants. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and balance the needs of the Group to grow, whilst operating with sufficient headroom within its bank covenants. The components of working capital management include monitoring inventory turn, age of inventory, age of receivables, receivables' days, payables' days, balance sheet re-forecasting, period projected profit/(loss), weekly cash flow forecasts and daily cash balances. Major investment decisions are based on reviewing the expected future cash flows and all major capital expenditure requires approval by the Board. There were no changes in the Group's approach to capital management during the period.

In the current year the Group has £250 million (2017: £250 million) of finance through the issue of senior secured notes with a fixed coupon rate of 4% and a maturity date of seven years. In the prior year, the £210 million RCF was reduced to £100 million and extended by a further three years to 2022. The funds from the senior secured notes issue have been used to pay down existing debt, including the £87.5 million previously drawn on the RCF. The remaining funds will be used for capital expenditure to increase capacity.

The Group regularly reviews its financing arrangements. Throughout the period, the Group has complied with all covenants imposed by lenders. In addition, a key aspect of capital management was the strategic operating agreement with Morrisons and the operation of MHE JVCo, a company jointly owned with Morrisons, discussed in note 5.1.

Given the Group's commitment to expand the business and the investment required to complete future CFCs, the declaration and payment of a dividend is not part of the short-term capital management strategy of the Group.

At the Balance Sheet date, the Group's undrawn facilities and cash and cash equivalents were as follows:

	Notes	**2 December 2018 £m**	3 December 2017 £m
Total facilities available		**509.4**	511.5
Facilities drawn down†	4.2	**(360.6)**	(378.0)
Undrawn facilities at end of period‡		**148.8**	133.5
Cash and cash equivalents	3.10	**410.8**	150.0
		559.6	283.5

† In the prior year, the unsecured £210 million revolving facility was reduced to £100 million and extended by three years to 2022.
‡ The undrawn facility at the end of the period, includes transaction costs. If transaction costs are excluded, then the undrawn facility is £143.1 million.

As at 2 December 2018 the unsecured £100 million revolving facility has not been utilised. Transaction costs of £5.7 million (2017: £6.7 million) relating to the senior secured notes have been capitalised. The Group regularly reviews its financing arrangements.

Ⓐ See Alternative Performance Measures on pages 229 and 230

Section 5 — Other Notes

5.1 Subsidiaries

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation and the effective percentage of equity owned, as at 2 December 2018 is disclosed below:

Name	Principal Activity	Share Class	Proportion of Share Capital Held (direct/ indirect)	Country of Incorporation
The following companies are registered at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL:				
Ocado Holdings Limited	Holding company	Ordinary shares	100%	UK
Ocado Retail Limited	Retail	Ordinary shares	100%	UK
Ocado Innovation Limited	Technology	Ordinary shares	100%	UK
Ocado Operating Limited	Logistics and Distribution	Ordinary shares	100%	UK
Ocado Central Services Limited	Business Services	Ordinary shares	100%	UK
Ocado Innovation Holdings Limited	Non-trading company	Ordinary shares	100%	UK
Ocado Solutions Limited (formerly Ocado International Holdings Limited)	Non-trading company	Ordinary shares	100%	UK
Ocado International Holdings Limited	Business Services	Ordinary shares	100%	UK
Last Mile Technology Limited	Non-trading company	Ordinary shares	100%	UK
MHE JVCo Limited	Trading company	£1.00 "B" shares	50%	UK
The following companies are registered at Aquarius House, Bessemer Road, Welwyn Garden City, Hertfordshire, AL7 1HH:				
Speciality Stores Limited	Trading company	Ordinary shares	100%	UK
Paws & Purrs Limited	Retail	Ordinary shares	100%	UK
Marie Claire Beauty Limited	Retail	Ordinary shares	98%	UK
The following company is registered at 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland:				
Ocado Information Technology Limited	Intellectual property	Ordinary shares	100%	Republic of Ireland
The following company is registered at ul. Rakowicka 7, 31-511, Krakow, Poland:				
Ocado Polska Sp. z o.o.	Technology	Ordinary shares	100%	Poland
The following company is registered at Av. Josep Tarradellas 38, Planta 8a, 08029, Barcelona, Spain:				
Ocado Spain S.L.U.	Technology	Ordinary shares	100%	Spain
The following company is registered at 1209 Orange Street, Wilmington, Delaware 19801, United States of America:				
Oxford US LLC	Non-trading company	Ordinary shares	100%	United States of America
The following company is registered at 17 Henrik Ibsen Street, Lozenets District, Sofia 1407, Bulgaria:				
Ocado Bulgaria EOOD	Technology	Ordinary shares	100%	Bulgaria
The following company is registered at Paneltex House, Somerden Road, Hull, HU9 5PE:				
Paneltex Limited	Manufacturing	Ordinary shares	25%	UK
The following company is registered at PO Box 997 Halifax, NS Canada, B3J 2X2:				
Ocado Solutions Canada Inc.	Business services	Ordinary shares	100%	Canada
The following company is registered at 12 Timber Creek Lane, Newark, Delaware 19711:				
Ocado Solutions USA Inc.	Business services	Ordinary shares	100%	United States of America
The following company is registered at TMF Pôle, 3-5 rue Saint-Georges, 75009 Paris:				
Ocado Solutions France SAS	Business services	Ordinary shares	100%	France

In accordance with the exemption under Section 479A of the Companies Act, the standalone financial statements for a subsidiary, Paws & Purrs Limited (company number 07538307), will not be audited for the year ended 2 December 2018, but are included in the Group's consolidated financial statements in the period.

The Group has effective control over the financial and operating activities of the Ocado Cell in Atlas Insurance PCC Limited, an insurance company incorporated in Malta and therefore consolidates the Ocado Cell in its financial statements in accordance with IFRS 10 "Consolidated Financial Statements". The Group uses the Ocado Cell to provide self-insurance for its vehicle fleet and public and product liability claims.

Notes to the Consolidated Financial Statements

5.2 Commitments

Capital Commitments

Contracts placed for future capital expenditure but not provided for in the financial statements are as follows:

	2 December 2018 £m	3 December 2017 £m
Land and buildings	**0.1**	2.7
Property, plant and equipment	**69.6**	42.3
Total capital expenditure committed at the end of the period	**69.7**	45.0

Of the total capital expenditure committed at the period end, £0.1 million (2017: £37.2 million) relates to new CFCs, £35.3 million (2017: £2.2 million) to existing CFCs, £7.9 million (2017: £0.3 million) to fleet costs and £nil (2017: £0.2 million) relates to technology projects.

Operating Lease Commitments

The Group leases a number of offices, facilities and equipment under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

At 2 December 2018 the ageing profile of future aggregate minimum lease payments under non-cancellable operating leases is as follows:

	2 December 2018 £m	3 December 2017 £m
Due within one year	**37.1**	25.0
Due after one year but less than five	**108.9**	84.9
Due after five years	**262.3**	263.7
Total commitment	**408.3**	373.6

5.3 Contingent Liabilities

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

5.4 Related Party Transactions

Key Management Personnel

Only the Executive and Non-Executive Directors are recognised as being key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Group. The key management compensation is as follows:

	2 December 2018 £m	3 December 2017 £m
Salaries and other short-term employee benefits	**4.2**	3.1
Share-based payments	**6.1**	2.4
	10.3	5.5

Further information on the remuneration of Directors and Directors' interests in ordinary shares of the Company is disclosed in the Directors' Remuneration Report on pages 82 to 129.

Other related party transactions with key management personnel made during the period related to the purchase of professional services amounted to £5,250 (2017: £2,700). All transactions were on an arm's length basis and no period end balances arose as a result of these transactions. At the end of the period, there were no amounts owed by key management personnel to the Group (2017: £nil). There were no other material transactions or balances between the Group and its key management personnel or members of their close family.

5.4 Related Party Transactions (continued)

Investment

The following transactions were carried out with Paneltex Limited, a company incorporated in the UK in which the Group holds a 25% interest. Further information on the Group's relationship with Paneltex Limited is provided in note 3.4.

	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Purchase of goods		
– Plant and machinery	**–**	0.7
– Consumables	**0.6**	0.5
Sale of goods	**–**	0.2

Indirect transactions, consisting of the purchase of plant and machinery through some of the Group's finance lease counterparties, were carried out with Paneltex Limited to the value of £8.2 million (2017: £6.3 million). At period end, the Group owed Paneltex £37,000 (2017: Paneltex Limited owed the Group £15,000).

Joint Venture

The following transactions were carried out with MHE JVCo, a joint venture company, incorporated in the UK, in which the Group holds an interest:

	2 December 2018 £m	3 December 2017 £m
Capital contributions made to MHE JVCo	**–**	–
Dividend received from MHE JVCo	**–**	7.6
(Settlement)/Reimbursement of supplier invoices paid on behalf of MHE JVCo	**(0.6)**	7.5
Lease of assets from MHE JVCo	**–**	1.3
Capital element of finance lease instalments paid to MHE JVCo	**2.8**	16.0
Capital element of finance lease instalments due to MHE JVCo	**12.9**	–
Interest element of finance lease instalments accrued or paid to MHE JVCo	**4.4**	5.2

During the year the Group incurred lease instalments (including interest) of £20.1 million (2017: £21.2 million) to MHE JVCo.

Of the £20.1 million, £9.5 million (2017: £10.1 million) was recovered directly from Morrisons in the form of Other Income and a further £nil (2017: £7.6 million) was received from MHE JVCo by way of a dividend. Of the remaining £10.6 million, £2.8 million represents the capital element of the finance lease instalments paid to MHE JVCo, £5.6 million represents the capital element of the finance lease instalments due to MHE JVCo and £2.2 million of the interest incurred on finance lease owing to MHE JVCo.

Included within trade and other receivables is a balance of £3.9 million (2017: £1.7 million) owed by MHE JVCo. £0.6 million (2017: £0.7 million) of this relates to a finance lease accrual which is included within other receivables. £3.3 million (2017: £1.0 million) relates to capital recharges.

Included within trade and other payables is a balance of £25.1 million (2017: £1.9 million) owed to MHE JVCo.

Included within obligations under finance leases is a balance of £74.5 million (2017: £94.1 million) owed to MHE JVCo.

No other transactions that require disclosure under IAS 24 "Related Party Disclosures" have occurred during the current financial period.

5.5 Post Balance Sheet Events

There have been no significant events, outside the ordinary course of business, affecting the Group since 2 December 2018.

5.

OUR COMPANY FINANCIALS

Company Balance Sheet

as at 2 December 2018

	Notes	2 December 2018 £m	3 December 2017 £m
Non-current Assets			
Investments	3.1	**525.7**	512.5
		525.7	512.5
Current Assets			
Other receivables	3.3	**536.7**	386.7
Cash and cash equivalents	3.4	**302.2**	117.5
		838.9	504.2
Total Assets		**1,364.6**	1,016.7
Current Liabilities			
Trade and other payables	3.5	**(17.3)**	(5.5)
Provisions	3.6	**(7.6)**	(0.8)
		(24.9)	(6.3)
Net Current Assets		**814.0**	497.9
Non-current Liabilities			
Borrowings	4.1	**(244.3)**	(243.3)
Provisions	3.6	**(2.3)**	(2.6)
		(246.6)	(245.9)
Net Assets		**1,093.1**	764.5
Equity			
Share capital	4.2	**14.0**	12.6
Share premium	4.2	**589.9**	261.6
Retained earnings		**489.2**	490.3
Total Equity		**1,093.1**	764.5

The Company's loss for the period was £7.2 million (2017: £3.7 million).

The notes on pages 215 to 223 form part of these financial statements.

The Company financial statements on pages 212 to 223 were authorised for issue by the Board of Directors and signed on its behalf by:

Tim Steiner
Chief Executive Officer

Duncan Tatton-Brown
Chief Financial Officer
5 February 2019

Ocado Group plc
Company Registration Number 07098618 (England and Wales)

Company Statement of Changes in Equity

for the 52 weeks ended 2 December 2018

	Notes	Share Capital £m	Share Premium £m	Retained Earnings £m	Total Equity £m
Balance at 27 November 2016		12.6	260.1	488.7	761.4
Loss for the period		–	–	(3.7)	(3.7)
Total Comprehensive Income for the Period Ended 27 November 2016		–	–	(3.7)	(3.7)
Transactions with owners:					
– Issue of ordinary shares	4.2	–	0.9	–	0.9
– Allotted in respect of share option schemes	4.2	–	0.6	–	0.6
– Share-based payments charge	4.3	–	–	5.3	5.3
Total Transactions with Owners		–	1.5	5.3	6.8
Balance at 3 December 2017		12.6	261.6	490.3	764.5
Loss for the period		–	–	(7.2)	(7.2)
Total Comprehensive Income for the Period Ended 2 December 2018		–	–	(7.2)	(7.2)
Transactions with owners:					
– Issue of ordinary shares	4.2	1.3	322.1	–	323.4
– Allotted in respect of share option schemes	4.2	0.1	6.2	–	6.3
– Share-based payments charge	4.3	–	–	6.1	6.1
Total Transactions with Owners		1.4	328.3	6.1	335.8
Balance at 2 December 2018		**14.0**	**589.9**	**489.2**	**1,093.1**

The notes on pages 215 to 223 form part of these financial statements.

Company Statement of Cash Flows

for the 52 weeks ended 2 December 2018

	Notes	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Cash Flow From Operating Activities			
(Loss) before income tax		**(7.2)**	(3.7)
Adjustments for:			
– Net finance costs		**6.1**	3.5
– Share based payments		**6.1**	5.4
Changes in working capital:			
– Movement in provisions		**6.6**	0.8
– Movement in other receivables		**(151.0)**	(149.7)
– Movement in trade and other payables		**–**	5.3
Cash Generated from Operating Activities		**(139.4)**	(138.4)
Interest paid		**(7.2)**	(3.3)
Net Cash Outflow From Operating Activities		**(146.6)**	(141.7)
Cash Flow From Investing Activities			
Interest received		**1.8**	0.2
Net Cash From Investing Activities		**1.8**	0.2
Cash Flow From Financing Activities			
Proceeds from issue of ordinary share capital net of transaction costs		**329.6**	1.5
Proceeds from borrowings		**–**	250.0
Payment of financing Fees		**(0.1)**	(7.1)
Net Cash From Financing Activities		**329.5**	244.4
Net Increase in Cash and Cash Equivalents		**184.7**	102.9
Cash and cash equivalents at beginning of period		**117.5**	14.6
Cash and Cash Equivalents at End of Period	3.4	**302.2**	117.5

The notes on pages 215 to 223 form part of these financial statements.

Notes to the Company Financial Statements

Section 1 — Basis of Preparation

General Information

Ocado Group plc is incorporated in the United Kingdom. The Company is the parent and the ultimate parent of the Group. The address of its registered office is Buildings 1 & 2 Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL. The financial period represents the 52 weeks ended 2 December 2018 (prior period 53 weeks ended 3 December 2017).

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Standards Interpretation Committee (IFRIC) interpretations as endorsed by the European Union ("IFRS-EU"), and those parts of the Companies Act applicable to companies reporting under IFRS.

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, except for financial instruments that have been measured at fair value.

The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Company.

Exemptions

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and not presented an income statement or a statement of comprehensive income for the Company alone.

New standards, amendments and interpretations issued that are not yet effective but have been early adopted and are not material to the Company:

IFRS 15 "Revenue from Contracts with Customers" provides guidance on the recognition and measurement of revenue. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied the control of goods or services is transferred. This applies to all contracts with customers except those in the scope of other standards. The new standard replaces IAS 18 "Revenue" and is effective for annual periods beginning on or after 1 January 2018 unless early adopted. The Company has early adopted IFRS 15 in the current period and has concluded that that it does not have a significant impact on the Company's financial statements.

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

The Company has considered the following new standards, interpretations and amendments to published standards that are effective for the Company for the financial year beginning 4 December 2017 and concluded that they are either not relevant to the Company or that they would not have a significant impact on the Company's financial statements:

Various	Amendments to various IFRSs and IASs including those arising from the IASB's annual improvements project	1 January 2017
IAS 10	Statement of cash flows (amendments)	1 January 2017
IAS 12	Income taxes (amendments)	1 January 2017

New standards, amendments and interpretations not yet adopted by the Company:-

The following further new standards, interpretations and amendments to published standards and interpretations which are relevant to the Company have been issued but are not effective for the financial year beginning 4 December 2017 and have not been adopted early:

IFRS 2	Share-based payments (amendments)	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 28	Investments in associates and joint ventures (amendments)	Deferred
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Various	Amendments to various IFRSs and IASs including those arising from the IASB's annual improvements project	Various

The following new standards are not yet effective and the impact on the Company is currently under review:

- IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9. Our initial review of IFRS 9 has indicated that the impact of this new standard on the Company's results is unlikely to be material.
- IFRS 16 "Leases" provides guidance on the classification, recognition and measurement of leases to help provide useful information to the users of financial statements. The main aim of this standard is to ensure all leases will be reflected on the Balance Sheet, irrespective of substance over form. The new standard will replace IAS 17 "Leases" and is effective for annual periods beginning on or after 1 January 2019 unless adopted early. IFRS 16 is not expected to have an impact on the amounts recognised in the Company's financial statements as the Company currently has no leases.

Notes to the Company Financial Statements

Accounting Policies
Foreign Currency Translation

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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Taxation

Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted by the Balance Sheet date. Management periodically evaluate 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.

Critical Accounting Estimates and Assumptions

The preparation of the Company financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amount 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Section 2 — Results for the Year

2.1 Loss Before Tax
Accounting Policies

Administrative Expenses

Administrative expenses consist of fees for professional services, bank charges and any other costs of an administrative nature.

2.2 Operating Results
During the period, the Company obtained audit services from its auditor, Deloitte LLP, to the amount of £75,000 (2017: £70,000).

2.3 Employee Information
The Company does not incur any direct staff costs as the Group's employees are employed by a subsidiary company.

Analysis and disclosures in relation to share-based payments are given in note 4.3.

Section 3 — Assets and Liabilities

3.1 Investments

Accounting Policies

Investments in Group companies are valued at cost less accumulated impairment.

Investments

	2 December 2018 £m	3 December 2017 £m
Cost	476.5	476.5
Contributions to subsidiaries:		
– Novation of derivative liability in respect of warrants issued by Ocado Limited	1.1	1.1
– Group share-based payments	48.1	34.9
Carrying value at end of period	**525.7**	512.5

Investments represent investments in Group companies, Ocado Holdings Limited and Ocado Innovation Limited. A list of subsidiary undertakings held by the Company is disclosed in note 5.1 to the consolidated financial statements.

Subsidiaries are recharged for the amount recognised as share-based payments relating to awards to their employees. These are recognised as an increase in the investment in relevant subsidiaries in accordance with IFRS 2 “Share-based Payments”.

3.2 Working Capital

Accounting Policies

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company’s loans and receivables comprise “Other receivables” and “Cash and cash equivalents” on the Balance Sheet.

Other Receivables

Other receivables are non-interest bearing and are recognised initially at fair value, and subsequently at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts. No security has been granted over other receivables unless stated otherwise. The amounts due from subsidiary undertakings are repayable on demand.

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 Balance Sheet date.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Trade and Other Payables

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

3.3 Other Receivables

	2 December 2018 £m	3 December 2017 £m
Amounts due from subsidiary undertakings	535.7	386.5
Other receivables	1.0	0.2
	536.7	386.7

3.4 Cash and Cash Equivalents

	2 December 2018 £m	3 December 2017 £m
Cash at bank and in hand	302.2	117.5

Notes to the Company Financial Statements

3.5 Trade and Other Payables

	2 December 2018 £m	3 December 2017 £m
Deferred income and accruals	**4.6**	4.9
Amounts due to subsidiary undertakings	**12.7**	0.6
	17.3	5.5

3.6 Provisions

Employee Incentive Schemes

Provisions for employee incentive schemes relate to HMRC unapproved equity-settled schemes and the Cash-based Long-Term Incentive Plan ("Cash LTIP"). For all unapproved schemes and the Cash LTIP, the Company is liable to pay employers' NIC upon allotment of the share awards.

Unapproved schemes are the Long-Term Incentive Plan ("LTIP"), the Growth Incentive Plan ("GIP") and unapproved Executive Share Option Scheme ("ESOS"). For more details on these schemes, refer to note 4.10 to the consolidated financial statements.

In 2014, the Company established the Cash LTIP in order to incentivise selected high performing employees of the Group. At the end of the three-year vesting period, employees will be paid a cash amount equal to the notional number of awards at the prevailing share price, adjusted for the achievement of the performance conditions.

Provisions

	Employee Incentive Schemes £m
As at 27 November 2016	2.5
Charged to the Income Statement	
– additional provision	1.7
– unused amounts reversed	(0.1)
Used during the period	(0.7)
As at 3 December 2017	3.4
Charged to the Income Statement	
– additional provision	**7.2**
– unused amounts reversed	**(0.2)**
Used during the period	**(0.5)**
As at 2 December 2018	**9.9**

Analysis of total provisions as at 3 December 2017

	Employee Incentive Schemes £m
Current	0.8
Non-current	2.6
	3.4

Analysis of total provisions as at 2 December 2018

	Employee Incentive Schemes £m
Current	7.6
Non-current	2.3
	9.9

3.6 Provisions (continued)

Employee Incentive Schemes

The provision consists of the Cash LTIP and employers' NIC on HMRC unapproved equity-settled schemes.

The Cash LTIP provision represents the expected cash payments to participants upon vesting of the awards. It has been calculated using various assumptions regarding liquidity, participants' retention and achievability of the performance conditions and valued with reference to the year end share price. If at any point following initial valuation any of these assumptions are revised, the charge will need to be amended accordingly. In addition to the base cost, since this is a cash benefit, the Company will be liable to pay employers' NIC on the value of the cash award on vesting, which is included in the above employer's NIC provision.

To calculate the employer's NIC provision, the applicable employer's NIC rate is applied to the number of share awards which are expected to vest, valued with reference to the year end share price. The number of share awards expected to vest is dependent on various assumptions which are determined by management; namely participants' retention rate, the expectation of meeting the performance criteria, if any, and the liquidity discount. All assumptions are supported by historical trends and internal financial forecasts, where appropriate.

For the GIP, an external valuation was carried out to determine the fair value of the awards granted (see note 4.10 (f) to the consolidated financial statements).

If at any point during the life of each share award any non-market conditions are subject to change, such as the retention rate or the likelihood of the performance condition being met, the number of share awards likely to vest will need to be recalculated which will cause the value of the employer's NIC provision to change accordingly.

Once the share awards under each of the schemes have vested, the provision will be utilised when they are allotted to participants. Vesting will occur between 2019 and 2021.

Section 4 — Capital Structure and Financing Costs

4.1 Borrowings

	2 December 2018 £m	3 December 2017 £m
Borrowings	**244.3**	243.3
Total borrowings	**244.3**	243.3

The loan outstanding at period end can be analysed as follows:

Principal amount £m	Inception	Security Held	Current Interest Rate	Instalment Frequency	Final Payment Due	**Carrying Amount as at 2 December 2018 £m**	Carrying Amount as at 3 December 2017 £m
250.0	June 2017	Collateral	4%	Semi-annually	June 2024	**244.3**	243.3

4.2 Share Capital and Premium

Accounting Policies

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

Share Capital and Premium

Included in the total number of ordinary shares outstanding below are 6,438,706 (2017: 32,803,390) ordinary shares held by the Group's Employee Benefit Trust (see note 4.10(b) to the consolidated financial statements). The ordinary shares held by the trustee of the Group's Employee Benefit Trust pursuant to the Joint Share Ownership Scheme are treated as treasury shares in the Group's Consolidated Balance Sheet in accordance with IAS 32 "Financial Instruments: Presentation". These ordinary shares have voting rights but these have been waived by the trustee. The number of allotted, called up and fully paid shares, excluding treasury shares, at the end of each period differs from that used in the basic earnings per share calculation in note 2.10 to the consolidated financial statements, as basic loss per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

Notes to the Company Financial Statements

4.2 Share Capital and Premium (continued)

At 2 December 2018, the number of ordinary shares available for issue under the Block Listing Facilities was 10,014,711 (2017: 12,083,504). These ordinary shares will only become allotted when the shares under the Share Incentive Plan have been awarded or the share options under the Group's Executive Share Ownership Scheme, non-employee share options and Sharesave schemes have been exercised, and are therefore not included in the total number of ordinary shares outstanding.

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

	Ordinary Shares Number (million)	Ordinary Shares £m	Share Premium £m
At 27 November 2016	629.2	12.6	260.1
Issues of ordinary shares	1.1	–	0.9
Allotted in respect of share option schemes	0.4	–	0.6
At 3 December 2017	630.7	12.6	261.6
Issues of ordinary shares	**65.0**	**1.3**	**322.1**
Allotted in respect of share option schemes	**2.6**	**0.1**	**6.2**
At 2 December 2018	**698.3**	**14.0**	**589.9**

4.3 Share-based Payments

For more information on the Group's share schemes, see note 4.10 to the consolidated financial statements.

4.4 Financial Instruments

Accounting Policies

Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. The Company classifies its financial instruments into available-for-sale, loans and receivables, and other financial liabilities at amortised cost.

The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determine the classification of their financial instruments at initial recognition or in certain circumstances on modification.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Fair Value of Financial Instruments

Set out below is a comparison by category of carrying values and fair values of all financial instruments that are included in the financial statements. The fair values of financial assets and liabilities are based on prices available from the market on which the instruments are traded where available. The fair values of cash and cash equivalents, receivables and payables are assumed to approximate to their carrying values but for completeness are included in the analysis below.

		2 December 2018		3 December 2017	
	Notes	**Carrying Value £'000**	**Fair Value £'000**	Carrying Value £'000	Fair Value £'000
Financial Assets					
Investments	3.1	**525.7**	**525.7**	512.5	512.5
Cash and cash equivalents	3.4	**302.2**	**302.2**	117.5	117.5
Other receivables	3.3	**536.7**	**536.7**	386.7	386.7
Total financial assets		**1,364.6**	**1,364.6**	1,016.7	1,016.7
Financial Liabilities					
Trade and other payables	3.5	**(17.3)**	**(17.3)**	(5.5)	(5.5)
Senior secured notes	4.1	**(244.3)**	**(238.6)**	(243.3)	(240.9)
Total financial liabilities		**(261.6)**	**(255.9)**	(248.8)	(246.4)

4.5 Credit Risk
The Company's exposures to credit risk arise from holdings of cash and cash equivalents and other receivables.

Exposure to Credit Risk
The carrying value of financial assets, as set out in note 4.7, represents the maximum credit exposure. No collateral is held as security against these assets.

Cash and Cash Equivalents
The Company's exposure to credit risk on cash and cash equivalents is managed by investing in banks and financial institutions with strong credit ratings and by regular review of counterparty risk.

Other Receivables
Other receivables at the end of both periods consist primarily of amounts due from subsidiary undertakings. Management provide for irrecoverable debts when there are indicators that a balance may not be recoverable.

The ageing of other receivables at the balance sheet date is set out below:

		2 December 2018		3 December 2017	
	Notes	**Gross £'000**	**Impairment £'000**	Gross £'000	Impairment £'000
Not past due	3.3	**536.7**	**–**	386.7	–

There were no unimpaired balances at the period end where the Company had renegotiated the terms. Management have not provided for irrecoverable debts against any of their other receivable balances.

4.6 Liquidity Risk
In the current year, the unsecured £100 million revolving facility expiring in 2022 has not been utilised. The Company regularly reviews its financing arrangements. The Company monitors cash flow as part of its day-to-day control procedures and the Board considers cash flow projections on a monthly basis. The Company's capital management policies are consistent with those of the Group. For further details on the Group's capital management strategy see note 4.11 to the consolidated financial statements.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date. The amounts disclosed in the table are the carrying values and undiscounted contractual cash flows.

	Notes	Carrying Value £m	Contractual Cash Flows £m	1 Year or Less £m	1–2 Years £m	2–5 Years £m	More Than 5 Years £m
Financial Liabilities							
Trade payables and other payables	3.5	(5.5)	(5.5)	(5.5)	–	–	–
3 December 2017		(5.5)	(5.5)	(5.5)	–	–	–

	Notes	**Carrying Value £m**	**Contractual Cash Flows £m**	**1 Year or Less £m**	**1–2 Years £m**	**2–5 Years £m**	**More Than 5 Years £m**
Financial Liabilities							
Trade payables and other payables	3.5	**(17.3)**	**(17.3)**	**(17.3)**	**–**	**–**	**–**
2 December 2018		**(17.3)**	**(17.3)**	**(17.3)**	**–**	**–**	**–**

Notes to the Company Financial Statements

4.7 Market Risk

Currency Risk

The Company engages in foreign currency transactions to a very limited extent. No financial assets are held in foreign currencies. Due to the Company's lack of exposure to currency risk, no sensitivity analysis has been performed.

Interest Rate Risk

The Company has no interest bearing financial liabilities with a variable rate and its interest bearing financial assets consist of only cash and cash equivalents and certain amounts due from subsidiary undertakings. These financial assets are exposed to interest rate risk as the Company holds money market deposits at floating interest rates. The risk is managed by investing cash in a range of cash deposit accounts with UK banks split between fixed-term deposits, notice accounts and money market funds.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2 December 2018 £m	3 December 2017 £m
Fixed Rate Instruments		
Financial assets	**302.2**	117.5
Financial liabilities	**(244.3)**	(243.3)

Sensitivity Analysis

An increase of 100 basis points (1.0%) in interest rates would impact equity and profit or loss by the amounts shown below. A rate of 100 basis points was deemed appropriate, considering the current short-term interest rate outlook. The calculation applies the increase to average floating rate interest bearing borrowings and cash and cash equivalents existing during the period. This analysis assumes that all other variables remain constant and considers the effect on financial instruments with variable interest rates.

	2 December 2018 £m	3 December 2017 £m
Equity		
Result	**–**	–
Income		
Gain	**1.8**	0.4

4.8 Financial Instruments by Category

The Company has categorised its financial instruments as follows:

	Notes	Available-For-Sale £m	Loans and Receivables £m	Other Financial Liabilities at Amortised Cost £m	Total £m
As at 3 December 2017					
Financial Assets					
Investments	3.1	512.5	–	–	512.5
Cash and cash equivalents	3.4	–	117.5	–	117.5
Other receivables	3.3	–	386.7	–	386.7
Total		512.5	504.2	–	1,016.7
Financial Liabilities					
Trade and other payables	3.5	–	–	(5.5)	(5.5)
Total		–	–	(5.5)	(5.5)

4.8 Financial Instruments by Category (continued)

	Notes	Available-For-Sale £m	Loans and Receivables £m	Other Financial Liabilities at Amortised Cost £m	Total £m
As at 2 December 2018					
Financial Assets					
Investments	3.1	525.7	–	–	525.7
Cash and cash equivalents	3.4	–	302.2	–	302.2
Other receivables	3.3	–	536.7	–	536.7
Total		525.7	838.9	–	1,364.6
Financial Liabilities					
Trade and other payables	3.5	–	–	(17.3)	(17.3)
Total		–	–	(17.3)	(17.3)

4.9 Capital Management

The Board's objectives and policies for the Company are consistent with those of the Group. Full details are provided in note 4.11 to the consolidated financial statements.

Section 5 — Other Notes

5.1 Related Party Transactions

Key Management Personnel

Only the Executive and Non-Executive Directors are recognised as being key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Company. Executive and Non-Executive Directors did not receive any remuneration for their services to the Company.

Directors' interests in ordinary shares of the Company are disclosed in the Directors' Remuneration Report on page 98.

There were no material transactions or balances between the Company and its key management personnel or members of their close family. At the end of the period, key management personnel did not owe the Company any amounts.

Subsidiaries

The Company enters into loans with its subsidiaries. No interest was earned on these loans at market-related interest rates during the period (2017: £nil).

Transactions with Subsidiaries	52 Weeks Ended 2 December 2018 £m	53 Weeks Ended 3 December 2017 £m
Group share-based payments	13.1	6.9
Increase in loans made to subsidiary undertakings	149.2	142.1
Increase/(decrease) in amounts due to subsidiary undertakings	12.1	(0.1)

Year End Balances Arising from Transactions with Subsidiaries	2 December 2018 £m	3 December 2017 £m
Receivables:		
Loans and receivables due from subsidiaries	535.7	386.5
Payables:		
Loans and receivables due to subsidiaries	(12.7)	(0.6)

5.2 Post Balance Sheet Events

There were no events after the balance sheet date which require adjustment to or disclosure in these financial statements.

6.

ADDITIONAL INFORMATION

Glossary

2014 ESOS – means the Ocado 2014 Executive Share Option Scheme.

2018 Code – means the UK Corporate Governance Code published by the FRC in July 2018.

Active Customers – means customers who have shopped with Ocado in the previous 12 weeks.

Administrative Expenses – means all IT costs, advertising and marketing expenditure, employment costs of all head office functions, which include legal, finance, human resources, marketing and procurement, rent and other property-related costs for the head office, all fees for professional services and the depreciation, amortisation and impairment associated with head office IT equipment, software, fixtures and fittings and expenses relating to the Group's share schemes.

Admission – means the admission of the ordinary shares of the Company to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities which occurred on 26 July 2010.

AGM – means the Annual General Meeting of the Company, which will be held on 1 May 2019 at 10 am at The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT.

American Depositary Receipts – means securities that have been created to permit US investors to hold shares in non-US companies and, in a Level 1 programme, to trade them on the over-the-counter market in the United States.

Annual Incentive Plan or AIP – means the Executive Director incentive plan for the Group applicable to a particular financial year.

Articles – means the articles of association of the Company.

Beauty MIP – means the management incentive plan for key management of Marie Claire Beauty Limited.

Board – means the Board of Directors of the Company or its subsidiaries from time to time as the context may require.

Bon Preu - means Bon Preu SA, a company incorporated in Spain whose registered office is at Carrer C, 17, 08040 Barcelona.

Brexit – means the UK's decision to leave the European Union following the referendum on 23 June 2016.

Casino - means Casino Guichard Perrachon SA, a company incorporated in France whose registered office is at 24 Rue de la Montat, Saint-Etienne.

Cash LTIP – means the Company's cash-based Long-Term Incentive Plan for senior employees.

Chairman's Share Matching Award - means a one-off award of shares to Lord Rose, made in May 2013.

Code – means the UK Corporate Governance Code published by the FRC in April 2016.

Companies Act – means the Companies Act 2006.

Company – means Ocado Group plc, a company incorporated in England and Wales with registered number 07098618 whose registered office is at Buildings 1 & 2 Trident Place, Hatfield Business Park, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL.

Corporate Website – means www.ocadogroup.com.

CR – means Corporate Responsibility.

CSTM – means Customer Service Team Member, the title given to our customer facing delivery drivers.

Customer Fulfilment Centre or CFC – means a dedicated highly automated warehouse used for the operation of the business. The CFCs are: CFC1 in Hatfield, CFC2 in Dordon, CFC3 in Andover and CFC4 in Erith.

Deloitte – means Deloitte LLP, the Group's statutory auditor or the Group's advisers in respect of non-audit services.

Directors – means the Directors of the Company whose names and biographies are set out on page 61 or the Directors of the Company's subsidiaries from time to time as the context may require.

Directors' Remuneration Policy – means the Directors' remuneration policy that the Company which was approved by shareholders at the 2017 annual general meeting and which is set out on pages 107 to 129.

2019 Directors' Remuneration Policy or 2019 Policy – means the Directors' remuneration policy that will be put forward for approval by shareholders at the 2019 AGM and which is set out on pages 107 to 129.

Disclosure Guidance and Transparency Rules – means the disclosure guidance and transparency rules made under Part VI of the Financial Services and Markets Act 2000 (as amended).

Distribution Costs – means all the costs incurred, excluding product costs, to the point of sale, usually the customer's home. This includes the payroll-related expenses for the picking, dispatch and delivery of product 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, call centre costs and payment processing charges.

Dobbies – means Dobbies Garden Centres Limited, a company incorporated in Scotland with registered number SC010975 whose registered office is at Melville Nurseries, Lasswade, Midlothian EH18 1AZ.

DPV – means deliveries per van per week.

EBITDAⒶ – means the non-GAAP measure which Ocado has defined as earnings before net finance costs, taxation, depreciation, amortisation, impairment and exceptional itemsⒶ.

EBT – as relating to the Income Statement, means earnings before tax. As relating to share schemes, means employee benefit trust.

EBT Trustee – means the trustee from time to time of the employee benefit trust established for the purposes of the JSOS, currently Estera Trust (Jersey) Limited.

EPS – means earning per share.

ESOS – means the HMRC-approved Ocado 2001 Executive Share Option Scheme and the Ocado 2001 Non-HMRC approved Executive Share Option Scheme.

Exceptional ItemsⒶ – means items that due to their material and non-recurring nature have been classified separately in order to draw them to the attention of the reader of the financial statements.

Executive Directors – means Tim Steiner, Luke Jensen, Neill Abrams, Duncan Tatton-Brown, Mark Richardson.

Fabled.com – means the Group's premium beauty online store in collaboration with Marie Claire and Time Inc.

Fetch.co.uk – means the Group's dedicated online pet store.

Financial Period – means the 52-week period, or 53-week period where relevant, ending the closest Sunday to 30 November.

Financial Year or FY – see Financial Period.

FRC – means the Financial Reporting Council.

GAAP – means generally accepted accounting principles.

GDPR – means General Data Protection Regulation.

GHG – means greenhouse gas(es).

GIP – means the Growth Incentive Plan.

GMDC – means the General Merchandise Distribution Centres in Welwyn Garden City and Erith, dedicated highly automated warehouses used for the operation of the business.

GPP – means the Ocado Group Pension Plan.

Gross SalesⒶ – means sales (net of returns), including charges for delivery, before deducting relevant vouchers, offers and value added tax. Relevant vouchers and offers include money-off coupons, conditional spend vouchers and multibuy offers, such as buy three for the price of two.

This includes sales from ocado.com, fetch.co.uk, sizzle.co.uk and fabled.com.

Group – means Ocado Group plc, its subsidiaries, significant undertakings and affiliated companies under its control or common control.

HMRC – means Her Majesty's Revenue & Customs.

IAS – means International Accounting Standard(s).

ICA – means ICA Group, a company incorporated in Sweden whose registered office is at Svetsarvägen 16, Solna.

IFRIC – means International Financial Reporting Standards Interpretations Committee.

IFRS – means International Financial Reporting Standard(s).

IGD – means the Institute of Grocery Distribution.

IP – means Intellectual Property.

ISA (UK & Ireland) – means International Standard on Auditing in the UK and Ireland.

John Lewis – means John Lewis plc, the parent company of Waitrose, incorporated in the UK with registered number 233462 whose registered office is at 171 Victoria Street, London SW1E 5NN.

JSOS – means the Group's Joint Share Ownership Scheme. It comprises three issues called JSOS1, JSOS2 and JSOS3.

KPI – means key performance indicators.

Kroger – means The Kroger Co. a company incorporated in the USA, whose registered office is at 1014 Vine Street, Cincinnati, Ohio.

LIBOR – means the London Interbank Offered Rate.

Listing Rules – means the Listing Rules made by the UK Listing Authority under Part VI of the Financial Services and Markets Act 2000 (as amended).

LPP – means Low Price Promise, the Ocado vouchering scheme which entitles customers to receive discount vouchers where their shopping basket has cost more than it would have at selected competitors.

LTIP – means the Company's Long Term Incentive Plan for Executive Directors and selected senior managers.

Management Committee – means senior management responsible for managing the day-to-day operations of the business.

MHE – means mechanical handling equipment.

MHE JVCo – means MHE JVCo Limited, a company incorporated in the UK with registered number 8576462, whose registered office is at Buildings 1 & 2 Trident Place, Hatfield Business Park, Mosquito Way, Hatfield AL10 9UL. MHE JVCo is jointly owned by a Group subsidiary and Morrisons.

Morrisons – means Wm Morrison Supermarkets PLC, a company incorporated in the UK with registered number 353949, whose registered office is at Hilmore House, Gain Lane, Bradford, West Yorkshire BD3 7DL.

Morrisons.com – means Morrisons' online retail business.

Net Finance Costs – means finance income less finance costs. Finance income is composed principally of bank interest and other interest. Finance cost is composed of interest on bank loans and overdrafts, interest on finance leases and interest on other financing arrangements.

Non-Executive Directors – means the non-executive Directors of the Company designated as such on page 61.

Notice of Meeting – means the notice of the Company's AGM.

Ocado.com – means the Group's online retail business.

Ocado Council – means the Ocado forum used to consult with our employees.

Ocado Smart Platform or OSP – means the end-to-end solution for operating online in the grocery market, which has been developed by the Group.

Ocado Solutions – means the Group's Solutions business.

OPW – means orders per week.

Other Income – means primarily revenue for advertising services provided by Ocado to suppliers and other third parties on the Webshop, commission income and sublease payments. Other income is recognised in the period to which it relates on an accruals basis.

Participants – means eligible staff who participate in one of the Company's staff share schemes.

Prospectus – means the Company's prospectus dated 6 July 2010 prepared in connection with the Company's Admission.

R&D – means Research and Development.

Revenue – means online sales (net of returns) through the Webshop and Ocado on the Go, including charges for delivery, but excluding relevant vouchers, offers and value added tax. The recharge of costs to Morrisons and fees charged to Morrisons and other solutions clients are also included in Revenue. Relevant vouchers and offers include money-off coupons, conditional spend vouchers and multi-buy offers, such as buy three for the price of two.

Glossary

Senior Secured Notes or Notes – means the Company's offering of £250 million Senior Secured Notes due 2024 at a coupon of 4% and an issue price of 100%. For more details, see page 134.

Shareholder – means a holder for the time being of ordinary shares in the Company.

Sharesave Scheme or SAYE Scheme – means the Ocado employee savings-related share option plan approved by HMRC.

SIP – means the Share Incentive Plan.

Sizzle.co.uk – means the Group's dedicated online kitchen and dining store.

SKU – means a "stock keeping unit", that is each line of stock.

Smart Pass (previously Saving Pass) – means the Ocado pre-pay membership scheme which includes the delivery pricing scheme previously known as Delivery Pass and the discount membership scheme formerly known as Saving Pass.

Sobeys - means Sobeys Inc, a wholly-owned subsidiary of Empire Company Limited incorporated in Canada whose registered office is at 115 King Street, Stellarton, Nova Scotia.

Sourcing Agreement – means the various sourcing and branding agreements between Ocado, Waitrose and John Lewis.

Spoke – means the trans-shipment sites used for the intermediate handling of customers' orders.

Substitution – means an alternative product provided in place of the original product ordered by a customer.

TSR – means total shareholder return – the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock.

UPH – means average units processed per labour hour.

USDAW – means the Union of Shop, Distributive and Allied Workers.

VCP - means the Company's Value Creation Plan for Executive Directors.

Waitrose – means Waitrose Limited, a company incorporated in the UK with registered number 00099405, whose registered office is at 171 Victoria Street, London SW1E 5NN.

Webshop – means the customer facing internet-based virtual shop accessible via the websites www.ocado.com, www.fabled.com, www.fetch.co.uk and www.sizzle.co.uk.

Alternative Performance Measures

The Group assesses its performance using a variety of alternative performance measures which are not defined under IFRS and are therefore termed "non-GAAP" measures. These measures provide additional useful information on the underlying trends, performance and position of the Group. The non-GAAP measures we used are:

- 52 Week Comparative for the 2017 Financial Year;
- Gross Sales;
- Segment Revenue;
- Exceptional Items;
- Segment Administrative Costs and Distribution Costs;
- EBITDA;
- Segment EBITDA;
- External Gross Debt; and
- Net Cash/(Debt)

A reconciliation from these non-GAAP measures to the nearest measure prepared in accordance with IFRS is presented below. The alternative performance measures used may not be directly comparable with similarly titled measures used by other companies.

52 Week Comparative for the 2017 Financial Year

As a predominately retail business, the business has a 53 week financial year every 5–6 years. The business have removed the last trading week of the 2017 financial year to aid comparability for the users. These comparable numbers are highlighted throughout the report.

Gross Sales

Gross Sales is a measure of reported revenue before excluding value added tax and relevant vouchers and offers. Gross Sales is a common measure used by investors and analysts to evaluate the operating financial performance of companies within the retail sector.

A reconciliation from reported revenue to Gross Sales can be found in note 2.3 to the consolidated financial statements.

Segment Revenue/Revenue (Retail)/Revenue (Solutions)

Segment revenue is a measure of reported revenue for the Group's Retail and Solutions segments. A reconciliation of revenue for the segments to revenue for the Group can be found in note 2.2 to the consolidated financial statements.

Exceptional Items

The Group's Consolidated Income Statement separately identifies trading results before exceptional items. The Directors believe that presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. This also facilitates comparison with prior periods to assess trends in financial performance more readily.

The Group applies judgement in identifying significant non-recurring items of income and expense that are recognised as exceptional to help provide an indication of the Group's underlying business. In determining whether an event or transaction is exceptional in nature, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of items that the Group considers exceptional include, but are not limited to, material costs relating to the opening of a new warehouse, corporate reorganisations, material litigation, and any material costs, outside of the normal course of business as determined by management.

Exceptional items are disclosed in note 2.8 to the consolidated financial statements.

Segment Administrative Costs and Distribution Costs

Segment distribution and administrative costs are measures which seek to reflect the performance of the Group's segments in relation to the long-term sustainable growth of the Group. These measures exclude the impact of certain costs that are not allocated to a segment; depreciation, amortisation, impairment and other central costs.

A reconciliation from reported distribution and administrative costs, the most directly comparable IFRS measures, to the segment distribution and administrative costs, is set out below.

	2018 £m	2017 £m
Retail distribution and administrative costs	**401.9**	356.1
Solutions distribution and administrative costs	**140.7**	115.1
Unsegmented distribution and administrative costs	**109.8**	80.7
	652.4	551.9

Alternative Performance Measures

	2018 £m	2017 £m
Reported distribution costs	**485.4**	434.2
Reported administrative expenses	**167.0**	117.7
	652.4	551.9

EBITDA

In addition to measuring its financial performance based on operating profit, the Group also measures performance based on EBITDA. EBITDA is defined as the Group earnings before depreciation, amortisation, impairment, net finance expense, taxation and exceptional items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies.

The Group considers EBITDA to be a useful measure of its operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. EBITDA is not a direct measure of liquidity, which is shown by the cash flow statement, and needs to be considered in the context of the Group's financial commitments.

A reconciliation from operating profit to EBITDA can be found on the face of the Consolidated Income Statement on page 149.

Segment EBITDA/EBITDA (Retail)/EBITDA (Solutions)

The financial performance of the Group's segments is measured based on EBITDA, as reported internally.

A reconciliation of EBITDA for the segments to EBITDA for the Group can be found in note 2.2 to the consolidated financial statements.

External Gross Debt

External gross debt consists of loans and other borrowings (both current and non-current), less finance leases payable to joint venture interests of the Group.

External gross debt is a measure of the Group's indebtedness to third parties which are not considered a related party to the Group.

A reconciliation from external gross debt to gross debt can be found below.

	2018 £m	2017 £m
External gross debt	**286.1**	283.9
Finance leases relating to joint ventures	**74.5**	94.1
Gross debt	**360.6**	378.0

Net Cash/(Debt)

Net cash/(debt) consists of loans and other borrowings (both current and non-current), less cash and cash equivalents. Loans and other borrowings are measured as the net proceeds raised, adjusted to amortise any discount over the term of the debt.

Net cash/(debt) is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess the combined impact of the Group's cash position and its indebtedness. The use of the term "net cash/(debt)" does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net cash/(debt) is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of loans and other borrowings (current and non-current) and cash and cash equivalents. A reconciliation from these measures to net cash/(debt) can be found in note 4.4 in the consolidated financial statements.

Five Year Summary

	52 Weeks to 2 December 2018 £m	53 Weeks to 3 December 2017 (restated)* £m	52 Weeks to 27 November 2016 (restated)* £m	52 Weeks to 29 November 2015 (restated)* £m	52 Weeks to 30 November 2014 (restated)* £m
Trading Weeks	**52**	53	52	52	52
Gross Sales Ⓐ	**1,748.3**	1,590.3	1,381.9	1,199.6	1,021.7
Revenue	**1,598.8**	1,454.5	1,267.0	1,103.6	944.8
Gross Profit	**547.5**	495.0	431.3	371.1	308.8
EBITDA Ⓐ	**59.5**	76.7	80.3	77.5	67.5
Adjusted operating (loss)/profit	**(33.0)**	4.1	17.9	15.1	10.1

*Restatements were due to the adoption of IFRS 15 during the year. Refer to note 1.5 for further details.

Adjusted to exclude exceptional items and share of result from joint venture.

	52 Weeks to 2 December 2018	53 Weeks to 3 December 2017	52 Weeks to 27 November 2016	52 Weeks to 29 November 2015	52 Weeks to 30 November 2014
Average orders per week	**296,000**	264,000	230,000	195,000	167,000
Average order size (£)[1, 2]	**106.85**	107.28	108.10	111.15	112.66
CFC Efficiency (UPH)[3]	**163**	164	160	155	145
DPV/week	**194**	182	176	166	163
Product waste (%)	**0.8**	0.7	0.7	0.7	0.8

1. Refers to Ocado.com orders and includes standalone orders for Fetch.co.uk, Sizzle.co.uk and Fabled.com. This is after cancelled orders are deducted.
2. Average order size excludes destination sites from 2014 onwards, prior to this destination sites were not material.
3. Mature CFC operations are defined as CFC1 and CFC2.

Ⓐ See Alternative Performance Measures on pages 229 and 230

Financial Calendar

19 March 2019	Q1 Trading Statement
1 May 2019	Annual General Meeting
9 July 2019	Half Year Results Announcement
17 September 2019	Q3 Trading Statement
12 December 2019	Q4 Trading Statement
4 February 2020	Final Results Announcement

Shareholding information

Please contact our Registrar, Link Market Services, directly for all enquiries about your shareholding. Visit their website, www.ocadoshares.com, for online information about your shareholding (you will need your shareholder reference number which you can be found on your share certificate), or telephone the Registrar direct on +44 (0)345 608 1476 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9am to 5.30pm, Monday to Friday excluding public holidays in England and Wales).

Fraud

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

Company Information

Registered office:	Buildings One & Two Trident Place Mosquito Way Hatfield Hertfordshire AL10 9UL
Company number:	07098618
Independent auditor:	Deloitte LLP 1 New Street Square London EC4A 3HQ
Registrars:	Link Market Services The Registry 34 Beckenham Road Beckenham Kent BR3 4ZF

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