Delivering the best platform for online grocery

Ocado Group plc
Annual Report and Accounts
for the 52 weeks ended 29 November 2015

www.ocadogroup.com
Stock code: OCDO

Who?

Ocado was established in the UK over 15 years ago and listed on the London Stock Exchange in July 2010. We are the world's largest dedicated online grocery retailer with over 500,000 active customers shopping with us today. Our objective is to provide our customers with the best shopping experience in terms of service, range and price, which builds a strong business and delivers long term value for our shareholders.

How?

We have developed a unique end-to-end operating solution for online grocery retail based on proprietary technology and IP, suitable for operating our own business and those of our commercial partners.

Why?

The world is changing fast, driven by different shopping habits and ever more advanced technology for the consumer. Grocery is the largest of all retail segments and is moving online. Moreover, the rapid growth of shopping using mobile devices opens new opportunities. We are well positioned to take advantage of these long-term structural trends for the benefit of our customers, partners and shareholders.

Why People Invest In Us

Largest dedicated online grocery supermarket in the world 1

More information on pages 14 & 15

Significant market opportunity in grocery, the largest retail segment 2

More information on pages 14 & 15

Ideally positioned to benefit from continuing channel shift to online 3

More information on pages 10 & 11

Proprietary intellectual property creating significant competitive advantages 4

More information on pages 20 to 23

Superior customer offering with leading service, range and price proposition 5

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Operating model gives structural advantages 6

More information on pages 8 & 9

Operational leverage and virtuous cycle of growth and investment expanding margins 7

More information on pages 12 & 13

Commercialising intellectual property offering significant value creation from platform business 8

More information on pages 21 to 23

Proven management team driving strategy and execution 9

More information on pages 50 & 51

Actively promoting responsible business behaviour 10

More information on pages 42 to 47

Our Brands

Both our corporate identity and our core grocery brand used for our shop and own-label products.

End-to-end online grocery platform solution.

Our dedicated kitchen and dining store.

Our dedicated pet store.

Our Vision

Mission Statement

Delivering the world's most advanced end-to-end online solution, using it to power our retail businesses and those of our commercial partners.

Strategic Objectives

To continually develop and utilise our unique intellectual property, drive growth and maximise our efficiency to deliver long-term shareholder value.

Our Beliefs

"Learn from yesterday, deliver today, innovate for tomorrow."

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What's Inside

Our Retail Operating Model
An introduction to our retail operating model and the benefits it offers.

Read more about Our Business Operating Model on pages 8 and 9

Ocado Smart Platform
Learn about Ocado Smart Platform, what it is and what its applications are

Read more about the Ocado Smart Platform on pages 10 and 11

Our Business Model
An overview of our economic business model for our retail operations and intellectual property.

Read more about Our Business Model on pages 12 and 13

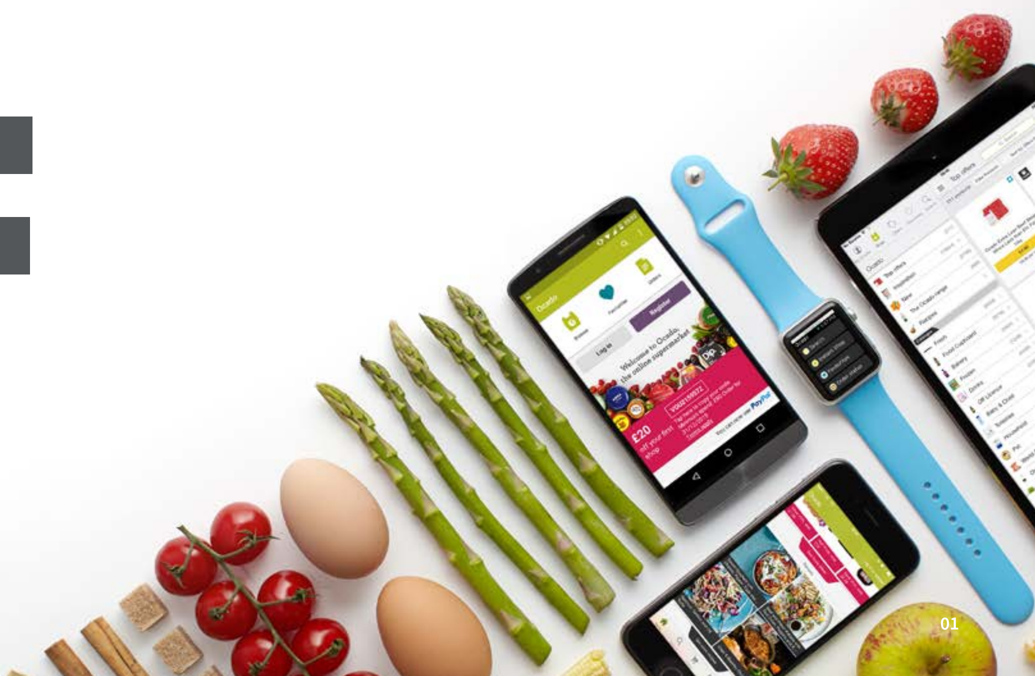
Our Strategy
An explanation of our strategic objectives for generating long term shareholder value.

Read more about Our Strategy on pages 16 and 17

Getting Around the Report

View more information within the Annual Report

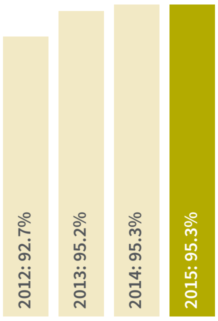
View more information online at ocadogroup.com



Our Progress in 2015

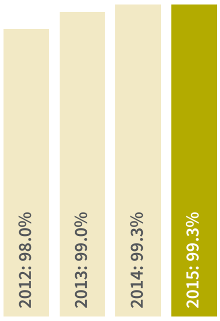
On Time or Early (%)

95.3%



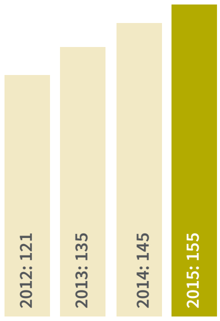
Order Accuracy (%)

99.3%



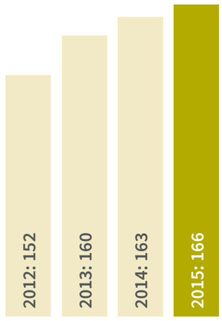
CFC Efficiency (UPH)

155



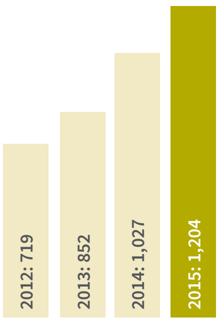
Service Delivery (DPV/Week)

166



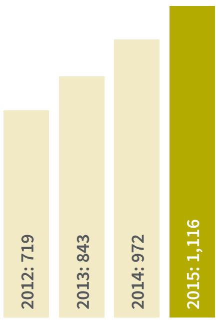
Group Sales (£m)

1,204



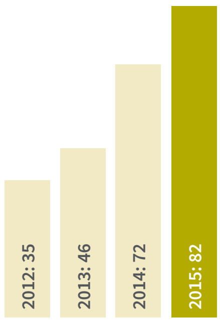
Retail Sales (£m)

1,116



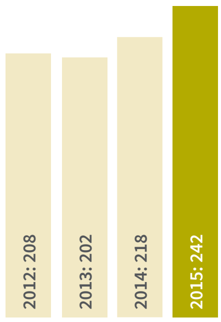
EBITDA (£m)

81.5



Net Assets (£m)

242



NEWS Operational & Strategic Highlights

- Industry leading service levels maintained with 95.3% on time deliveries and 99.3% order accuracy
- Range at Ocado.com broadened to 47,000 SKUs
- Active customers increased to over 500,000
- Average order size on Ocado.com declined by 1.3% to £111.15
- Mature CFC efficiency improved to 155 units per hour
- Delivery performance increased to 166 deliveries per van per week
- Our first commercial customer, Morrisons.com, progressing well
- Advanced discussions to use Ocado Smart Platform for international retailers
- Developed new IP, with multiple patent applications filed

NEWS Financial Highlights

- Gross sales (Group) up 17.2% to £1,202.9m
- Gross sales (Retail) up 14.7% to £1,115.7m
- Revenue up 16.7% to £1,107.6m
- EBITDA up 13.8% to £81.5m
- Profit before tax of £11.9m (2014: £7.2m)

Read the Chairman's Statement on pages 4 and 5

Tim Steiner
Chief Executive Officer

1. Chief Executive Officer Q&A

"We will continue to focus on improving our proposition to customers — the more they love shopping with us, the more they will shop with us . . ."

Read about Our Strategy on pages 16 to 23

See the KPIs that measure the success of our strategy on page 36

Read the Chief Executive Officer's Review on pages 24 to 29

Q: 2015 was described by many as challenging for the UK grocery industry. To what extent was Ocado affected by industry conditions and what actions have you taken to navigate this environment successfully? Do you see conditions improving?

A: Price competition and deflationary pressures have created a tough environment for grocery retailers, intensified by cost inflation. We do not expect this bleak combination to change quickly.

While Ocado is not immune to these external market pressures, particularly as we adopt a price following policy (our price comparison currently matches against the biggest competitor, Tesco), our range helps mitigate the impact. We offer a wider product assortment than our competitors, and we have a great number of products that are not sold by other retailers and hence not subject to the same pricing pressures.

Furthermore, we continue to grow sales and order volumes, which has a positive impact on our operational cost efficiencies and helps mitigate the impact on gross margin.

We will continue to focus on improving our proposition to customers - the more they love shopping with us, the more they will shop with us - and this growth should support improving efficiencies across the business, further strengthening our position.

Q: You have previously announced plans for the next two CFCs. How are these progressing? Will you require further capacity in the future?

A: Work has progressed well at our third CFC located in Andover, Hampshire, in the south of England and we are scheduled to commence operations there shortly. This CFC incorporates the first installation of our new proprietary fulfilment solution.

The Andover CFC will add capacity of around 65,000 orders per week or approximately £350 million in annual sales when at full scale, enabling us to pursue our growth plans further. The next generation infrastructure solution employed in the Andover CFC features our own design and engineering, which not only carries a lower capital cost for the fulfilment compared to our earlier CFCs, but will also be more efficient to operate at maturity.

Our fourth CFC in Erith in South East London is also progressing well. The property developer commenced works at the site in 2015 and we expect to start our own works at the site later this year, in line with the scheduled plan to commence operations by the end of 2017. The Erith CFC will add over 200,000 orders per week (or approximately £1.2 billion in annual sales when at full scale) and, like the Andover CFC, it will use our proprietary fulfilment solution.

We continue to manage and monitor our future capacity requirements carefully to ensure there is sufficient capacity available to meet our continuing ambitious growth plans. The modularity and scalability of our infrastructure equipment solution adds significant flexibility to the capacity planning for our retail business and for that of our future platform partners.

Q: Please outline your international aspirations Can you give us a flavour of your future ambitions outside the UK and should we expect to see deals in 2016?

A: We plan to work with international retail partners with our Ocado Smart Platform solution. Ocado Smart Platform is an enabling platform that provides the end-to-end solutions needed to run online businesses covering e-commerce, fulfilment and distribution activities. It is underpinned by our expertise and experience as a dedicated online operator over 15 years.

While we did not hit our target of signing our first deal in 2015, we remain confident that there is significant appetite for our Ocado Smart Platform among international retailers.

Ocado Smart Platform offers partners a low risk, entire solution for online retailing, enabling them to build a scalable, profitable business, but also where retailers own and can broaden and deepen their existing customer and supplier relationships.

We continue discussions with multiple retailers across several geographies and remain confident of signing multiple agreements in the medium-term.

Lord Rose
Chairman

"... we remain one of a small group of grocery retailers in the UK that has grown ..."

Read more about Our Marketplace on pages 14 and 15

Read the Chairman's Governance Introduction on pages 52 and 53

2. Chairman's Statement

UK Growth

The UK grocery market continued to face significant challenges over the year, characterised by falling volumes and price discounting by major supermarket operators, resulting in margin pressure in the market. However, the increased trend for consumers to shop online for groceries, and particularly using mobile devices, has continued. Our customer base has extended further, now with over 500,000 active customers, and we remain one of a small group of grocery retailers in the UK that has grown, with Retail sales increasing by 14.7% to £1,116 million and EBITDA up by 13.8% to £81.5 million for the period.

Customers and Suppliers

We have improved the quality of what we offer our customers in terms of service and ease of use, the range of products we sell, and our commitment to good value pricing. We plan to launch our next specialist site in the premium beauty category in conjunction with Marie Claire later this year, broadening our offer in this attractive category. At the same time, we continue to work closely with our suppliers, providing more opportunities for them to drive their sales within Ocado, critical to our respective fortunes and further strengthening our relationships as suppliers increasingly embrace the online channel.

Overseas Expansion

In February 2015, we announced our target to sign our first OSP customer during 2015. We continue to be in multiple discussions with retailers across several geographies and although none of these have yet resulted in a signed deal, we remain confident of signing multiple deals in the medium term.

Improving Efficiency and Expanding Capacity

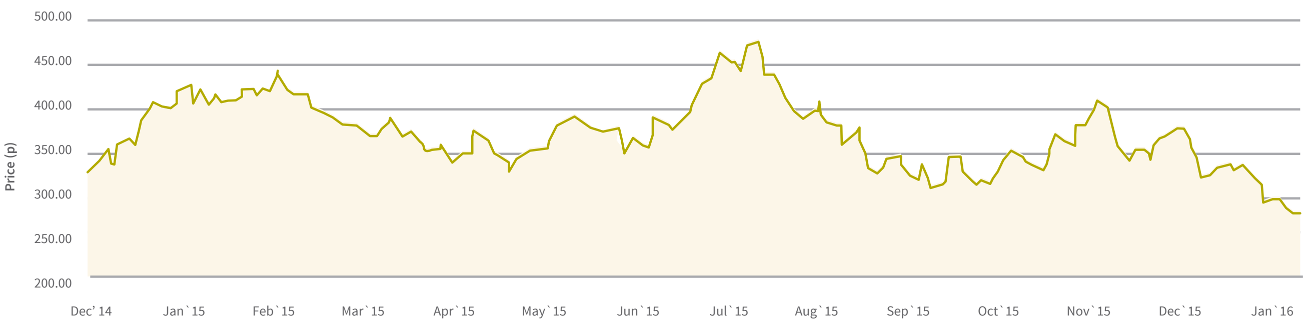
We strive to operate with ever improving efficiency and last year we made further progress in our existing facilities. We will shortly open our latest CFC in Andover, Hampshire, which will use our new proprietary fulfilment solution, and which we expect will be more efficient to operate than our current facilities. In developing our capacity further, we expect our fourth CFC in Erith, South East London, to become operational towards the end of 2017.

Proprietary Technology and Intellectual Property

Following the implementation of our first strategic customer's business, Morrisons.com, we have announced our intention to sign agreements with international retailers to use Ocado Smart Platform to run their online operations, leveraging our expertise, infrastructure and technology.

Share Price Chart

Share price for London (Ocado): 01 Dec 2014 to 12 Jan 2016



As we generate more intellectual property and technology through innovation and development, the Board remains committed to signing strategic customers. We believe this will lead to the creation of increased long-term shareholder value in the business.

Corporate Governance

The Board recognises the importance of having a well-defined corporate governance framework, especially in a rapidly growing business. As the Company's Chairman, I am pleased to note that the Group continues to foster an innovative environment, which is protected and enhanced by strong governance and risk management. A detailed statement on corporate governance for 2015 can be found on pages 50 to 117.

Board Changes

Throughout my time as Chairman I have been assisted by the experience and enthusiasm of David Grigson, our Senior Independent Director. David has indicated that he will be retiring at our next AGM, after six years in the role, and I want to convey my thanks to him and wish him well in his retirement.

Corporate Responsibility

We continued to develop and implement a more structured approach to maintaining and improving responsible and sustainable business practices. A detailed description of our efforts can be found on pages 42 to 47.

The Ocado Family

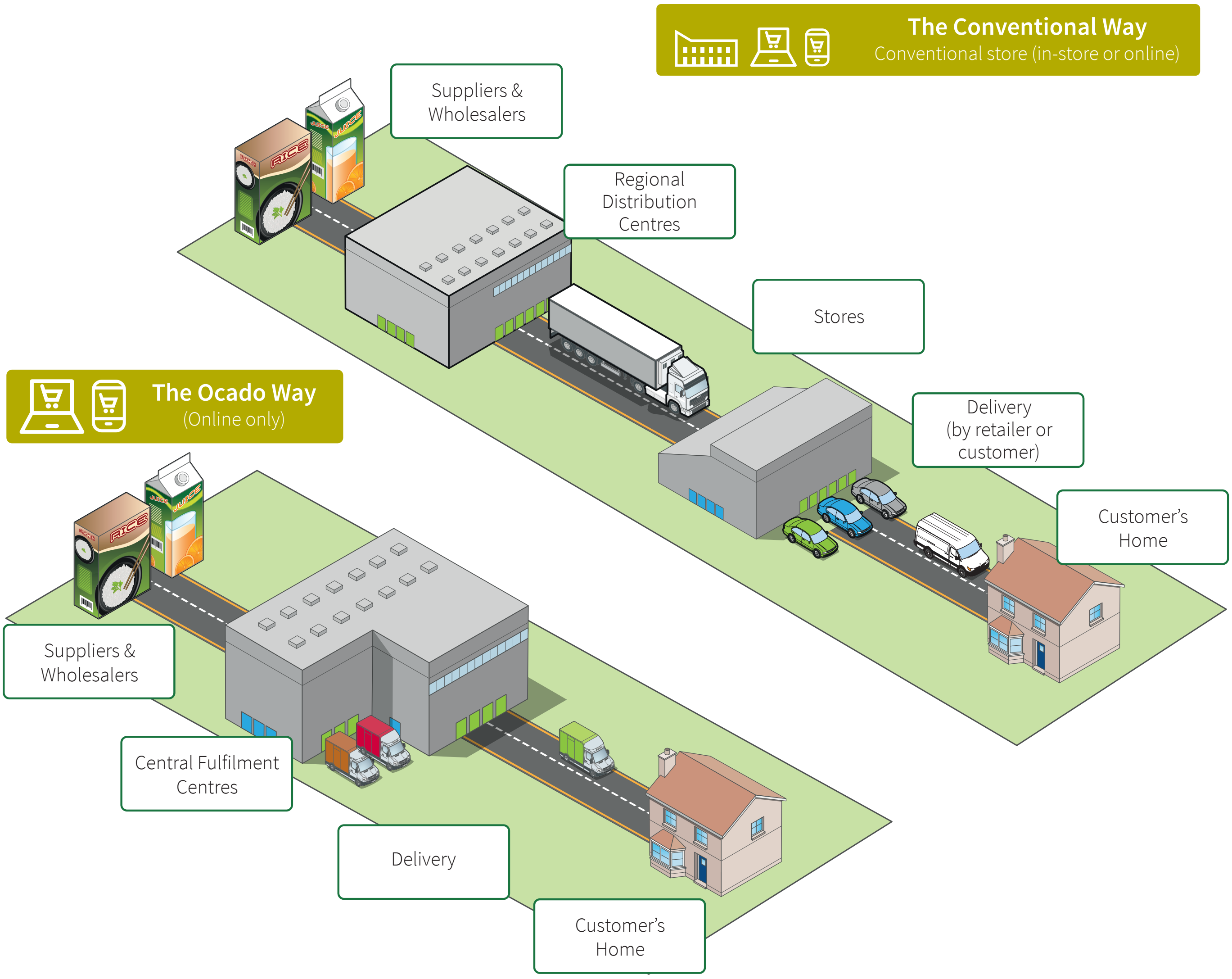
We are extremely fortunate to have exceptionally talented, entrepreneurial and dedicated employees. On behalf of the Board, I would like to thank all members of the Ocado family for their contribution throughout the year.

Lord Rose
Chairman
Ocado Group plc


TH
4.06m (13'4")
8827

Strategic Report

3. Our Retail Operating Model



Our Process Features

Ordering

- Pure-play focus on easy to navigate web interfaces and mobile apps
- Ease of use, convenience and speed
- Complex algorithms to personalise and enhance the shopping experience

Fulfilment Processing

- Simplified inbound logistics
- Large centralised fulfilment centres
- Entire process optimised through use of our proprietary equipment and software solutions

Delivery

- Unique hub and spoke delivery solution
- Market leading route optimisation and driver software

Our Approach

We sell groceries and other everyday and specialist products to consumers placing orders through our easy to use and convenient interfaces. We have developed and operate an entirely unique end-to-end solution for bringing groceries from our suppliers directly to our customers' kitchens.

We run large warehouse operations, our customer fulfilment centres (CFCs), where all stock is received and held, and all customer orders are picked. Our operating model is built on technology and logistics skills rather than store-based real estate. We have automated many of the tasks that are performed manually in store-based retailing to significantly reduce operating costs in our business.

Through the application of proprietary technology, software and algorithms, we optimise our end-to-end operations. This starts with the front-end user interfaces, through the entire warehouse operations, to our sophisticated routing software applied to optimise our delivery routes.

By combining these elements of scale, automation and technology, we are able to eliminate or significantly lower many of the costs incurred in traditional grocery retail operations.

The Benefits of Our Model

For Our Customers

- Convenience and ease of ordering online, saving time and effort with "best in class", personalised interfaces
- Leading customer service with high on-time delivery in self-selected one-hour time slots
- High order accuracy with minimal product substitutions
- Wider choice of products with greater availability
- Fresher products as the supply chain from suppliers is generally shorter — we guarantee the life of our fresh products
- Cost savings we generate as a result of our model are invested in competitive prices

For Our Business

- Removes costs of separate distribution centres as we receive stock from suppliers and wholesalers directly at our CFCs
- Automated "put away" process significantly reduces operating costs
- Cost intensive check-out process removed as we have no physical stores
- Significantly lower property and occupation costs
- Significantly lower product waste due to faster stock turn, fewer touch points and optimised stock rotation leading to cost savings

Read about Our Business Model and Partners on pages 12 and 13

View our Ocado Explained video online at www.ocadogroup.com

Where We Operate – Our Locations and Coverage

Our current delivery area covers over 70% of the UK population. We fulfil orders from our centralised CFCs in Hatfield, Hertfordshire and Dordon, Warwickshire and will soon open our third CFC in Andover, Hampshire. From these CFCs we deliver directly around a third of orders to local catchment customers, while the remaining two thirds of orders are "trunked" to spoke sites from which local delivery takes place.

Read about our Proprietary Equipment Solution and Andover CFC on page 21

CFC Sites

1. CFC 1 – Hatfield
2. CFC 2 – Dordon
3. CFC 3 – Andover (opening 2016)
4. CFC 4 – Erith (opening 2017)
5. NFDC* – Welwyn Garden City

Spoke Sites

1. Leeds
2. Knowsley
3. Manchester
4. Sheffield
5. Oxford
6. Bristol
7. Southampton
8. Weybridge
9. Wimbledon
10. Park Royal
11. Ruislip
12. Enfield
13. Dartford
14. Dagenham
15. Milton Keynes
16. West Drayton

*Non-food distribution centre

4. Our Capabilities and Ocado Smart Platform

Developing Our Capabilities

Throughout our history, our entire attention has been on developing the best possible online grocery operation. This single-minded focus has enabled us to develop market leading logistics and physical infrastructure solutions, driven by proprietary technology and innovation.

Originally developed for the purpose of building our own leading online grocery operation, we have added and grown numerous capabilities within our business to develop and refine our end-to-end platform solution and we recognised the potential to utilise the intellectual property created in other business applications and markets.

Morrisons became the first customer of our broader platform, utilising our technology solution and existing infrastructure facilities to launch and operate Morrisons.com. It was launched in a very short time frame with attractive cost economics and best in class service metrics.

For further details on Morrisons.com, see case study on page 12

We are looking to further monetise these capabilities going forward, via our Ocado Smart Platform, working with partners to enable their online businesses.

Our End-to-End Technology Solution

Our proprietary technology enables partners to operate the entire shopping process for their customers using integrated software systems. These include the interfaces with their customers such as website and mobile apps, management systems for supply and inventory, management and control systems for fulfilment centres, and software to optimise delivery routes and to operate contact centres. These systems have been developed in-house over many years for the sole purpose of running and optimising the efficiency of our online retail businesses.

In January 2014 we embarked on a major project to completely rewrite our end-to-end e-commerce, fulfilment and logistics solution from scratch to run in a combination of the public and private cloud. In the process we are also refreshing all of our technology stacks.

This new software platform will enable us to rapidly replicate our solution for Ocado Smart Platform customers, foster faster experimentation and development within our engineering teams and in due course will also be used to replatform Ocado's UK businesses, including the service we operate for Morrisons.

Our Fulfilment Asset Solution

Our current CFCs utilise equipment purchased from material handling equipment providers, which we have continually modified and improved to increase throughput and efficiency. After many years of iterative learning, we have vertically integrated our knowledge base into the design of our own physical infrastructure asset solution. This is modular, which means that it can be built to different sizes, and is scalable, allowing it to be built in multiple phases rather than all at once. It is space efficient, but supports large ranges through very dense storage. Fast deployment and high efficiency in terms of both capital and operating costs make the solution economically attractive.

The first instance of our new fulfilment asset solution is in our Andover CFC, which is being tested and is due to start operations shortly.

The Ocado Smart Platform

Ocado Smart Platform is our proprietary solution for operating online retail businesses. It combines our end-to-end software and technology systems with our physical fulfilment asset solution, both of which are proprietary and fully integrated.

Ocado Smart Platform will enable us to replicate our unique capabilities for partners in other markets with a significantly lower cost than the alternative options available for these retailers. We offer Ocado Smart Platform as a managed service capability to partners internationally, harnessing the capabilities of our platform with partners' local retailing skills and attributes, to enable them to build sustainable, scalable and profitable online grocery businesses in their own markets.

Ocado Smart Platform will offer partners a faster, flexible, more cost efficient and lower-risk way of launching or improving online grocery businesses with limited capital investment. By offering the only fully integrated end-to-end platform available, we will be uniquely positioned to take advantage of the growing global trend for online food shopping in what is the world's largest retail segment.

Commercialising IP and Ocado Smart Platform

Commercialising intellectual property offers significant value creation opportunities in the UK and abroad.

We intend to provide the entire Ocado Smart Platform as a fully integrated managed service. Ocado Smart Platform allows a partner to scale the business in line with sales growth, with attractive economics and the capability to provide a superior customer proposition.

There are four key operating cost drivers in grocery retailing — property, people, waste and energy. We believe our Ocado Smart Platform solution requires less of each of these inputs than the existing bricks and mortar supermarket model once at scale, and so can lower the overall cost structure for retailers.

Ocado Smart Platform comprises technology and infrastructure solutions that have been developed with the benefit and experience of operating them as a retailer. Unlike third party providers of products, services and software, we are a retailer, and our systems, processes and hardware have evolved over many iterations in a live retail environment.

While primarily designed to cope with the additional rigours and challenges presented in operating grocery businesses online, Ocado Smart Platform can equally be applied to general merchandise product areas.

Our intention is to position our capabilities to sign multiple deals over the medium term.

Read more about Our Marketplace on pages 14 and 15

How Will Ocado Smart Platform Work?

The Shop

Ocado Smart Platform includes the e-commerce website and mobile applications tailored to retailers' requirements and including market leading features already available on Ocado.com. It also includes all of the back-end systems required to manage the content of the site and the algorithms to enable personalised customer recommendations and other features.

Fulfilment

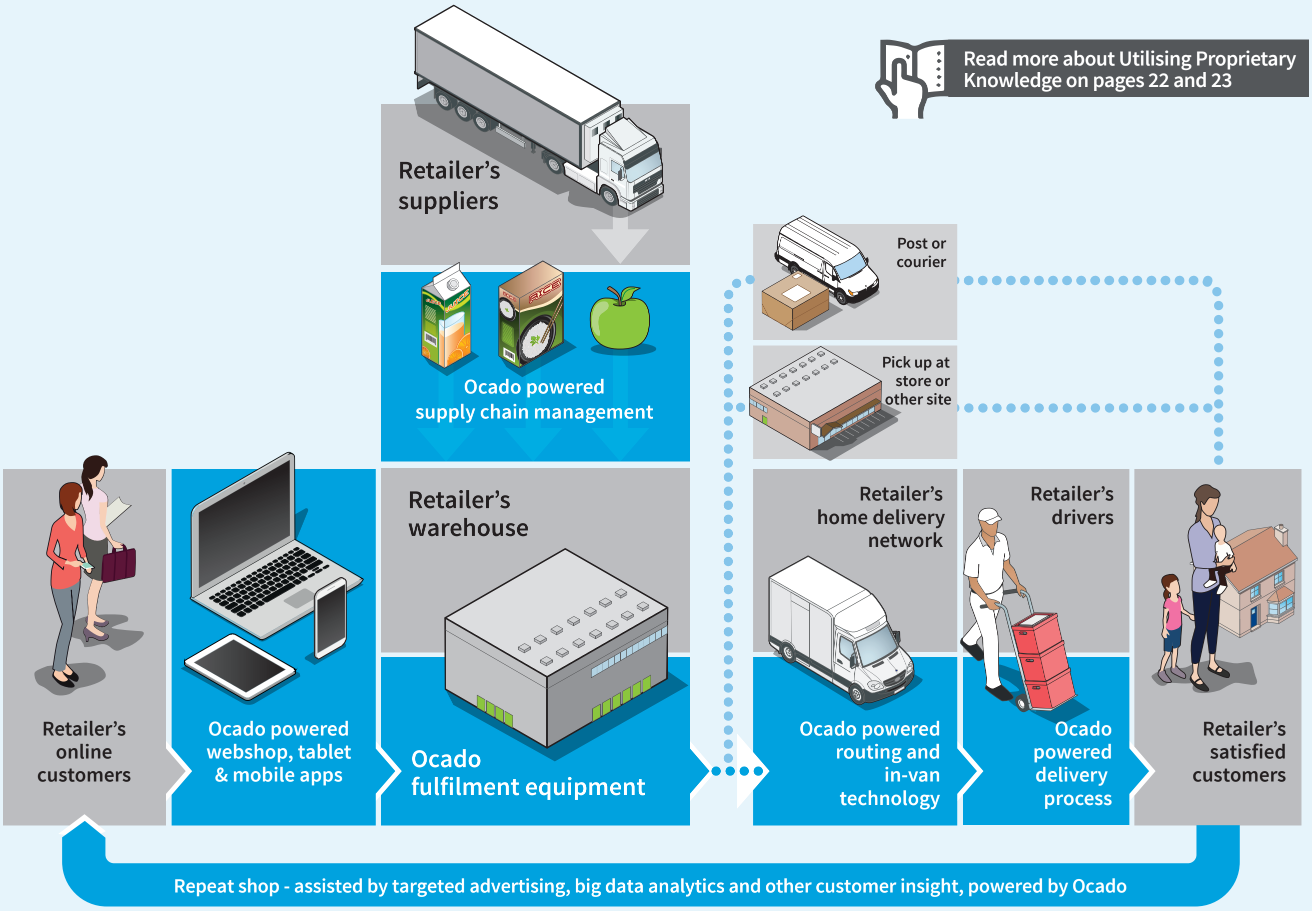
Ocado's new proprietary physical equipment solution will be installed in the retailer's building, serviced and maintained by Ocado personnel. It is modular (can be built to any size), scalable (can be expanded in line with sales) and is highly productive even at low volumes.

All software and systems to operate fulfilment activities are provided under Ocado Smart Platform.

Last Mile Solution

Ocado Smart Platform includes all the software required to complete last mile operations including home delivery or pick-up services, as used by Ocado in the UK, to plan optimal delivery routes, minimising costs to the retailer while maximising the delivery options for the customer.

Read more about Utilising Proprietary Knowledge on pages 22 and 23



5. Our Business Model and Partners

Case Study
Morrisons One Year On

- 25 year agreement to provide technology, infrastructure and operating services to launch and operate Morrisons.com, the online business of Wm Morrison Supermarkets PLC, becoming the first customer of our broader platform
- Morrisons.com was successfully launched on 10 January 2014 in a very quick time frame with attractive cost economics and best in class service
- Morrisons.com operates from our Dordon CFC (on a shared basis with our own retail business) and utilises our technology platform from the user interfaces to optimising the delivery and routing schedules to the customer
- Since launch, Morrisons.com has developed well, announcing a sales run rate of £200 million* after just 12 months of operations and continuing to grow well. Crucially for Morrisons, the agreement has enabled them to develop their own online business, maintaining and enhancing their relationship with their customers, their data, and suppliers
- Morrisons.com takes all commercial decisions regarding marketing, range, price and promotions. It continues to operate from our Dordon CFC and utilise many of our spoke operations.

* Morrisons Annual Report, March 2015

MORRISONS

Waitrose

marie claire

Ocado is a Pure-Play Online Operator

Ocado is entirely focused on online activities. We are not burdened by a legacy estate of existing supermarkets, which are facing declining sales volumes, margin pressure and less flexibility to invest in the customer proposition.

Since formation we have developed a unique end-to-end platform solution for online retailing. Our know-how and expertise allows us to provide a best in class proposition to both our consumer and corporate customers, delivering continued growth in the UK market and monetisation opportunities through international platform partnerships.

Our business comprises retail and platform operations, both enabled by our proprietary technology and IP. Creating virtuous cycles and monetisation benefits from our business is core to building long-term shareholder value.

Our Retail Operating Model

Our objective is to operate a high quality service at the lowest possible cost and to create a virtuous cycle between growth, innovation, efficiency and investment. We achieve this through combining three key elements – the aggregation of scale into single facilities, the automation of many processes, and application of proprietary technology – to remove significant costs commonly incurred by store-based retailers.

Our centralised approach allows us to aggregate greater scale into single locations, and to invest in automation to replace many of the manual tasks in retailing. We utilise our proprietary end-to-end technology platform to optimise our entire operation from the user interfaces, the stock and order processing systems, through to the final delivery to customers' homes. Our model enables us to invest in the proposition to customers and allows a wider range at competitive prices together with a market leading service.

Our improving proposition enables us to grow faster, and with increasing scale we benefit from improved efficiencies and expanding margins, which can be used to further invest in the proposition to encourage more growth. As we get bigger our relative purchasing position also improves. The efficiencies inherent in our model increasingly outweigh any purchasing disadvantage we may have due to our relative small scale today.

Our Platform Operating Model

Ocado has developed an entire end-to-end solution for operating online in the grocery market, vertically integrated across software and physical solutions. We are able to replicate these capabilities for partners in other markets at a significantly lower cost and with higher efficiency than alternative options available in the market. Morrisons is our first customer of our broader platform following the launch of Morrisons.com in January 2014 (see Case Study).

Ocado Smart Platform is offered as a managed service capability to partners internationally, harnessing the capabilities of our platform with partners' local retailing skills and attributes, enabling them to build sustainable, scalable and profitable online grocery businesses in their own markets.

Ocado Smart Platform offers partners a faster, flexible, lower risk and more cost efficient way of entering or improving their online grocery business.

Read more about Ocado Smart Platform on pages 10 and 11

Suppliers and Operational Partners

We have built strong relationships with our suppliers, which include global consumer product companies supplying branded ranges as well as food producers supplying our private label selections, and smaller local, niche, international and specialty suppliers. We currently work with nearly 2,000 different suppliers spanning large and small British and international companies to supply our Ocado, Fetch and Sizzle banners.

In February 2015, we announced a partnership to develop a premium beauty business alongside Marie Claire, which we intend to launch later this year.

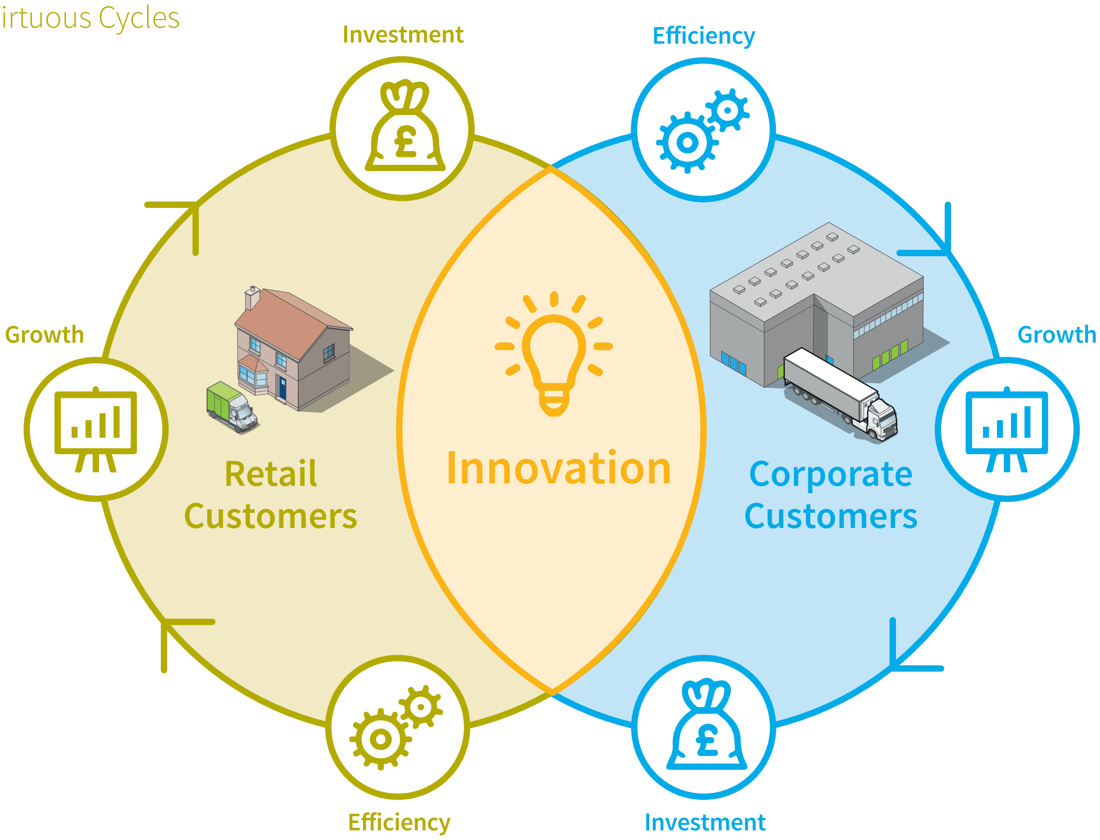
Waitrose

We enjoy a long-term sourcing agreement to 2020 with the UK retailer Waitrose (part of the John Lewis Partnership). This combines our respective product volumes to improve supply terms, and enables us to sell Waitrose branded products on Ocado.com. We pay Waitrose a sourcing fee under the agreement.

Read about Our Strategy on pages 16 to 23

See the KPIs that measure the success of our strategy on page 36

Ocado's Virtuous Cycles



Our business model framework comprising retail and platform operations

	Retail	Platform*
Proposition	• "Market leading" service – Order accuracy – On time – Ease of use • Extensive range and fresh products • Competitive prices and low delivery fees	• End-to-end platform solution to run online grocery operations • Provided as a "managed service"
Growth Drivers	• Constantly improving proposition • Innovation and technology led service and usability improvements • Investment into range and price competitiveness • External technology developments (e.g mobile)	• Continued channel shift to online gathering pace globally • Competitive threat • Constantly improving quality of Ocado Smart Platform proposition • Service priced to encourage partners online growth
Economic Model	• Product sales • Supplier income • Delivery income • Product margins • Operating efficiencies	• Fee structure – One off in nature – Recurring • Continually reduce cost of providing the service * Morrisons agreement terms structured differently to Ocado Smart Platform but similar principles.

6. Our Marketplace

The Continuing Channel Shift

Online was the fastest growing channel for grocery distribution in 2015 as customers continued to migrate to online shopping. Research published by IGD suggests that online will remain the fastest growing channel in the UK, with sales projected to almost double by 2020 as consumers increasingly appreciate the advantages of shopping for groceries online. IGD estimates that currently around 5% of UK grocery shopping is online, amounting to £8.9 billion in sales, and anticipates that this will grow to 8.6% of the market by 2020.

Technology will continue to shape the future of grocery, and is playing a major role in accelerating the channel shift to online as retailers can leverage technology to satisfy the rising trend of anytime and anywhere shopping.

The dramatic impact the online channel has had in other retail segments, such as books, music and clothing, emphasises the significant opportunities for online in grocery.

With online, there is the opportunity to improve every element of the proposition for the customer, giving the benefits of more convenience, better service and greater usability, wider choice of products and strong value for money. With each element of the proposition improving, and enabled by ever improving technology advances, more customers are encouraged to adopt this growing retail channel.

At Ocado, we are at the forefront of, and benefit from, this channel shift in the grocery industry.

Read about How Our Retail Model Operates on pages 8 and 9

Size of the UK Retail Market

The size of the UK grocery market is substantial. IGD estimates that in the year to April 2015, UK grocery sales reached almost £178 billion and is expected to increase in value by 13% to £201 billion over the next five years.

The so-called big box stores (supermarkets, superstores and hypermarkets) still account for around 60% (IGD) of all grocery sales, but have continued to report slowing sales, and in many cases absolute declines.

Growth in grocery retail has traditionally been driven by the “space race” model for growth, characterised by the opening of new store space in the form of new stores or extension of existing stores. The relatively expensive real estate which is frequently tied up in long leases requires a growing customer footfall to be economically attractive. Recent industry dynamics have shifted towards the rapid growth of new store formats, notably hard discount and convenience stores, growing significantly ahead of traditional supermarkets by driving a particular element of the proposition to customers, namely price or convenience.

There has also been continued significant growth in online grocery shopping. This shift in channel, away from physical shops, is potentially the most significant.

The UK is the world’s most penetrated market for online grocery (IGD) and set to continue growing at a rapid pace and innovation. Online and discount formats are forecast to account for a combined contribution of 80% of UK industry growth in the next five years.

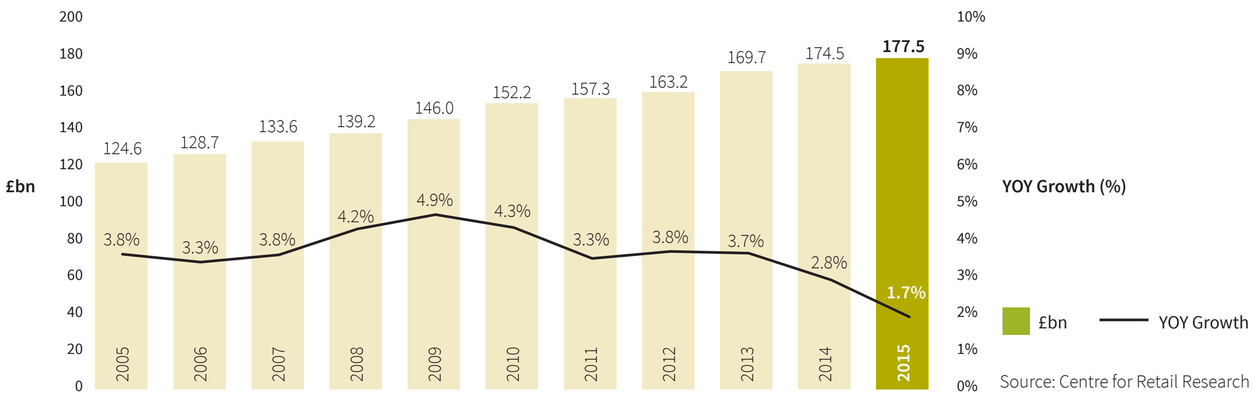
Global Retail Opportunities

There are also significant opportunities outside of the UK. Grocery is the largest segment in global retail with an estimated global grocery market size of $9 trillion, growing to $12 trillion by 2020 (IGD, August 2015). Global grocery retail has undergone a number of changes, and the adoption of the digital channel, which historically has been slower than in the UK, is expected to play an increasingly important role. This offers huge market opportunities on a global scale. See the 10 largest online grocery markets globally on the opposite page.

Time pressed shoppers are increasingly using mobile technology, driving global demand for online grocery shopping, supported by very fast broadband, wireless and extensive cellular network coverage.

We believe the attractions of shopping online should appeal as much to consumers internationally as those in the UK.

Size of the UK Grocery Market



Source: Centre for Retail Research

However, unless the overall proposition offered to consumers is relatively more attractive to customers than the existing store option, then adoption will be slower. Online requires high levels of service to be attractive. If customers are not offered a fast, reliable and accurate service with high levels of freshness and availability of products at a similar price to the bricks and mortar competition, then few are likely to adopt the online channel.

In the UK, where the proposition online has become increasingly attractive compared with the existing store channels, adoption continues to grow. With Ocado as the clearly focused pure-play operator in the market taking service to new levels, others have also had to offer improved services, usability and interfaces, which in turn drives market growth.

However, there are great differences in how food is purchased across the world and grocery retailing should in many ways be considered a "local" business. While product brands can be global in nature, customer preferences, retail brand recognition and loyalty are driven locally. Equally as important is product-sourcing capability, which tends to be managed through local account managers, and the value of sourcing local produce speaks for itself.

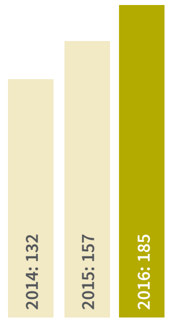
Ocado Smart Platform – Uniquely Positioned to Take Advantage

Ocado Smart Platform offers an entire end-to-end solution for operating online in the grocery market, vertically integrated across software and physical solutions. It is offered as a managed service capability to partners internationally, with the intention to harness the capabilities of our platform with partners' local retailing skills and attributes, enabling them to build sustainable, scalable and profitable online grocery businesses in their own markets.

The Ocado Smart Platform offers partners a faster, flexible, lower risk and more cost efficient way of entering or improving their business in online grocery. By offering the only fully integrated end-to-end platform available, we are uniquely positioned to take advantage of the growing global trend of online food shopping.

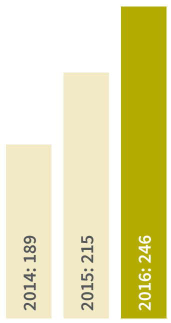
Read more about Ocado Smart Platform on pages 10 to 11

Online Retail Sales Europe (£bn)

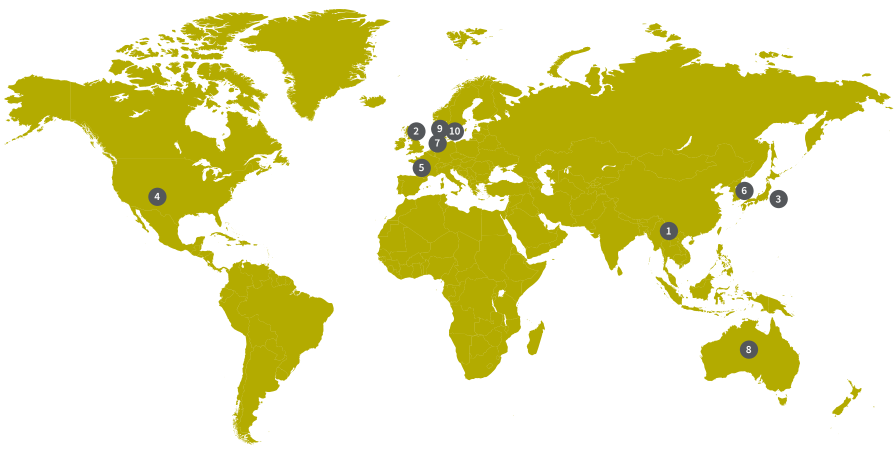


Source: Centre for Retail Research

Online Retail Sales US (£bn)



Source: Centre for Retail Research



Top 10 Online Grocery Markets

2015	2020 (estimate)
1. China **$41bn**	1. China **$178bn**
2. UK **$15bn**	2. UK **$28bn**
3. Japan **$12bn**	3. Japan **$22bn**
4. US **$9bn**	4. US **$18bn**
5. France **$7bn**	5. France **$16bn**
6. South Korea **$7bn**	6. South Korea **$13bn**
7. Germany **$3bn**	7. Germany **$6bn**
8. Australia **$2bn**	8. Australia **$5bn**
9. Belgium **$1bn**	9. Belgium **$2bn**
10. Netherlands **$0.5bn**	10. Netherlands **$2bn**

Source: IGD website 2015

7. Our Strategy

We build shareholder value by constantly developing our innovative world leading platform for our own grocery and general merchandise businesses, and those of our commercial partners. Our strategic objectives of delivering growth, maximising efficiency and utilising proprietary knowledge are intended to deliver long term value creation. We deliver our strategic objectives through a number of complementary actions applicable to each objective. Each of our objectives and actions are consistent with our focus of delivering the best possible service for our retail and corporate customers at the lowest possible cost.

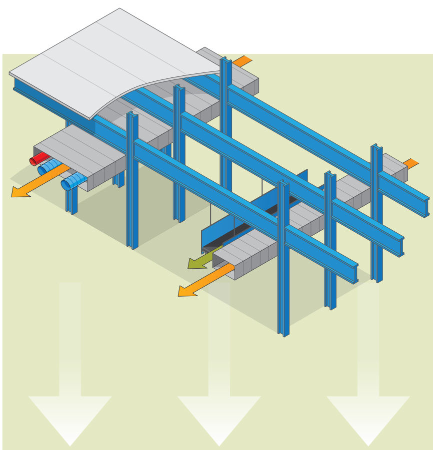
Objectives

Driving Growth

- Constantly strive to improve the attractiveness of what we offer to our customers, both consumer and corporate, and broaden awareness of this to a wider set of potential customers

Read more about Driving Growth on pages 18 and 19

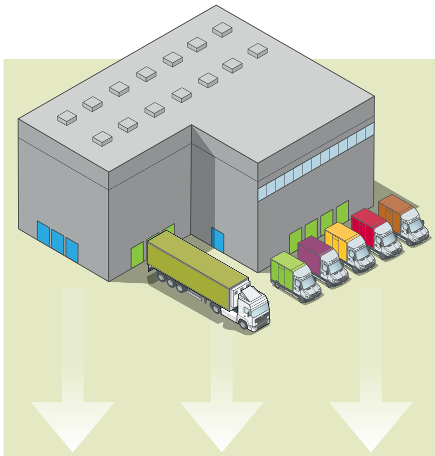
Maximising Efficiency



- Continually improving economic and operating performance of our business model through development of technology and operational knowledge

Read more about Maximising Efficiency on pages 20 and 21

Utilising Proprietary Knowledge



- Leverage intellectual property to constantly develop competitive advantages across our business to build long term shareholder value.

Read more about Utilising Proprietary Knowledge on pages 22 and 23

Actions

Constantly improve proposition to customers

- For our retail customers, this is centred on the three core pillars of the proposition to customers — service, range and price
- For our corporate customers, it is embedding improvements to our retail proposition into Ocado Smart Platform

Strengthen our brands

- Developing and reinforcing brand values to the appropriate customer groups, retail and corporate
- Brand strength supported by strong execution for existing customers

Develop ever more capital and operationally efficient infrastructure solutions

- Operating efficiency — optimising fulfilment and delivery operations, measured using appropriate KPIs
- Capital efficiency — lowering the capital costs of operating full service online grocery operations, improving our own economics and enabling us to offer our platform at attractive prices

Enhance end-to-end technology systems

- Continually improving the technology we use through constant innovation
- Using the developments of our extensive technology and engineering teams to improve our end-to-end process used in our own retail business and our platform

Enable Morrisons and future partners' online business

- Formulating the right commercial platform proposition to add significant value for partners
- Ensure new innovations used in our retail business are embedded into our platform for partners

Read more about Actions in the CEO's Review on pages 24 to 29

See the KPIs that measure the success of our strategy on page 36

Read about How We Manage Our Risks on pages 38 to 41

7. Our Strategy (continued)

47,000

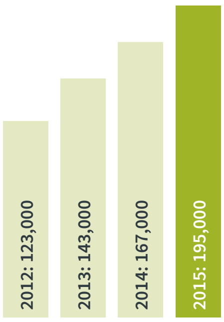
2014: 43,000

SKUs available at Ocado.com

Average Orders per Week

195,000

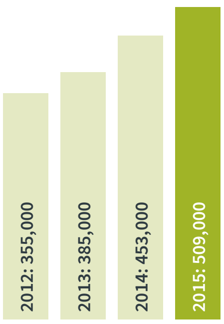
2014: 167,000



Active Customers

509,000

2014: 453,000



1. Driving Growth

Our Businesses

We believe that our growth is driven by the quality of the proposition provided to our customers. This is equally applicable to our retail operations as to our platform business, providing our technology and infrastructure solution to other retailers to enable their online businesses.

The quality of the proposition we offer is enabled and supported by continuing technology and engineering developments across our business.

Our Retail Businesses

A positive shopping experience is critical to encouraging consumers to try our service and to return to us for future shops. Our focus remains on improving our customers' shopping experience through the quality of our service, the freshness of our products and breadth and availability of range, and competitiveness of our prices. We continue to improve our shopping interfaces, introducing new functionality and further developing our personalisation features.

Mobile has continued to grow in importance. In 2015, over 50% of all orders were checked out using a mobile device, using our latest apps and browsers.

We have continued focusing on making every shopping experience, including a customer's first time, as easy as possible by offering features such as offline shopping, PayPal login and favourites import. These help to reduce causes of friction a customer may experience when shopping, thereby encouraging customers to shop with Ocado again.

Service and Ease of Use

We strive to exceed customer expectations of our service levels, and to remain at the forefront of the market by delivering an industry leading and consistent service for our customers.

Consistent order reliability is essential for customers who expect to receive their shop on time, delivered as ordered and within a one-hour time slot of their choice. High stock availability and minimal substitutions also remain key to the customer experience. We offer customers full flexibility by offering one-hour delivery time slots seven days a week, with a wide number of slots available from 6am until 11.30pm. Next day delivery is available to all customers , with same day delivery slots in some of our catchment areas.

We have always operated our own delivery fleet, as we feel this is a part of our service too important to contract out to third parties. We pride ourselves in having our own Customer Service Team Members with strong customer service skills and our own fleet of delivery vans.

Our operating model, combined with our proprietary optimisation software, underpins what we believe to be market leading reliability, with 95.3% on time deliveries and 99.3% order accuracy.

Convenience and the ease of using our service is key in developing a leading online proposition to our existing and future customers, which we enable through our easy to use interfaces including our latest mobile apps.

Breadth of Range and Quality of Products

We have continued to broaden our product range across different price points, providing customers with a wide choice of products suitable for their respective spending patterns and taste. In particular, our Ocado own-label products continue to be popular with our customers. We continue to offer our customers the widest range of branded and private-label products, with 47,000 SKUs available at Ocado.com, which we believe is the most extensive grocery range in the UK today.

Our operating model and CFC sites allow us to expand our product offering easily with limited stock-holding exposure, therefore allowing us to stock many specialist and niche lines alongside everyday favourites from a wide variety of small, medium, large sized and speciality suppliers who may struggle to get shelf space in a conventional supermarket. Our wide range drives loyalty and spend as customers can fulfil their weekly shopping needs in one store, and encourages supplier support as they see growth in sales of their products.

As well as breadth of range, our customers seek the freshest products possible. Our centralised operating model enables us to have stock delivered by our suppliers or wholesalers directly to our CFCs, often followed by delivery to our customers on the same or the next day, thereby removing several stages of the typical grocery supply chain. This enables us to guarantee the product life of our fresh food, which gives our customers confidence that their groceries have a minimum remaining life when delivered. We also strive to minimise waste in our business and help customers organise their food consumption by listing product use-by dates on customers' receipts.

Our model has enabled us to expand into general merchandise categories as well as dedicated specialist online stores, such as our pet store, Fetch, and our kitchen and dining store, Sizzle. Each of these stores carries extensive ranges including products not typically available in supermarkets.

We plan to launch additional destination sites in the future to offer our customers even more variety and convenience of shopping. The next such site will be our premium beauty business in partnership with Marie Claire, which we expect to launch during 2016.

Price

The aggregation of scale into larger facilities, automation of many processes and the application of proprietary technology, has enabled us to build a strong operating model which removes cost and drives efficiency across all processes. These efficiency gains allow us to offer our customers competitive pricing. We also continue to offer market leading promotions in close collaboration with our suppliers. We introduced the UK's first grocery market price matching initiative in 2008 and continue to remain price competitive against the market leader. Our fully transparent price matching communication to our customers reinforces confidence in our competitive pricing position.

Our Platform Business

As we build our capabilities in our retail proposition, these are embedded into our platform which we offer to corporate customers. This enables our existing and future corporate customers to benefit from our innovations and technology, and furthermore the ability to offer ever better retail propositions to their own customers.

Our approach to consistently improving the capabilities of our platform to make it increasingly attractive should support long-term growth of our platform business.

Read more about Ocado Smart Platform on pages 10 and 11

Case Study
Interface Development

Convenience
Being able to shop anywhere, anytime with intuitive and easy to use interfaces continued to be a core focus in 2015. We launched a mobile website for Ocado.com, complementing our existing mobile apps, making it easier for new and existing customers to shop when they are out and about, or even just in their own kitchen topping up their shop. Always aiming to be at the forefront of new developments, Ocado was the first online grocery app to be released on the Apple Watch, enabling a whole grocery shop to be ordered simply from your wrist.

Making shopping easier
We continued to reduce friction customers may experience when shopping, in particular for new customers, enabling customers to log in with PayPal, reducing the number of steps in our registration flow on the apps, and making it possible for customers to start to shop without the need to log in first. We have continued making the shopping experience simpler for our existing customers, for example, through making it easier for them to find a slot that suits them by comparing availability and prices across three days.

Smarter and Personal
Placing an order of over 50 items per week means that finding and choosing a product needs to be as simple as possible. We have continued to make ongoing improvements to our search engine to make it smarter to ensure that customers can find the most relevant items just for them. Providing a personalised experience has also enabled us to provide opportunities to delight our customers as we now offer free gifts to customers as they check out based on their previous shopping history.

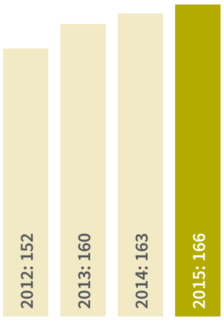
7. Our Strategy (continued)

Mature CFC Efficiency (UPH)

155 UPH
2014: 145

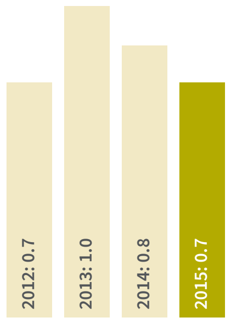
Drops per Van/Week (DPV)

166 DPV/WEEK
2014: 163



Product Waste (%)

+0.1% V 2014



2. Maximising Efficiency

Operational Efficiency

Our objective is to provide industry leading service levels to our customers at the lowest possible cost and we continually seek to drive efficiency throughout our end-to-end operations.

The aggregation of scale into larger single facilities together with the use of automation and optimised technology allows us to drive the overall efficiency of our business. This centralised approach to fulfilment gives us several significant service and efficiency benefits.

We have continued to invest in automation and developed unique fulfilment capabilities to replace many of the manual tasks in the retail supply chain and to optimise our operations.

Our existing CFCs continue to operate at high levels of efficiency and accuracy, allowing us to provide our customers with a consistent and timely service. We expect to improve the operational efficiency – measured in units processed end-to-end per labour hour in one of our facilities – of our future CFCs even further.

Our model enables us to carry lower inventory levels, and despite our relatively high proportion of sales of fresh and chilled products at over 40% of sales, we believe we operate with the lowest product waste in the industry at 0.7% of sales across our CFCs. This is the case notwithstanding the freshness of the products we deliver to our customers and underlines one of the relative environmental benefits of our operating model.

Critical to our operations is the software that controls them. This is now almost entirely developed in-house, and cannot be bought “off the shelf” on the open market. It gives us the ability to horizontally optimise and integrate across our end-to-end solution and it enables us to collect valuable data. The in-house nature of our software development allows for rapid solutions as efficiency improvement opportunities are identified. This proprietary technology protects our business, differentiates it, and makes it more difficult to replicate.

Capital Efficiency

With our existing CFCs in Hatfield and Dordon, which opened in 2002 and 2013 respectively, we operate the world’s two largest and most sophisticated single pick grocery warehouses. Together with our soon to be opened new CFC located in Andover, Hampshire in the south of England and our extensive spoke network, they form a critical part of the unique end-to-end solution we have developed.

The Andover CFC will be capable of handling over 65,000 orders per week, equivalent to around £350 million of sales when operating at full capacity. This is significantly smaller than our existing CFCs, yet it will be more capital efficient than our existing capacity and will extend Ocado’s total sales capacity to over £1.6 billion in 2017.

We have achieved this improved capital optimisation through the use of our own proprietary physical infrastructure solution, which we have been developing over the last few years. Our Andover CFC has the first installation of this next generation infrastructure solution. See Andover case study on opposite page for more details.

Our infrastructure solution has many important attributes, making it even more efficient and resilient than our existing CFCs. It is modular (can be built to any size), scalable (can be increased in size) and faster to deploy (shorter build and commissioning lead times). In addition, it is expected to achieve higher operational efficiency, will be more capital efficient, requires less space and can hold a large range of products. Each of these attributes is attractive in adding flexibility to our fulfilment capacity planning for our retail businesses, and for our platform business, including for Morrisons.com, offering to future partners much lower entry points for capacity commitments.

With control over the IP and the manufacturing and installation process, we plan to drive the costs down even further in the future. In February 2015, we announced plans for our fourth CFC, located in Erith to the South East of London inside the M25. The landlord started construction on this site in 2015, and we will take occupation during 2016, with first orders from this CFC expected at the end of 2017.

As with the Andover CFC, the Erith CFC will use our proprietary infrastructure and will be capable of handling in excess of 200,000 orders per week or around £1.2 billion of sales with even better capital efficiency.

Our CFCs are designed and built to handle the unique challenges that exist in picking groceries with speed, accuracy and efficiency. This complexity arises when you pick a customer order of on average around 50 items, across three different temperature zones – ambient, chilled and frozen. This and having the customer's order ready to go on the delivery vehicles in the same short time window as the other customer orders for a given van route.

Our infrastructure knowledge and solutions, combined with our end-to-end technology systems, provide an entire platform for operating online retail businesses, capable of handling the complexities and requirements of grocery retailing as well as general merchandise categories.

Delivery

We fulfil customer orders through the operation of a hub and spoke network. All stock is currently stored and picked in our two existing centralised fulfilment centres (the hubs) in Hatfield, Dordon or in our non-food warehouse in Welwyn Garden City for much of the non-food range. Around one third of orders are then delivered directly from these hubs to customer homes in the local catchment areas and the remaining two thirds are "trunked" in larger vehicles to one of our 16 spoke sites, from where local delivery in one of our delivery vans takes place. Due to increased demand from existing catchments, we opened additional spokes during 2015 in Milton Keynes, West Drayton and Dagenham, and plan to add further spokes to our network in 2016. We also increased the size of our spokes in Bristol, Leeds and Oxford. This will enable us to further develop and optimise our delivery network to drive efficiency in the long term.

Case Study

Proprietary Equipment Solution and Andover CFC

Our Proprietary Equipment Solution

Using the benefit of our many years focused on online grocery operations, we have now completed our vertical integration into mechanical handling equipment ("MHE") with the design and development of our proprietary physical fulfilment solution.

Our MHE solution is now the subject of filed and planned patent applications and other intellectual property rights. It is controlled by proprietary software and algorithms, offers significant advantages over other physical MHE available, and has been specifically designed to cope with the challenges presented by grocery activities, such as huge volumes of items, multiple product lines, and irregular demand patterns.

The equipment solution offers very dense and efficient storage through the use of a 3 dimensional grid to hold product. This grid can be built to a much greater scale than existing MHE storage solutions CFC Erith will have capacity to hold over 700,000 stock holding totes across chilled and ambient temperature regimes ready for single item picking.

Very fast mechanised inbound and outbound processes for moving product and completed orders into and out of the grid are enabled by our new proprietary communications system multiple times faster than existing wifi. Our communications system can utilise and control thousands of fast, space efficient, densely located robotic devices that each occupy just a single location on the top of the grid and enable very quick and flexible item retrieval of any product, in any order, stored in the grid.

All product picking into customer baskets follows a one-to-one goods-to-man approach where relevant stock items are presented to the picker at the same time as the order tote. The combined effect is very fast and highly accurate product picking across the entire ambient and chilled ranges (over 600 items per hour), with the capability of picking an entire customer's typical 50 item order in under 5 minutes, significantly shortening order lead times.

Our MHE solution can be retrofitted into standard warehouse buildings, and is modular in nature (can be built any size, scalable (can be increased in size) and faster to deploy (shorter build and commissioning lead times), providing significant benefits in better matching capacity requirements to business demand volumes.

Looking forward, our MHE solution is "future-proofed" in that all human points of contact sit on the periphery of the grid, and could be "swapped" out and replaced by automated or robotic solutions once technology advances in those particular areas (for example, robotic arms and fingers one day picking individual grocery items).

Our single end-to-end solution for online grocery retailing (combining our MHE solution with our technology software and systems) places us at the forefront of rapid change taking place in grocery distribution, enabling both of our retail businesses and those of our future international partners.

Andover Fast Facts

- Due to open shortly and required for ongoing Ocado grocery business growth, Andover CFC will increase our fulfilment capacity by around 65,000 orders per week, stocking the full range of products, or approximately £350 million in sales value.
- The site will house the first implementation of Ocado's new, internally developed, proprietary mechanical handling equipment and associated software platform solution
- At maturity, the solution will be capable of delivering significant productivity and fulfilment benefits in a highly modular and flexible design
- Ocado acquired the 18+ acre site and associated building in 2014 enabling the extension and refurbishment programme to commence, resulting in a 240k sqft building.
- Quicker construction, commissioning and implementation programme than experienced with previous sites helps improve capital efficiency.

See an image of our proprietary equipment solution on page 23

7. Our Strategy (continued)

Case Study
Our Proprietary Communication System

Our new infrastructure solution encompasses very dense storage suitable for grocery operations, and multiple moving robotic devices requiring very fast wireless communication at a rate of 10 messages per second which need to be confirmed. We recognised that no existing telecommunications system provided this capability.

In order to address this communications challenge, we assembled a team to design and develop our own telecommunications system capable of transmitting large amounts of data from base stations, located within the warehousing system, to large numbers of fast moving, densely packed robotic container-handling devices operating over a large area. Conservatively, the current system allows for data communications with in excess of 1,000 robotic container-handling devices per base station, each base station being capable of covering an area of well in excess of 100 metres radius. We have filed for patent protection for this new proprietary telecommunications system.

Read about our Proprietary Equipment Solution and Andover CFC on page 21

Read about Morrisons One Year On on page 12

3. Utilising Proprietary Knowledge

Our Intellectual Property

In building our retail business we have focused on developing optimal solutions solely for online retail operations, specifically centred on the grocery industry.

Our learnings, together with the solutions we have developed, provide an end-to-end process for completing 'the retail mission', moving a product from a supplier into a customer's home. As part of our core competence, we develop proprietary processes, physical infrastructure solutions, systems and software.

Our software and other technology solutions are developed in-house by our technology team (currently over 700 people) together with our development engineering team. Our in-house teams enable rapid development and implementation of new solutions for our business, and enable the software to be updated without the need to involve expensive change processes from multiple software providers.

Patents

We have built our business using proprietary technology to improve efficiency, productivity and resiliency of our operations, and to enhance the user experience for customers. We consider the building of competitive advantages across our business and operations key to maintaining our technological leadership, driving the development of our customer proposition and economic improvement. We take careful measures to protect our intellectual property and inventions. As we have developed more physical equipment solutions, we have recognised the value of adding more protection for some of our developments through filing patent applications.

As at the end of the period, we had filed patent applications covering 32 separate innovations, bringing the cumulative total number of patent applications filed to 73, of which 25 have so far been published. Our patent activities are intended to create a web of protection for our intellectual property.

Progress in 2015

We have previously set out three requirements which we would need to deliver to allow us to progress opportunities to monetise our platform further with Ocado Smart Platform. They were:

- Operating our first platform deal to the continued satisfaction of our partner, Morrisons;
- The replatforming of our IT systems to enable faster replication, rollout and lower maintenance costs in the future; and
- To first use our new proprietary infrastructure solution in our own facility prior to any live operation for a new partner.

We have made progress in all these areas.

The commercialisation of our IP and knowledge platform has already started with our 25-year agreement with Morrisons to launch and operate their online business.

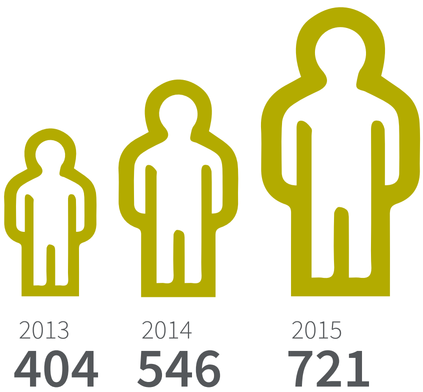
To remain at the forefront of change in the grocery industry it is important that our technology solutions are able to take advantage of the latest developments in using cloud and next generation software tools.

This involves migrating our solution to the cloud and in the process, transforming our technology stacks. Replatforming enables us to evolve our customer offer with much greater speed and reliability for our existing retail businesses and for those of our existing and future partners, as well as facilitate international expansion through faster replication, improved business agility and scalability and reduced maintenance overheads.

The replatforming project commenced in 2014. The project is a continuous process where discrete elements can be utilised as they are completed, with the entire replatformed systems being introduced over the time of the project.

Our Andover CFC, which is due to open shortly, will first implement our new, internally developed, proprietary mechanical handling equipment and associated software platform solution.

Number of Technology Staff*



Read more about Our People on pages 46 and 47

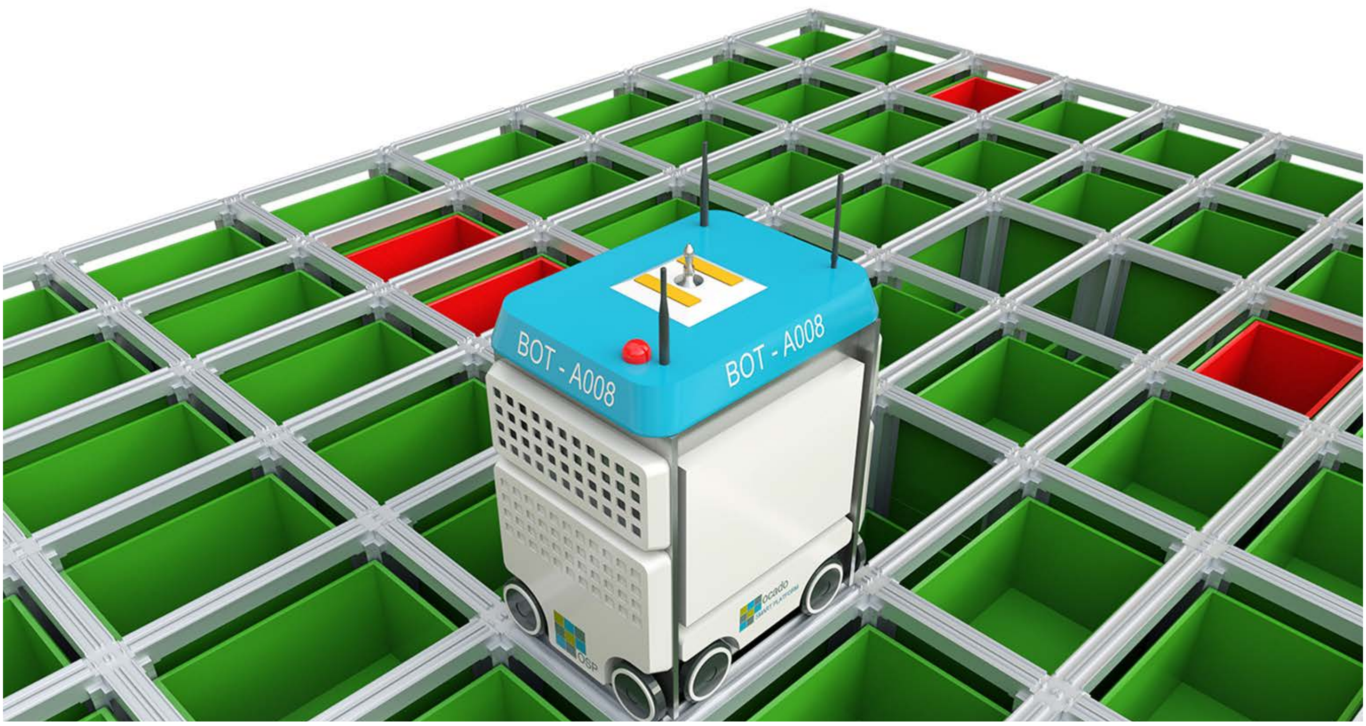
Case Study
Expansion of Technology Development Offices in Europe

Technology is at the heart of our business. We develop and utilise proprietary processes, systems and software throughout our entire business to improve efficiency and operations. Our user interfaces and applications for our customers are market leading.

As of November 2015, Ocado Technology* employs over 700 software engineers and IT specialists, comprising over 50% of our head office headcount. We expect that the headcount will continue to grow to around 1,000 by the end of 2016. We opened our first overseas development office in Krakow, Poland, in 2012.

Due to its success, we opened a second technology centre in Wroclaw, Poland, and at the end of 2015, established a centre in Sofia, Bulgaria. We plan to open a further development centre in Southern Europe in 2016. In parallel with this near-shoring, we are continuing to expand our UK development centre in Hatfield. Ocado Technology continued to build its reputation as a global technology leader, attracting quality professionals to build the teams underpinning Ocado's technology expertise.

* This does not include engineers with specialisms in mechanics, construction or manufacturing who are also involved in fulfilment development.



Proprietary equipment solution in Andover

Tim Steiner
Chief Executive Officer

8. Chief Executive Officer's Review

Good progress in a challenging market environment

The UK grocery market continued to experience significant challenges throughout 2015. Ongoing price competitiveness and deflationary pressure combined with changing customer behaviour, in particular with continued shifts to discount stores and online, have been reflected in declining store volumes at large supermarkets and margin pressure across the industry.

Notwithstanding this challenging market environment, we continued to deliver our strategic objectives, namely, to drive growth, maximise efficiency and utilise our knowledge, ideally positioning ourselves to benefit from the continued channel shift to online grocery shopping. Our strategic objectives apply equally to our own retail business and to our existing and future platform activities.

The validity and robustness of our retail business model is reflected in our 2015 performance. We grew our sales ahead of the broader UK online grocery market and well ahead of the overall UK grocery market, progressed work on our two next generation CFCs, continued to deliver good services to Morrisons.com, and advanced discussions with multiple potential international partners for our Ocado Smart Platform.

> "The validity and robustness of our retail business model is reflected in our 2015 performance."

Read about Our Strategy on pages 16 to 23

Progress against our strategic objectives

We have a number of key complementary actions, which form a framework to achieve our strategic objectives for our retail and corporate customers, intended to deliver long-term shareholder value. These actions are to:

- Constantly improve the proposition to customers;
- Strengthen our brands;
- Develop ever more capital and operationally efficient infrastructure solutions;
- Enhance our end-to-end technology systems; and
- Enable Morrisons' and future partners' online businesses.

Constantly improve the proposition to customers

Offering the best possible proposition to our customers has remained our core focus and is central to driving the growth of both our retail and partner businesses.

In our retail business, we continued to improve the key elements of our proposition to customers – our high quality service and user experience, the broadest selection of products to choose from and the competitiveness of our pricing.

We improved across all these core elements. Our customers have continued to recognise the quality of our service and extensive range of products, evidenced by the award of Best Online Supermarket in The Grocer Gold Awards 2015 and Best Online Grocer by Which? Magazine for the sixth year running. We believe this reflects the strengthening recognition of our consumer brand.

A consistently positive shopping experience is essential to encourage consumers initially to try Ocado and then to return to us for future shops. We believe that increasingly consumers will seek to fulfil their grocery shopping requirements online if they consider it the more compelling alternative to current store based propositions. Our focus has remained on improving the customer experience by enhancing the speed, convenience and ease of using our service, allowing customers to be able to shop anywhere, anytime, across intuitive and easy to use interfaces.

Our new mobile website for Ocado.com, which was launched in January 2015 to complement our existing mobile apps, allows our customers to shop more easily using their mobile devices and has proven to be popular especially among first time users of our service. Mobile continues to grow in importance for Ocado and the wider retail sector. In 2015, over 50% of all orders were checked out using a mobile device, using our latest apps and browsers.

We aim to be at the forefront of new developments and have continued to focus on improving elements and features of the customer interface to enhance the speed, convenience and usability of our service. In 2015, we launched a redesigned Android app and our first Apple Watch app which enabled Apple Watch owners to shop using their device on the first day of its launch in the UK.

The retention rate of new customers is important to support our growth and this has remained in line with historical trends. We have introduced features such as Import Your Favourites, reduced the number of steps in the registration process, added the ability to start to shop with us without having to log in first, improved our product search and introduced payment by PayPal. They have proved to be beneficial in encouraging new customers to shop for the first time and then for subsequent shops.

A reliable and high quality delivery service and experience is critical to our customers and our business. We believe our customer delivery service continues to be market leading. Delivery on time or early, in the customer selected one-hour delivery window, remained at a high level of 95.3% and order accuracy remained at 99.3%. Our Customer Service Team Members provide the important quality face-to-face interaction with our customers.

Customers can now choose from nearly 47,000 SKUs (2014: 43,000 SKUs) when shopping at Ocado.com. This includes everyday items, the Ocado and the Waitrose own label products, our customers' favourite brands, non-food items and many specialist and international product ranges.

2015 saw the launch of our vegetarian "shop in shop" with over 650 vegetarian and vegan products in one place. The shop has proved popular with customers due to the extensive range which includes big brands alongside niche products from small suppliers, and we were recognised as the Best Online Retailer for Vegetarians in the Veggie Awards 2015.

With the continued price competitive market environment, our Low Price Promise ("LPP") basket matching scheme ensures that we stay price competitive against the market leader. This provides transparency of our pricing strategy to give our customers confidence in what they are paying for their shopping. Despite price reductions and broader food price deflation in the market, over two thirds of our customers' baskets were already cheaper at Ocado when checking for LPP. The cost of LPP to Ocado in the form of vouchers used during the period has increased by less than 5bps and remains low, reflecting our competitiveness in prices and sustained promotional activity.

The Ocado Smart Pass, our bundled customer benefit membership scheme which includes free delivery, continued to be popular with over half of sales coming from customers with a pass. Membership helps to drive customer loyalty, shopping frequency and ultimately total spend per customer.

Read more about Driving Growth on pages 18 and 19

8. Chief Executive Officer's Review (continued)

Our non-food sales have continued to grow, with year-on-year growth of over 60% and now on average one non-food product per basket, despite current limited investment in technology in that area. Growth was driven by further development of the non-food range on Ocado.com and strong sales growth from our destination sites, Fetch, our specialist pet store, and Sizzle, our kitchen and dining store. Both complement our range at Ocado.com and reflect the convenience of shopping from a broader general merchandise product range alongside customers' regular grocery shop.

Preparations for our premium beauty business in partnership with Marie Claire are progressing well and we expect to launch this in the second half of 2016. We believe the high quality of service delivered by our technology and logistics platform combined with the awareness and relevance of the Marie Claire brand, should make this an attractive shopping destination for customers.

As we add improvements to our retail proposition, this enhances the key features we can apply to the technology embedded in our platform, thus benefiting our existing and future corporate customers.

Strengthen brands

We continued to broaden the awareness, and reinforce the strength and values of our Ocado, Fetch and Sizzle brands through our marketing and promotional activities.

We focused our modest marketing expenditure on attracting new customers with broader awareness campaigns with external partners, as well as limited radio and national newspaper offers and sponsorship opportunities such as the food section of the Ideal Home Show. Ocado was also featured in a number of broadcast media programmes including BBC's 'Tomorrow's Food', BBC One Breakfast at the Autumn Fair and most recently, on Channel 4's 'Journey to the Centre of my Plate', a show highlighting food journeys and ITV's 'Tonight' show.

Following the great success of last year, we launched our second "Britain's Next Top Supplier" competition, an initiative to support and nurture small British suppliers, who form a significant part of our supplier base.

Our Ocado own-label reinforces brand recognition and strength and continues to grow with sales up 16.8% against the equivalent period last year, with growth constrained by our contractual obligations with Waitrose. The average customer basket now contains over five Ocado own-label products. The popularity of these products is further evidenced by several awards received for our Ocado own-label products in 2015. These included awards for the Ocado own-label organic juicing and organic small veg boxes by Women's Fitness as well as awards for meat products including best lamb product for Ocado's Exclusives British lamb leg steaks by the Meat Management Industry.

Our active customers grew to 509,000 (2014: 453,000), up 12.4% and exceeded the half a million customers threshold for the first time. 2015 continued to see strong growth in new customer acquisition, up by over 20% during the period. Our overall marketing spend, including vouchering, has remained in line with retail sales percentage growth.

Our order volumes have grown to an average of over 195,000 orders per week ("OPW") (2014: 167,000 OPW), a strong growth of nearly 17% with the highest number of orders delivered in a week exceeding 225,000 during the period.

Our customers' average basket reduced by 2.1% to £109.95 (2014: £112.25) due to both the competitive environment and from the impact of increased destination site orders from Fetch and Sizzle. Excluding the impact of destination site orders, the average basket value declined by 1.3% to £111.15 (2014: £112.66). As the number of items in the average grocery basket was stable, this decline compares well to the price deflation seen in the overall UK grocery industry.

Fetch has continued to grow, with strong customer acquisition reflecting better brand awareness, and sales driven by specialist pet food lines. Sizzle has grown more modestly with limited marketing support, whilst we wait to complete further usability improvements.

During the year we introduced the Ocado Smart Platform as a brand to simplify and strengthen the marketing of our service for international retail partners.

Develop ever more capital and operationally efficient infrastructure solutions

Both our Hatfield Customer Fulfilment Centre ("CFC1") and our Dordon Customer Fulfilment Centre ("CFC2") continued to operate to a high level of accuracy and with improved efficiency. Using the units per labour hour efficiency measure ("UPH"), the average productivity for the period in our Mature CFC operations was 155 UPH (2014: 145 UPH), where we consider a CFC to be mature if it has been open for 12 months by the start of the half year reporting period. We made good progress with the construction of our new CFCs in Andover, Hampshire ("CFC3") and Erith, South East London ("CFC4"). We commenced the first installation of our new proprietary modular, scalable physical fulfilment solution into our Andover CFC, and anticipate going live shortly. CFC3 will add 65,000 OPW at full capacity at an estimated capital cost of £45 million for the material handling equipment ("MHE").

At the Erith site, the developer commenced building works in H1 2015 and we expect to start our fit out works at this site in 2016 with the plan to commence operations at the end of 2017. The MHE solution in CFC4 is estimated to cost £135 million and will add over 200,000 OPW of capacity to our operation.

Read about our Our Capabilities and Ocado Smart Platform on pages 10 and 11

As with CFC3, this CFC will use our proprietary modular, scalable fulfilment solution, and so the investment will be phased over time in line with our capacity requirements. It will also make this the most capital efficient CFC to be built to date, lowering the capital costs involved in operating full service online grocery operations thus improving our own economics and enabling us to offer the same solution at attractive pricing to future corporate customers of our Ocado Smart Platform offering.

We made a number of enhancements to our routing system throughout the year, which led to an improvement to the average deliveries achieved on a van route and has helped us increase deliveries per van per week across all shifts ("DPV") to 166 (2014: 163). We have also raised our long term target for DPV from 175 to 190.

We expanded our delivery capacity within our existing catchments with the opening of three additional spokes during the period at Dagenham, West Drayton and Milton Keynes. In addition, we opened the Park Royal spoke site which replaced our smaller White City location nearby. In 2014 we received a one-off compensation payment of £1.2 million from the landlord at the White City spoke to cover costs of closure and the fit out costs of the new site, with a further final £3.2 million received in 2015. The delivery capacity for some of these new spokes is shared with Morrisons, reducing the impact of the additional fixed costs of these operations.

Read about our Our Capabilities and Ocado Smart Platform on pages 10 and 11

Enhance our end-to-end technology systems

The core of our business is our proprietary IP, knowledge and technology that supports our market leading proposition to customers and drives our operating efficiencies. We seek to continually improve the technology we use and believe that this innovation creates competitive advantages across our business. As at the end of the period, we had filed patent applications covering 32 separate innovations, bringing the cumulative total number of patent applications filed to 73, of which 25 have so far been published. Our patent activities are intended to create a web of protection for our intellectual property.

Over time we have developed a proprietary end-to-end solution for operating grocery online, from the initial point of contact with the customer, through the extensive fulfilment operations, to the delivery of the basket of products to the customer's kitchen. Each stage of the operation is optimised using our software and algorithms. Our technology systems form a key part of this solution.

We continued to develop our platform with the rewrite of our IT systems to enable faster replication and roll out of our technology internationally, and remain on track with our plans. This has been supported by the expansion of our technology team which by the end of the period employed over 700 developers and IT professionals, with plans to increase this to around 1,000 by the end of 2016. Our technology professionals currently operate from the UK and Poland, with a new Ocado technology centre recently established in Bulgaria and another due to open in Southern Europe.

Our technology team focuses on improving customer interfaces to support our businesses and those of our partners, replatforming to improve speed of systems development and to enable international expansion, and other projects to drive efficiency in our operations.

Enable Morrisons' and future partners' online businesses

We have built our retail operating business through developing and utilising proprietary technology. This gives us opportunities to generate significant value through commercialisation as the innovations used in our own retail operations can be embedded into our platform for existing and future partners.

Our first commercialisation agreement, with Morrisons, resulted in the launch of Morrisons.com in January 2014. Using our existing CFC infrastructure and technology solutions, Morrisons.com has continued to develop well. In March 2015, Morrisons reported that the run rate of sales after 12 months of trading for Morrisons.com had reached about £200 million and has continued to develop well. To our knowledge this is the fastest ramp up of an online grocery business globally, and provides evidence of the effectiveness of combining our platform with an existing grocery retailers' brand, customer awareness and merchandising skills.

> "We have developed a proprietary end-to-end solution for operating grocery online . . ."

> "Morrisons.com . . . provides evidence of the effectiveness of combining our platform with an existing grocery retailers' brand, customer awareness and merchandising skills."

For further details on Morrisons.com, see case study on page 12

8. Chief Executive Officer’s Review (continued)

Using the benefit of our many years focused on online grocery operations, we have now completed our vertical integration into mechanical handling equipment (“MHE”) with the design and development of our proprietary physical fulfilment solution now installed in CFC3. Multiple patent applications have been filed for the MHE solution. Together with our end-to-end software and systems based technology, offers a total solution for efficiently operating online grocery businesses. We have packaged this into a single service offering referred to as Ocado Smart Platform.

During the period, we started to engage and develop discussions with multiple international retailers about how we might assist them in launching or improving online business in their own markets using Ocado Smart Platform.

We set out a target to sign our first Ocado Smart Platform agreement in 2015, and although we have yet to announce a deal, our confidence in the quality of our commercial proposition to international grocery retailers remains high, and we expect to sign multiple deals in multiple territories in the medium term.

People, awards and CR initiatives

By the end of the period, we employed over 10,000 people, a net addition of over 1,500 new employees during the year, to further support the growth of our retail businesses, our Morrisons platform business and the development of Ocado Smart Platform.

Read more about Corporate Responsibility on page 40 to 45

We will continue expanding our talent pool in 2016, including the addition of around 300 software engineers and IT specialists in the UK and across Europe.

The energy and commitment of our people remains central to our success and I want to once again acknowledge their remarkable efforts throughout this very busy and exciting period. Our operating model enables us to provide high levels of customer service, and customers regularly highlight the outstanding service they receive, in particular that provided by our Customer Service Team Members who deliver their orders.

The efforts of our people were again recognised by a number of awards received during 2015, including the ‘Best Online Grocer’ by Which? Magazine (Members’ Annual Satisfaction Survey), ‘Online Supermarket of the Year’ by The Grocer Gold Awards, ‘Best Online Retailer for Vegetarians’ by The Veggie Awards and ‘Best Retailer – Gold’ by the Healthy Food and Drink Awards.

We believe that the ability to code software will be a vital life skill for the next generation, akin to what literacy is to ours. Our “Code for Life” IT programme, which we launched in September 2014, today counts more than 44,000 users taking advantage of the free resource “Rapid Router” aimed at teaching primary school children across the UK to code. The programme is also being used in schools overseas, such as in the US, Australia, Spain, Portugal and Guatemala.

We launched a ‘Donate Food with Ocado’ scheme during the year, a virtual food bank that allows customers to donate a sum of money to buy food for the food banks we support. Customers donated nearly £100,000 during the period, and these donations were matched with groceries provided by Ocado.

Our business model has been built around driving efficiency and low waste in our aim of becoming the UK's greenest, most innovative and best value grocery retailer. We have operated plastic carrier bag recycling since 2007 and introduced a 'Bag Recycling Bonus' in September 2015, which incentivises customers to return bags to us for recycling by paying them 5p for every bag (from Ocado or other retailers) they hand back to us. Our Bag Recycling Bonus will also help us to meet the aims of the new carrier bag charging legislation in England, by helping to increase recycling and reduce plastic bag litter.

Outlook statement

We reported gross sales (retail) growth of 14.7% for the period. We expect to continue growing ahead of the online market.

We anticipate that capital expenditure in 2016 will be approximately £150 million, including the expenditure for CFCs 3 and 4, and the increased costs for further development to our infrastructure and technology solutions. The capital expenditure requirements for any Ocado Smart Platform deals signed are not expected to be significant in 2016.

> "... we expect to sign multiple deals in multiple territories in the medium-term."

Read more about Our People on pages 46 to 47

Read more about Governance on pages 50 to 117

Duncan Tatton-Brown
Chief Financial Officer

9. Chief Financial Officer's Review

For the period to 29 November 2015, we maintained double-digit sales growth in a highly challenging and competitive grocery environment. At Group level, sales were driven primarily by growth in our retail business with the remainder from our agreement with Morrisons.

Continued growth in retail sales was supported by improvements to our proposition to customers and an increase in the number of active customers in the period. These factors drove strong order growth to the current average orders of 220,000 per week at the period end. Operating profitability continued to strengthen in comparison to the prior period due to more efficient operational fulfilment mainly at CFC Dordon. This was offset by lower margins reflecting the competitive and deflationary pressures in the market, our sustained investment in a number of strategic initiatives to support future growth of the business and higher depreciation and amortisation arising from CFC Dordon, vehicles and additional spokes to support current and future business growth.

"We maintained double-digit sales growth in a highly challenging and competitive grocery environment."

	FY 2015 £m	FY 2014 £m	Variance
Revenue[1]	**1,107.6**	948.9	16.7%
Gross profit	**375.1**	312.9	19.9%
EBITDA	**81.5**	71.6	13.8%
Operating profit before share of result from JV and exceptional items	**19.1**	14.2	34.5%
Profit before tax	**11.9**	7.2	65.3%

	FY 2015 £m	FY 2014 £m	Variance
EBITDA	**81.5**	71.6	13.8%
Less Morrisons MHE JVCo impact[2]	**(13.5)**	(11.3)	21.2%
Add Share based management incentive charges	**7.8**	5.0	54.5%
Underlying EBITDA	**75.8**	65.3	16.1%

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 are also included in revenue
2. Morrison MHE JVCo impact includes the income arising from the leasing arrangements with Morrisons for MHE assets and share of results from joint venture

Revenue

	FY 2015 £m	FY 2014 £m	Variance
Retail	**1,033.7**	903.8	14.4%
Morrisons recharges	**55.1**	27.8	98.2%
Morrisons fees	**18.8**	17.3	8.7%
Total revenue	**1,107.6**	948.9	16.7%

Revenue increased by 16.7% to £1,107.6 million for the period. Revenue from retail activities was £1,033.7 million, an increase of 14.4%, which we believe to be ahead of the online grocery market. Revenue growth was driven by a 16.8% year-on-year increase in the full year average orders per week to 195,000. This was offset by a reduction in average order size, down 2.1% from £112.25 in 2014 to £109.95 in 2015, primarily due to deflation in the average item price as experienced across the grocery industry. During the period we continued to build on the strong growth from the prior year of our non-food business with revenue increasing by over 60% year-on-year.

There was a dilutive effect on the average basket from an increased mix of standalone destination site orders as they typically have smaller basket values.

The Morrisons arrangement contributed £73.9 million of revenue in 2015 (2014: £45.1 million). The main growth in revenue was driven by increased income from recharges for services provided to support the on-going expansion of the Morrisons.com business. The fee income remained broadly in line with the prior year and was comprised of the annual licence fees for services, technology support, research and development and management fees.

Gross profit

	FY 2015 £m	FY 2014 £m	Variance
Retail	**301.4**	267.8	12.6%
Morrisons recharges	**54.9**	27.8	97.5%
Morrisons fees	**18.8**	17.3	8.7%
Total gross profit	**375.1**	312.9	19.9%

Gross profit rose by 19.9% year-on-year to £375.1 million (2014: £312.9 million). Gross profit margin was 33.9% of revenue (2014: 33.0%), ahead of 2014 due to additional gross profit attributable to the Morrisons arrangement in the period. Retail gross margin reduced to 29.2% (2014: 29.6%) as a result of increased price competition. Gross profit from our arrangement with Morrisons was £73.7 million, an increase from £45.1 million in 2014, driven mainly by the growth in the Morrisons.com business.

Other income increased to £49.0 million, a 24.4% increase on year-on-year (2014: £39.4 million). Media income of £30.0 million was 2.9% of retail revenue (2014: 2.8%). We continue to grow our income from media related activities ahead of the rate of increase in revenue as we increasingly engage our suppliers in media opportunities on our customer interfaces (including website, mobile apps and mobile websites). Other income also included £11.2 million (2014: £8.9 million) of income arising from the leasing arrangements with Morrisons for MHE assets and £2.5 million (2014: £2.5 million) of rental income relating to the lease of CFC Dordon. This income, for the MHE assets, is generated from charging MHE lease costs to Morrisons, when combined with the share of results from joint venture, equates to the additional depreciation and lease interest costs that we incur for the share of the MHE assets effectively owned by Morrisons. Other income also comprised a second and final payment of £3.2 million for the surrender of the lease at our former White City operations which were transferred to a new build site nearby at Park Royal.

Operating Profit

	FY 2015 £m	FY 2014 £m	Variance
Distribution costs[1,2]	**216.6**	195.6	10.7%
Administrative expenses[1,2]	**73.4**	59.7	23.1%
Costs recharged to Morrisons[3]	**54.9**	27.8	97.5%
Depreciation and amortisation[4]	**60.1**	55.0	9.3%
Total distribution costs and administrative expense	**405.0**	338.1	19.8%

1. Excluding chargeable Morrisons costs, depreciation, amortisation and impairment charges
2. £2.4 million of reported administrative expenses in 2014 are now included as distribution costs
3. Morrisons costs include both distribution and administrative costs
4. Included within depreciation and amortisation for the period is a £1.8 million impairment charge (2014: £2.6 million)

Operating profit before the share of result from the joint venture and exceptional items for the period was £19.1 million (2014: £14.2 million).

Distribution costs and administrative expenses included costs for both the Ocado and Morrisons picking and delivery operations. Total distribution costs and administrative expenses including costs recharged to Morrisons grew by 19.8% year-on-year. Excluding Morrisons, costs grew by 12.9% year-on-year, below the growth in average orders per week of 16.8%. The costs relating to the Morrisons operations are recharged and included in revenue.

At £216.6 million, distribution costs increased by 10.7% compared to 2014, lower than the growth in retail revenue of 14.4%. Operational efficiency improved at both CFC Hatfield and CFC Dordon. Overall mature CFC UPH (for CFC Hatfield and CFC Dordon combined) was 155 in 2015 compared with 145 in 2014. The improvement in mature CFC UPH for the period was driven mainly by the productivity at CFC Dordon which had grown by nearly 20 UPH to 165 UPH for the full year 2015 and regularly exceeded 170 UPH by the end of the period. Deliveries per van per week have risen to 166 (2014: 163) as customer density improved.

During the period the Group opened three new spokes in Dagenham, West Drayton and Milton Keynes and moved an inner London spoke at White City to Park Royal. We also completed the expansion of the Bristol spoke by 50%. As a result of these new spoke openings, spoke fixed costs as a percentage of sales increased in the period.

9. Chief Financial Officer's Review (continued)

	FY 2015 £m	FY 2014 £m	Variance
Central costs – other[1,2]	55.1	44.7	23.3%
Central costs – share based management incentive charges	7.8	5.0	54.5%
Marketing costs (excluding vouchers)	10.5	10.0	5.0%
Total administrative expenses	**73.4**	59.7	22.8%

1. Excluding chargeable Morrisons costs, depreciation, amortisation and impairment
2. £2.4 million of reported administrative expenses in 2014 are now included as distribution costs

Total administrative expenses excluding depreciation, amortisation and costs recharged to Morrisons increased to £73.4 million, a 22.8% increase from 2014 and was 7.1% as a percentage of retail revenue (2014: 6.9%). Some of the cost increases were due to additional costs to operate the Morrisons services which are not recharged to Morrisons but for which the Group earns fees. In addition we continued to invest in our strategic initiatives to support future growth in our non-food business and Ocado Smart Platform. Share based management incentive costs increased due to the introduction of the third award under the long term incentive plan ("LTIP") for 2015. Share based management incentive costs are likely to stabilise in 2016 as the costs for the 2016 LTIP award (which are spread over 2016, 2017 and 2018) will be offset by the drop out of costs for the first LTIP award made in 2013 (which was spread over 2013, 2014 and 2015).

Marketing costs excluding voucher spend were marginally higher at £10.5 million (2014: £10.0 million) but lower as a percentage of retail revenue at 1.0% (2014: 1.1%). Despite this lower marketing spend as a percentage of retail revenue we continued to increase our new customer acquisitions per week, up over 20% versus 2014.

Total depreciation and amortisation costs were £60.1 million (2014: £55.0 million), an increase of 9.3% year-on-year and includes an impairment charge of £1.8 million (2014: £2.6 million). The higher depreciation and amortisation is primarily from the increased investment required for the development of CFC Dordon, which includes depreciation on assets jointly owned with Morrisons, and from the increased number of vans and LGVs required to support business growth. The impairment charges are due to the write off of certain assets at CFC Hatfield and as a result of a detailed review of our legacy systems due to the rewrite a number of key systems as part of our replatforming.

Share of result from joint venture

MHE JVCo Limited ("MHE JVCo") was incorporated in 2013 on the completion of the Morrisons agreement, with Ocado owning a 50% equity interest in this entity. MHE JVCo holds CFC Dordon assets which are leased to Ocado to service its and Morrisons' businesses. The income generated by MHE JVCo comprises interest income on finance leases granted to Ocado, offset by administration charges and depreciation on minor assets not subject to lease charges. The Group share of MHE JVCo profit after tax in the period amounted to £2.3 million (2014: £2.4 million).

Exceptional items

No exceptional items were reported in the period (2014: £0.3 million charge).

Net finance costs

Net finance costs of £9.5 million (2014: £9.1 million) exclude £0.9 million (2014: nil) of prepaid commitment fees which were incurred in connection with the £210.0 million Revolving Credit Facility ("RCF") and £1.6 million of additional arrangement fees. The small increase year-on-year of net finance costs recognised in the income statement was attributable to lower interest income on bank deposits.

Profit before tax

Profit before tax and exceptional items for the period was £11.9 million (2014: £7.5 million).

Taxation

The Group provided for £0.1 million of corporation tax for one of its legal entities that does not have available prior year losses or capital allowances. Ocado has approximately £287.8 million (2014: £285.3 million) of unutilised carried forward tax losses at the end of the period. During 2015 Ocado incurred £36.2 million (2014: £29.1 million) in a range of taxes including fuel duty, PAYE and Employers' National Insurance and business rates.

Earnings per share

Basic earnings per share was 2.01p (2014: 1.24p) and diluted earnings per share was 1.91p (2014: 1.18p).

Read more about Our Financials on pages 127 to 189

Capital expenditure

Capital expenditure for the period was £122.1 million (2014: £86.4 million) and comprised the following:

	FY 2015 £m	FY 2014 £m
Mature CFCs	3.2	10.9
New CFCs	52.9	16.5
Delivery	25.3	22.1
Technology	23.0	16.8
Fulfilment Development	13.3	16.3
Other	4.4	3.8
Total capital expenditure[1,2] (excluding share of MHE JVCo)	**122.1**	86.4
Total capital expenditure[3] (including share of MHE JVCo)	**126.5**	98.1

1. Capital expenditure includes tangible and intangible assets
2. Capital expenditure excludes assets leased from MHE JVCo under finance lease arrangements
3. Total capital expenditure includes Ocado share of the MHE JVCo of £4.4 million in 2015 and of £11.7 million in 2014

Total investment in Mature CFCs was £7.6 million, which includes the capital expenditure relating to MHE JVCo of £4.4 million. The investment was on resiliency projects (for example improving our pick aisles and upgrading some of our oldest conveyors) in CFC Hatfield, on improvement projects (for example bagging machines in both CFCs and the installation of a new pick aisle to increase capacity in CFC Dordon) and the purchase of operational totes in both CFCs.

We continue to build our new CFCs located in Andover and Erith. CFC Andover will be smaller than our existing CFCs (expected capacity of 65,000 OPW), and will utilise the first example of our proprietary MHE which is designed in the long term to be faster to install and more cost and capital efficient than the system in the current CFCs.

In January 2015, we announced plans for our latest CFC located in Erith, South East London. CFC Erith will be larger than our existing CFCs (expected capacity of over 200,000 OPW). We expect our site fit out to commence in 2016 and for the site to go live towards the end of 2017. We have invested less than £5m in 2015 on third party professional fees, construction insurance and internal staff costs supporting design and development.

Investment in new vehicles, including vans, trailers and tractors, which are typically on five year financing contracts, was higher than the prior year to support the business growth and the replacement of existing vehicles at the end of their term. Delivery capital expenditure also included investments for new spokes and the transfer of one site to a new location; Dagenham, West Drayton, Milton Keynes and Park Royal respectively. In addition to these new spokes we also completed the expansion of the Bristol spoke in the period. In total Delivery capital expenditure was £25.3 million (2014: £22.1 million).

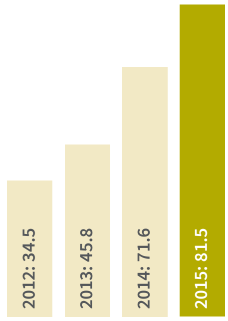
We continued to develop our own proprietary software and £18.1 million (2014: £14.1 million) of internal development costs were capitalised as intangible assets in the period, with a further £4.9 million (2014: £2.7 million) spent on computer hardware and software. Our technology headcount grew to over 700 staff at the end of the period (2014: 550 staff) as increased investments were made to support our strategic initiatives, including the major replatforming of Ocado's technology and migration of most of our systems to run on a public or private cloud. This will allow Ocado to achieve greater technical agility and enable the technology to support possible international expansion opportunities. In addition, we invested internal technology resources as part of developing capital projects for Dordon CFC phase two and the further development of the Morrisons proposition.

Fulfilment development capital expenditure of £13.3 million was incurred to further develop our next generation fulfilment solution which will be used in our new CFCs and for Ocado Smart Platform customers.

EBITDA (£m)

81.5

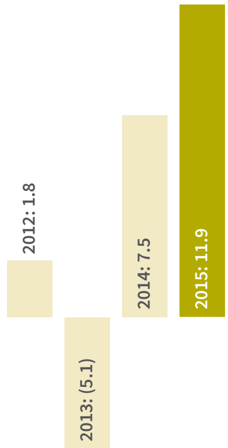
2014: 71.6



Profit/(Loss) before Tax and Exceptional Items (£m)

11.9

2014: 7.5



9. Chief Financial Officer's Review (continued)

"Operating profitability continued to strengthen in comparison to the prior period . . ."

". . . we continued to invest in our strategic initiatives to support future growth . . ."

Other capital expenditure of £4.4 million included investment in further capacity in the NFDC to support our non-food business growth, further investment to support the growth of our non-food destination sites and other various head office capital expenditure projects.

At 29 November 2015, capital commitments contracted, but not provided for by the Group, amounted to £22.3 million (1 December 2014: £22.9 million). We expect capital expenditure in 2016 to be approximately £150 million, to be invested in the next generation of fulfilment solutions, roll out of our new CFCs 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

	FY 2015 £m	FY 2014 £m
EBITDA	**81.5**	71.6
Working capital movement	**2.3**	9.9
Exceptional items	**—**	(0.3)
Other non-cash items[1]	**8.7**	4.0
Finance costs paid	**(9.7)**	(9.7)
Operating cash flow	**82.8**	75.5
Capital investment	**(99.1)**	(78.8)
Dividend from joint venture[2]	**8.1**	—
Decrease in debt/finance obligations[3]	**(26.8)**	(34.6)
Proceeds from share issues net of transaction costs	**4.5**	3.7
Decrease in cash and cash equivalents	**(30.5)**	(34.2)

1. Other non-cash items include movements in provisions, share of result from MHE JVCo and share based payment charges
2. Dividend received from MHE JVCo of £8.1 million (2014: nil)
3. Includes financing fees paid

During the year the Group generated improved operating cash flow after finance costs of £82.8 million, up from £75.5 million in 2014, as above.

The operating cash flow increased by £7.3 million during the year primarily as a result of an increase in EBITDA of £9.9 million. The positive working capital movement of £2.3 million includes a £19.1 million increase in trade receivables primarily due to an increase in receivables from Morrisons and MHE JVCo. This is offset by a £23.7 million increase in trade and other payables due to increased trade accruals.

We continue to reinvest our cash for future growth and as a result the cash outflows due to capital investment increased to £99.1 million comprising investments in CFC Andover, development of our next generation fulfilment solution and spend on spoke sites.

In the period £26.8 million (2014: £34.6 million) of cash was utilised for the net repayment of debt, financing obligations and financing arrangement fees.

Balance sheet

The Group had cash and cash equivalents of £45.8 million at the period end (2014: £76.3 million) with the decrease mainly owing to a net cash outflow from investing activities in the period.

External gross debt at the period end, which excludes finance leases payable to MHE JVCo, was £53.3 million (2014: £44.9 million). The increase of £8.4 million is driven by £13.7 million of additional vehicle and property debt, offset by net repayments of £5.3 million of other asset backed finance borrowings.

Gross debt at the period end of £172.8 million (2014: £175.7 million) and includes amounts owing to MHE JVCo of £119.5 million (2014: £130.8 million).

Net external debt at the period end was £7.5 million (2014: Net external cash £31.4 million).

Increasing financing flexibility

During the period, the £100 million unsecured revolving credit facility was increased to £210 million with improved covenant levels and extended by 2 years to 1 July 2019. The participating banks continue to be Barclays, HSBC, RBS and Santander and we believe this new facility enhances our flexibility to exploit the increasing growth opportunities available to our business. The facility remained undrawn throughout the period.

Key performance indicators

The following table sets out a summary of selected unaudited operating information for 2015 and 2014:

	FY 2015 (unaudited)	FY 2014 (unaudited)	Variance %
Average orders per week	**195,000**	167,000	16.8%
Average order size (£)[1]	**109.95**	112.25	(2.1)%
Mature CFC efficiency (units per hour)[2]	**155**	145	6.9%
Average deliveries per van per week (DPV/week)	**166**	163	1.8%
Average product wastage (% of revenue)[3]	**0.7**	0.8	(0.1)%
Items delivered exactly as ordered (%)[4]	**99.3**	99.3	—
Deliveries on time or early (%)	**95.3**	95.3	—

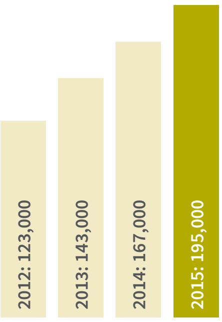
Source: the information in the table above is derived from information extracted from internal financial and operating reporting systems and is unaudited

1. Average retail value of goods a customer receives (including VAT and delivery charge and including destination site orders) per order
2. Measured as units dispatched from the CFC per variable hour worked by CFC Hatfield and CFC Dordon operational personnel in 2014. 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
4. Percentage of all items delivered exactly as ordered, i.e. the percentage of items neither missing nor substituted

10. Key Performance Indicators

We measure the achievements of our strategic objectives through the use of qualitative assessments and monitoring the performance of quantitative key performance indicators ("KPIs"). Each KPI links to one or more of our strategic objectives set out on page 16 (using the strategic link icons shown).

Average Orders per Week



Why we use this measure

Measures order growth in our retail businesses

2015 performance

+16.8% v2014

Strategic link

Average Order Size (£)

Why we use this measure

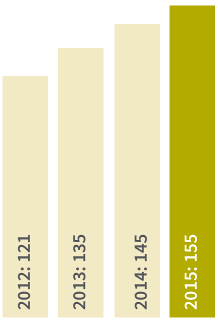
Measures aggregate impact on average shopping basket

2015 performance

-2.1% v2014

Strategic link

CFC Efficiency (UPH)



Why we use this measure

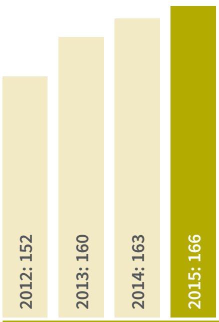
Measures CFC operational efficiency

2015 performance

+6.9% v2014

Strategic link

Average Deliveries per Van per Week (DPV/WEEK)



Why we use this measure

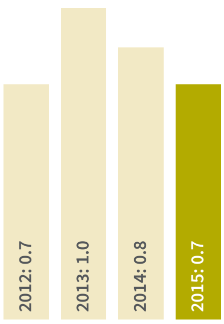
Measures efficiency of our service delivery operation

2015 performance

+1.8% v2014

Strategic link

Product Waste (%)



Why we use this measure

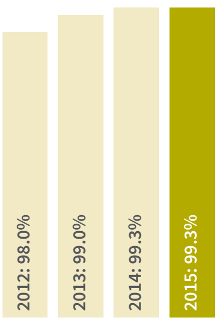
Measures efficiency of our operations in terms of waste minimisation: the lower the better

2015 performance

+0.1% v2014

Strategic link

Items Delivered Exactly as Ordered (%)



Why we use this measure

Measures order accuracy (pre substitution)

2015 performance

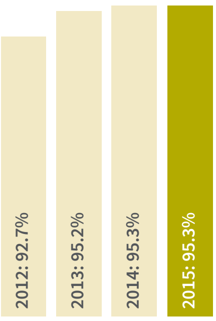
+0.0% v2014

Strategic link

Read about Our Strategy on pages 16 to 23

Read about How We Manage Our Risks on pages 38 to 41

Deliveries on Time or Early (%)



Why we use this measure

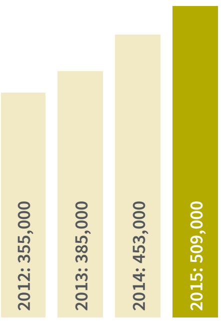
Measures timeliness of our delivery operations

2015 performance

+0.0% v2014

Strategic link

Active Customer Base



Why we use this measure

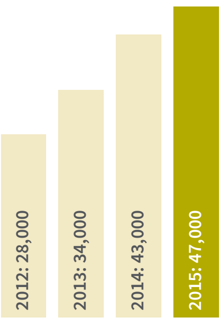
Measures growth in our core customers who shopped in the last 12 weeks

2015 performance

+12.4% v2014

Strategic link

SKU Count (Hypermarket)



Why we use this measure

Measures growth in range offered at Ocado.com, not including standalone sites

2015 performance

+9.3% v2014

Strategic link

11. 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 identification of Ocado's key strategic and emerging risks, and for the review and approval of the risk management framework. The Audit Committee, delegated by the Board, is responsible for the independent 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 auditors, PricewaterhouseCoopers ("PwC"), in relation to Ocado's control environment and its financial reporting procedures.

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;
- a Risk Committee which monitors Ocado's risk control processes;
- an Information Security Committee which monitors Ocado's information security;
- an Internal Audit & Risk 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.

What We Addressed in 2015

The process described on this page 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.

During 2015, Ocado continued to enhance its approach to risk management. This included the introduction of a revised risk management policy at the start of the year, implementation of working practices to support this policy, and the enhancement of our capability for information security and business continuity.

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 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 identify how they will manage 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.

During 2015, we continued to implement the Corporate Responsibility strategy across the business with integration of our four pillars strategy across the relevant departments (refer to page 42). We established a Corporate Responsibility Committee to provide a governance structure for all corporate responsibility risks. This is comprised of senior management personnel from areas of the business impacted by or able to influence corporate responsibility, including Management Committee members.

The Audit Committee, on behalf of the Board, undertook an annual review of the effectiveness of risk management and the system of internal control, covering all significant controls including financial, operational, compliance controls, and risk management systems.

For further information on the review of financial reporting, refer to page 64 of the Audit Committee report.

What We will be Looking at in 2016

Activities to improve our strategic, programme and operational risk management capabilities, including business continuity and information security, will continue in 2016. Our trading strategy is reviewed and amended as necessary to reflect the increasingly competitive grocery trading environment.

2016 will see corporate responsibility publish a standalone report, providing more detailed content on issues of continued interest to stakeholders.

The Internal Audit & Risk function will continue to provide independent and objective assurance and advisory services designed to add value and improve the operations of the business. Its scope encompasses the examination and evaluation of the adequacy and effectiveness of Ocado's governance, risk management and internal control processes.

Assessment of the Group's prospects

The Directors have assessed the Group's prospects, both as a going concern and its viability longer term. 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 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' robust 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 40 and 41.

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 £45.8 million, external gross debt (excluding finance leases payable to MHE JVCo of £53.3 million) and net current liabilities of £(59.5) million. The Group has a mix of short and medium term finance arrangements and has an unutilised £210 million revolving credit facility which contains typical financial covenants and runs until July 2019. 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 120 to 189. 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 Section 7 (Our Strategy) on pages 16 to 23) and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors (see pages 40 and 41).

Viability statement

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

The Code requires that the Directors assess the prospects of the Group over an appropriate period of time selected by them. The Directors have considered whether 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. Although the Group's strategic plan forecasts beyond three years, the Directors took into account the impact on forecast outcomes of the rapid growth of the business and its changing strategic opportunities (among other factors) in concluding that three years was the most appropriate period for assessing the Group's prospects.

The Directors rely on a number of existing processes to justify their viability assessment. The annual budget, which provides a greater level of certainty of outcome than the longer-term plans, is used to set targets for the Group and is used by the Remuneration Committee to set performance targets for the annual incentive plan. A longer term business model provides less certainty of outcome, but provides a sensible planning tool against which strategic decisions can be made. This plan contemplates the input of a number of different strategic initiatives, including possible Ocado Smart Platform transactions, possible trials of new technology, possible participation of Morrisons in new CFCs and potential increases in CFC capacity. The plans make assumptions about the business including projected capital expenditure, financing requirements, 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 a material decline in the rate of sales growth and lower gross margins or increase in operating costs and a combination thereof. The tests were intended to show various outcomes including the impact on the Group's net debt and cash flow over the three years and an assessment on the impact on the financial covenants in the revolving credit facility, all of which are relevant to assessing the solvency and liquidity of the Group in this context. A decline in sales growth or margins or increase in operating costs can result from a range of principal risks in the retail business including failure by the Group to maintain a competitive pricing position, a decline in customer service levels and a delay in implementing new capacity. The Directors assessment also took into account the other principal risks that could have an 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 40 and 41).

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.

The external auditors have reviewed these statements and have nothing to report (see the Independent Auditors' report on pages 120 to 126).

For more information see the Audit Committee Report on pages 63 to 67

11. How We Manage Our Risks (continued)

Key: ▲ Risk has Increased ▼ Risk has Decreased ▶ No Change ■ Not applicable

Strategic Objective	Risks	Mitigation Action/Control	Change during the Year
Driving Growth	Failure to maintain competitive pricing position	• Continuation of our LPP basket matching price comparison • Maintaining a competitive number of promotional offers and increased availability of free delivery slots for price sensitive customers • Creation of a choice of tiered price points within each category	▲ Due to increased competition in the market
	Risk of decline in high service levels	• Weekly monitoring of the key indicators and the underlying drivers against published targets	▶
	Failure to develop retail proposition to appeal to broader customer base and sustain growth rates	• 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 considered in the event that the Waitrose sourcing relationship terminates • Continuation of investment and optimisation of the marketing channels to acquire new customers • Continued improvement of webshop and apps	▶
	Failure to develop sufficient management and technology capability or bandwidth to deliver on all our strategic priorities	• Second and third overseas technology centres opened • Improved IT prioritisation process	▶
	Risk of not signing multiple OSP deals in the medium term	• Investment in our platform which enables OSP is also required for Ocado's expanding Retail business. Initial deployment will be in CFC Andover and CFC Erith • Impact of not signing multiple OSP deals in the medium term is restricted to the lost opportunity to increase our earnings from our Platform business • 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	■
Maximising Efficiency	A risk of delays in the implementation of new capacity for both Ocado and Morrisons	• Dedication of resources to the modularisation of technology and logistics systems to enable faster replication • New capacity in development at CFC Andover and CFC Erith • Regular Executive Board steering and full Board reporting of new technology projects	▲ Future new capacity is reliant on new, unproven technology
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	▶
	Failure to protect our IP	• Processes to identify patentable inventions and to apply for patents • Established Ocado Innovation Committee to review our patent portfolio and discuss other IP issues	▼ Multiple patents now filed although the value of IP has increased, so increasing the value to others
	Failure to ensure that our technology can be freely operated without infringing a third party's IP	• Conducting "freedom to operate" searches on selected technologies	▶

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 appropriate operational procedures	▲ Supplier and product numbers have increased and the market has become more sensitive to food and product safety issues
	A risk of changes in regulations impacting our retail business model or the viability of OSP deals	• Regular monitoring of regulatory developments to ensure that changes are identified • Monitoring operational performance to minimise environmental impact • Regulatory due diligence carried out at appropriate stages in the OSP process	▶
	Risk of major cyber-attack or data loss	• IT systems are structured to operate reliably and securely • Denial of service protection service is in place • The security of our IT systems is regularly tested by third parties • No customer payment card data is held in Ocado's databases • Access to customer personal data is restricted to those who need this information as part of their job	▶
	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 • Insurers advise on engineering and risk management in the design and operation of the CFCs • High level of protection for CFCs and equipment	▶
	A risk of unintentional infringement of competition legislation	• Issued a revised competition compliance policy in 2014 • Tailored learning tools rolled out (with annual refresher) for all personnel involved in accessing Morrisons data or providing services to Morrisons • Physical and technical firewalls installed to ensure Ocado's Retail business is protected and kept separate from the operational teams providing services to Morrisons	▶

For further information on the financial risks, see page 158 of the notes to the financial statements.

Read more about financial risks on page 158

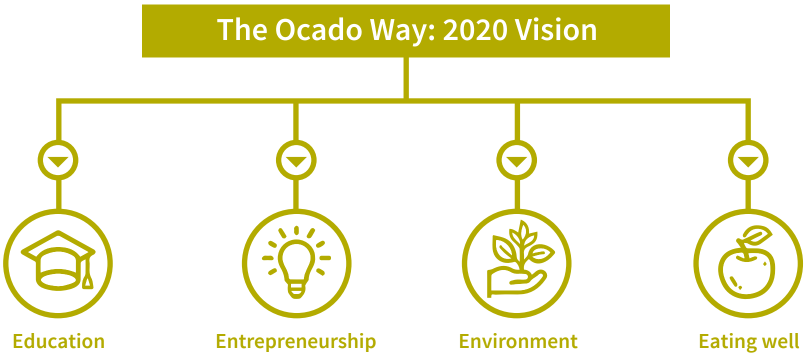
Read about Our Strategy on pages 16 to 23

See the KPIs that measure the success of our strategy on page 36

12. Corporate Responsibility

During the period we continued to implement "The Ocado Way: 2020 Vision" across the business, and achieved a number of significant deliverables which are described below.

The four strategic pillars of Education, Entrepreneurship, Environment and Eating Well continue to drive the direction of our Corporate Responsibility strategy, and we have placed the recently launched Ocado Foundation at the heart of our employee engagement.



2015 also saw the launch of the Ocado Foundation.

The Ocado Foundation

The Ocado Foundation was established to support our employees in their personal, charitable fundraising and volunteering efforts, and also be the vehicle for all Ocado fundraising.

We target our efforts at a local, personal level

We believe that many small actions make a big difference

We are focused on actions where the results can be measured

We focus on areas where we have a related interest or expertise

We look after the many over the few

Education

Using our knowledge and expertise to benefit schools and colleges continues to be a key driver for Ocado, demonstrated by our strong commitment to technology and road safety.

Code for Life

September 2015 saw our "Code for Life" programme turn one year old. To date, more than 44,000 users are taking advantage of the free resource "Rapid Router", aimed at teaching primary school children across the UK how to code. The programme has been extremely well received in UK schools and is also being used globally in schools across the US, Australia, Spain, Portugal and Guatemala.

Road Safety

Ocado is an industry leader in road safety. Using this position, we continue to support other companies in their development of employee road safety strategies. Our strong relationship with both BRAKE and the Road Victims Trust continues to flourish with Ocado repeatedly invited to speak at a number of industry events throughout the year.

Entrepreneurship

Britain's Next Top Supplier 2015

We launched our annual search for Britain's Next Top Supplier in January 2015. Backed by Chairman Lord Rose and Chef Tom Kerridge, the competition sets out to find the next big British success story in food and drink.

Beating off stiff competition from hundreds of entrants, the 2015 winner was Manfood, founded by Andre and Jon Dang in Cambridgeshire, who produce a chunky pickle made entirely from local ingredients.

Staying close to our entrepreneurial roots, the competition further demonstrates our commitment to doing more for small, British suppliers and encourages other retailers and consumers to do the same.

Environment

For the 2015 financial year, we partnered with Ecometrica, a sustainability consultancy, to develop our data management systems and improve the transparency of our carbon footprint. As a result, we have strengthened our position to effectively maintain accuracy and accountability for our impact on the environment.

Greenhouse Gas Emissions

For the reported period, our CO_2 emissions increased relative to the previous year. As illustrated throughout this report, the business has continued to grow significantly, highlighted by a rise in order volumes of more than 30% at both Ocado.com and Morrisons.com.

The carbon efficiencies implemented however, has meant that despite our substantial growth we have successfully achieved a three-year trend of improving energy efficiency, culminating in a 11.9% efficiency gain relative to our 2013 baseline year. Our progress is illustrated in the table below.

PwC has carried out a limited assurance engagement on selected GHG emissions data (table below) in accordance with the International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements' (ISAE 3410), issued by the International Auditing and Assurance Standards Board and, in respect of the intensity measure, in accordance with the International Standard on Assurance Engagements 3000 (Revised) 'Assurance engagements other than audits or reviews of historical financial information' (ISAE 3000 (Revised)). A copy of the limited assurance report is available in the "Our Responsibilities" section of the Company's corporate website.

GHG Emissions (Tonnes CO_2e)

	2012/13	2013/14	2014/15
Scope 1 – Direct	39,530	50,198	63,151
Scope 2 – Indirect	21,613	26,493	28,602
Total Emissions	**61,143**	**76,691**	**91,753**
Intensity measures:			
Tonnes CO_2e / 100,000 orders	823.4	815.1	725.4

Britain's Next Top Supplier 2015

12. Corporate Responsibility (continued)

Case Study: Ocado Foundation

London to Paris bike ride

A team of six cyclists from Ocado's Planning & Supply Chain Department were able to enjoy springtime in Paris when they completed the 300 mile London to Paris bike ride and in the process raised over £12,000 for Macmillan Cancer Support. The Ocado Foundation added a further £2,000.

The team, led by Director of Planning & Supply Chain, Mark Watson said: "I'm extremely proud of our achievement in completing the challenge and for raising such a huge amount of money for Macmillan Cancer Support. As well as supporting one another as a team, it was great to have the backing of Ocado and I'd like to thank everyone who sponsored us. This has been a phenomenal experience and one that I will never forget. It was quite wet when we got over to France which made things a bit more challenging but we all got through it in one piece. I think the highlight for me though, was cycling into Paris and trying to compete with six lanes of traffic as we went around the Arc de Triomphe – it certainly gets your heart beating a bit faster!"

The largest share of our emissions are attributable to vehicle usage (62%), followed by the operation of our premises (37%); mirroring the findings of our previous two years' greenhouse gas reports. As a result, developing the fuel-efficiency technologies within our operation and addressing the energy efficiency of our CFCs continues to be the focus of our carbon reduction strategy.

With regard to minimising the environmental impact of the fleet, we are continuously evolving the design of our vehicles to improve aerodynamics, capacity, and trialling fuel-efficient technology developed in-house. Further, our strategic geographical expansion is in part designed to alleviate the use of fuel in our operations, opening new spokes to reduce the overall mileage of our delivery vans. Environmentally-conscious customers may also select 'green van slots', saving fuel and reducing emissions by having a delivery at a similar time to another customer local to them. Through implementing a range of initiatives, investments in our fleet have positively contributed to our substantial company-wide improvement in energy efficiency.

The Group's reported emissions have been prepared and calculated with reference to environmental reporting guidelines (2015), issued by Defra and using conversion factors published by DECC/Defra May 2015.

For further details about data and preparation go to ocadogroup.com

Waste

We continue to monitor our waste closely and we remain confident that our waste volumes are very low when compared to the industry. The partnership with Ecometrica includes analysis of waste, and we look forward to reporting on this in more detail in future years.

Bag Recycle Bonus Scheme

Recycling has always been a key driver for Ocado. Our business model is built around efficiency and low waste and for many years we've been operating a plastic carrier bag recycling scheme. Since 2007, Ocado has been collecting plastic bags from customers, and recycling them into carrier bags to be used again. This all takes place within the UK, keeping "supply chain miles" and carbon emissions to a minimum.

September saw Ocado continue its commitment to recycling by introducing the 'Bag Recycling Bonus Scheme', a scheme incentivising customers to recycle more bags by paying them 5p for every bag they hand back to us. We do this for both Ocado and other retailers' bags.

With our aim of becoming the UK's greenest, most innovative and best value grocery retailer, this scheme seeks to reward customers for helping us to help the environment.

Case Study

Ocado Foundation

ocado foundation

April 2015 saw the launch of The Ocado Foundation. This was established to support our employees in their personal charitable fundraising and volunteering efforts and also to be the vehicle for all Ocado fundraising.

In its first seven months, £17,570 of match-funding was provided to charities across the country, as a result of employees undertaking all manner of fundraising efforts. More than £22,000 has also been fundraised for the Ocado Foundation in the same seven months, this money has been distributed across the Ocado network amongst local charities in the communities where employees live and work.

Eating Well

Food and nutrition is at the heart of the Eating Well pillar. We use sustained promotions on fresh fruit and vegetables to try and encourage healthy eating and become a positive nutritional influence on our customers.

At the start of the financial year, we committed to always having at least 100 different fruit and vegetables on promotion at any one time, and during the period, we consistently exceeded this target.

At the start of the financial year we also launched "Donate Food with Ocado". This scheme has been incredibly popular with customers, donating £96,913 during the 2015 financial year. This scheme differs from others in the industry, as customers make a financial donation that is matched with groceries from Ocado. We work closely with our food bank partners to discuss their needs, and then tailor the food we donate on a week by week basis to meet the requirements of the different people they support.

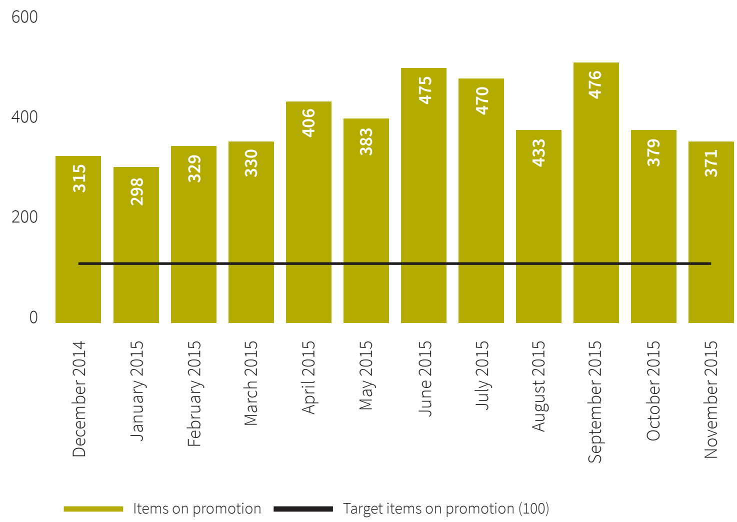
No donations were made by the Group to any political party, organisation or candidate during the period (2014: nil).

Ocado is committed to the upholding of human rights. We require our suppliers to operate in a fair and honest way towards their employees and with those whom they do business. We ask all our "Own Brand" suppliers to be members of Sedex, a global supplier ethical database, and to ensure that they have an ethical auditing programme in place.

Through sales of fruit and vegetables, we continue to support farmers in South Africa and Kenya by donating to the Waitrose Foundation. We made donations totalling £30,000 during the period of this report.

During the period we also made a donation of £145,000 to the Prince of Wales's Charitable Foundation, through sales of Duchy branded products.

Fresh Fruit/Vegetables on Promotion Each Month



Case Study

Eating Well and Reducing Food Waste

"Having received generous donations from Ocado every Christmas for the last ten years, we were approached by the Ocado Corporate Responsibility team who asked if they could extend their support. We worked together to find a way of delivering fresh food to our foodbank clients along with food parcels of non-perishable items. DENS have since opened The Elms so we have been able to extend the support further by using the food donations to provide meals at both the Elms and our Day Centre.

Ocado have been generous supporters of both projects providing weekly donations of fresh food, including meat, vegetables, bakery and other assorted food stuffs. This donation has provided fantastic fresh quality produce which enables our residents to enjoy a healthy diet. During the period May to November 2015, a total of 6,308 meals have been cooked for vulnerable, homeless people.

Ocado's support has also freed us up to use our other charitable funds to provide much needed 1:1 support to our residents and to provide them with opportunities to take part in confidence and skills-building activities to help prepare them for future independent living."

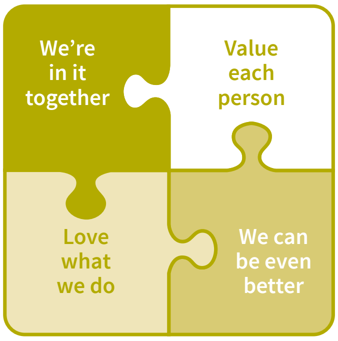
Sharon Boyall, DENS Food Bank Manager

DENS Action Against Homelessness

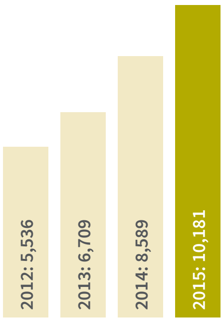
the elms

13. Our People

People Values



All Employees



* Number of employees as at period end.

Case Study

Kristina Krikscikaite, Operations Manager, Hatfield CFC

I joined Ocado in November 2008 as a personal shopper in the CFC warehouse. I grasped things quickly and my managers spotted my potential. I worked hard and soon applied for a Team Manager position. Six months into this new role I wanted more so I was offered a trial as a Stand-up Section Manager, followed quickly by a Flow Manager's job. One year in this role gave me a lot of operational experience and I really enjoyed taking on more and more responsibility. I put my heart into what I was doing which my line managers appreciated and from there my colleagues encouraged me to apply for an Operations Manager's role.

I'm now in this role and would only change it for my boss's chair! It's challenging, absorbing and no day is ever the same. More importantly, I get to work with many interesting people from different parts of the world, with varying backgrounds, and different motivations driving them. What most of us have in common is commitment, appreciation and love of what we do.

We Value Our People

We are a business that values our people. We listen to their opinions on customer service, operational efficiency and what it means to be an Ocado employee. We aim to understand our employees as well as we understand our customers and innovate and change together to match the pace of growth and diversification required in our markets.

We Recruit Talent

Our business is built on innovation, on finding solutions, and on delivering world class service. Our recruitment team has been effective in meeting the significant challenge of hiring the new employees needed for our continuous growth.

In November 2015 we reached a significant milestone – total employee numbers crossed 10,000 for the first time, cementing our place as a significant employer and creator of new jobs.

We opened three new spokes in 2015 and moved another to new premises, increasing our spokes from 16 to 20. This makes our delivery driver team the largest in the business. We call them our Customer Service Team Members, and their job title describes how they are essential to the success of Ocado.

With our third CFC opening in Andover and more expansion planned across our network in 2016, we plan to create even more opportunities for existing and new employees in the coming year.

Diversity

We value diversity and through our equal opportunities policy we are dedicated to creating an environment that is free from discrimination, harassment and victimisation. Everyone at Ocado is treated equally regardless of age, colour, disability, race, gender, sexual orientation, marital status, political views or religious belief.

The charts opposite show a breakdown of the number of people who were on the Board, Senior Managers and employees of the Group at the end of the period by number and gender.

Engaging Our People

This extends beyond keeping colleagues informed of the Company's performance and issues that affect them day to day. Through communications channels such as face to face briefings, rolling plasma screens in communal spaces, our intranet (the Grapevine) and our in-house magazine (Juice), we deliver a variety of messages on a diverse range of stories in a tone of voice that's relevant to our people. We're also developing our online communications with employees through the development of mobile apps and social media.

We also encourage formal two-way communication through our annual employee survey and our employee representative body, the Ocado Council, both of which help us identify areas where we can improve as an employer and encourage participation and consultation in the decisions we make. Five years since the Council's inception, we've refreshed our 'Charter' to ensure it reflects the business we are now and continues to be fit for purpose for the next five years.

Ocado maintains a voluntary union recognition agreement with USDAW, which is integrated with our Ocado Council, to voice the views of our hourly paid employees.

We Develop Our People

Training and developing employees is a vital part of enabling them to forge their career with Ocado.

We place strong emphasis on developing our talent across the business and further embedding appraisals as a development tool . Using talent matrix mapping we also identify potential successors for every middle and senior management role.

Through our Apprenticeship and Graduate Programmes we attract a valuable source of talented individuals. It's a great way to get bright but inexperienced people into the business, and instil in them the knowledge and experience they need to fulfil their potential.

Developing people is exciting, but also a challenge when growing a business as fast as we are. We now have an in-house management training curriculum including more than 300 e-learning modules and over 30 different workshops, team building days, a learning library and individual coaching.

Retaining Our People

We invest a significant amount of time and resources in recruiting the right people and developing their skills, so retaining our employees is vitally important to the business. This means designing work environments and benefits packages that are in tune with what different groups of employees want. Warehousing as an industry has a high labour turnover rate, but we are working hard to manage this across our CFCs. Initiatives range from incentive and retention schemes to healthy eating programmes and subsidised cafes.

Recognition and Reward

To make Ocado an employer of choice our comprehensive employee benefits package includes pension schemes with employer contribution, life assurance, private medical insurance, income protection and an employee assistance programme.

Case Study

Will Bronson, SD Council Rep and CSTM at Leeds spoke

I made myself available for the post of Council Rep to support and help my colleagues and to be part of the management structure at the spoke. That means I get calls at 6am in the morning on days off when drivers are having a problem, or when I'm on days out. Just because you have a day off, it doesn't mean that the people who elected you do and I'm quite happy with that.

I have a great working relationship with the management team. I know that I can raise issues with them and have no qualms that I'm not being listened to. I've never had a situation to deal with where I haven't believed that I have their full support.

My way of looking at the role is that hopefully I can take away some of the pressures and questions being asked on the frontline because I know the answers. Colleagues feel confident coming directly to me as they know I'll listen and will do all I can to resolve their problems. I feel that I've really accomplished something in the year that I've had this role.

There is also a range of traditional benefits and an industry-leading 15% employee discount on all shopping with Ocado, and our destination sites Fetch and Sizzle. We have a commitment to ensuring that all employees share in the Group's success. Employees are able to buy Ocado shares with pre-tax income, and we have a Save As You Earn scheme that allows employees to save up to buy Ocado shares at a pre-set price. For the second year running we also gave free shares equivalent to 1% of basic pay to all employees with six months or more service.

In 2016 we will be celebrating the 15th anniversary of our first online deliveries, and a significant number of our original employees are still with Ocado.

Strategic Report

The Company's Strategic Report is set out on pages 8 to 47.

Approved by the Board and signed on its behalf by

Neill Abrams
Group General Counsel and Company Secretary
Ocado Group plc

2 February 2016

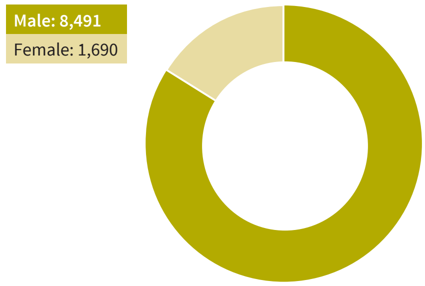
Case Study

Claude Willis, Damages & Quality Manager, Hatfield CFC

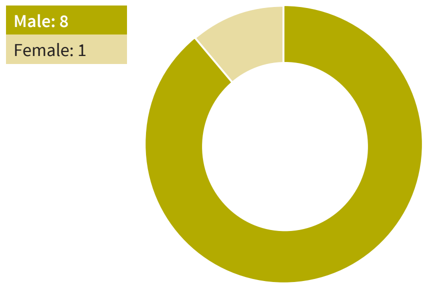
I joined Ocado back in 2003 as a personal shopper and have not looked back. I've worked in various roles, and have moved through the ranks into management positions along the way.

The experience and the personal development I have gained through these roles has been invaluable. I give credit to those that gave me the support and opportunity to progress but also to my own drive to work hard and achieve better. Every day I learn something new and my current role has opened my eyes to a whole different side of our business. I have the privilege of working with an even bigger team now, including almost all departments in the company. Ocado has a huge abundance of talented and gifted individuals and I am proud to have been a part of Ocado's history, and most importantly, the team.

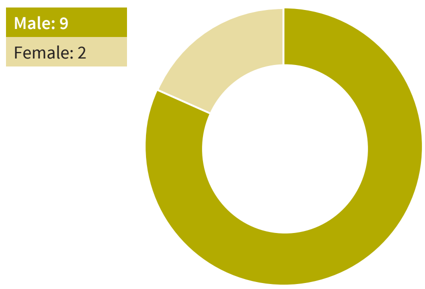
All Employees



Senior Managers



Directors



1. Number of employees as at period end.
2. Senior Managers means the Management Committee excluding Executive Directors.

Read more about Board Diversity on page 58


Park Royal
We're in it together
UNDER 25?
ocado

Governance

14. Board of Directors

Lord Rose
Chairman, 66

Appointment to the Board
11 March 2013

Committee Membership
Nomination

External Appointments
Chairman of Fat Face Group Limited; Chairman of Oasis Healthcare Limited; Chairman of Stylemania Limited, trading as Dressipi; Non-Executive Director of RM2 International S.A., listed on AIM; Non-Executive Director of Woolworths Holdings Limited, listed in South Africa

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 recently appointed chairman of the Britain Stronger in Europe campaign, which aims to keep Britain in the EU. 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
Chief Executive Officer, 46

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 as a banker 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, 50

Appointment to the Board
1 September 2012

External Appointments
Senior Independent Director and Audit Committee Chairman of Zoopla Property Group plc

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. Duncan holds a master's degree in Engineering from King's College, Cambridge. He is also a member of the Chartered Institute of Management Accountants.

Mark Richardson
Chief Operations Officer, 51

Appointment to the Board
3 February 2012

External Appointments
Non-Executive Director at 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, 51

Appointment to the Board
8 September 2000

External Appointments
Non-Executive Director of Mr Price Group Limited, listed in South Africa

Relevant Experience
Neill has been a Director since 2000, having advised Ocado since its founding. He has Board responsibility for legal, insurance, risk management, human resources and CR. 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 departments. Neill holds BA and LLB degrees from the University of the Witwatersrand in Johannesburg and a master's degree in Law from Sidney Sussex College, Cambridge. He is a member of the Bar of England and Wales, the New York Bar and a South Africa Advocate.

David Grigson
Non-Executive Director and Senior Independent Director, 61

Appointment to the Board
9 March 2010

Committee Membership
Audit, Remuneration, Nomination (Chairman)

External Appointments
Chairman of Trinity Mirror plc; Chairman of Investis Limited; Director/Trustee of the Dolma Development Fund

Relevant Experience
David has held a number of posts, including Chief Financial Officer at Reuters Group Plc, Group Finance Director at Emap plc, Chairman of EMAP Digital Limited, Chairman of Creston plc and Non-Executive Director of Carphone Warehouse plc. He graduated from the University of Manchester with a degree in Economics, and is also a member of the Institute of Chartered Accountants of England and Wales.

Ruth Anderson
Non-Executive Director, 62

Appointment to the Board
9 March 2010

Committee Membership
Audit (Chairman), Remuneration, Nomination

External Appointments
Non-Executive Director of Travis Perkins plc; Non-Executive Director of Coats Group plc; Non-Executive Director of The Royal Parks, an executive agency of the Department of Culture, Media and Sport; Director and Trustee of The Duke of Edinburgh's Award

Relevant Experience
Since retiring from KPMG seven years ago Ruth has gained non-executive director experience at three UK listed companies and chairs the audit committee at all three. She was a vice-chairman of the accounting and advisory firm KPMG in the UK from 2004 to 2009 and a member of the KPMG UK board from 1998 to 2004, where she was a member of the audit committee and chaired the nomination committee. At KPMG she advised many UK and international businesses and she is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Chartered Institute of Taxation.

Douglas McCallum
Non-Executive Director, 49

Appointment to the Board
3 October 2011

Committee Members
Remuneration (Chairman), Nomination

External Appointments
Chairman of Trainline.com Limited, trading as trainline; Chairman of Photobox Holdco Limited, trading as photobox; Cabinet Office Digital Advisory Board; President of eBay for Charity

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 Politics, Philosophy and Economics at the University of Oxford, and has an MBA from Harvard Business School.

Alex Mahon
Non-Executive Director, 42

Appointment to the Board
1 June 2012

Committee Membership
Audit, Nomination

External Appointments
Chief Executive Officer of the Foundry Visionmongers Limited, trading as The Foundry; Non-Executive Director of the Edinburgh TV Festival

Relevant Experience
Alex was appointed the Chief Executive Officer of the leading design and visual effects software firm, the Foundry, in November 2015. Alex was previously CEO of Shine Group, a global television content production company that is now part of a joint venture between 21st Century Fox and Apollo Global. Before Shine Group, Alex spent seven years in the television industry at talkbackTHAMES, FremantleMedia and RTL Group. Previously she worked in the Internet sector as a consultant. She holds a Physics degree from Imperial College, London and a Physics PhD from Imperial College and the Institute of Cancer Research.

Jörn Rausing
Non-Executive Director, 55

Appointment to the Board
13 March 2003

Committee Membership
Nomination

External Appointments
Group Board Member of Tetra Laval, and Chairman of its Remuneration Committee; Board Member of Alfa Laval AB; Board Member of DeLaval Holdings AB

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.

Robert Gorrie
Non-Executive Director, 56

Appointment to the Board
1 April 2000

Committee Membership
Nomination

External Appointments
Chairman of Tyres on the Drive Limited

Relevant Experience
Robert originally joined the Board in 2000 as Logistics Director, before becoming a Non-Executive Director in 2006. He was previously Group Director of Information Technology at Transport Development Group plc, where he spent ten years in a variety of commercial and operational roles. Prior to that Robert spent ten years in North America with the logistics service business Christian Salvesen PLC, where he reached the position of Director of Business Development. Robert graduated from Corpus Christi College, Oxford with an honours degree in Modern History and Economics.

Lord Rose
Chairman

15. Chairman's Governance Introduction

"The Board remains focused on good corporate governance as we believe that it provides a foundation for the creation of long-term value of the Group."

Read the Chairman's Statement on pages 4 and 5

Read more on Engagement with Shareholders on pages 61 and 62

Dear Shareholder,

On behalf of the Board, I am delighted to present Ocado's Statement of Corporate Governance.

The Board remains focused on good corporate governance as we believe that it provides a foundation for the creation of long-term value of the Group. While the Board recognises the importance of Ocado's entrepreneurial culture to help with the rapid growth of the business and to enable the business to lead the online grocery retail market, the Board considers that the Group's robust governance framework and its culture and values help sustain the Company's success. A challenge for the Board is to adapt to the rapidly changing UK retail market, and as it begins to grow the platform business, to respond to the challenges of, and to take advantage of the opportunities presented by the international retail and technology markets.

Leadership and Adapting to the Strategy

As well as providing entrepreneurial leadership and overseeing our strategy we have overall responsibility for the Group's performance and mitigating the business risks we, and the industry more broadly, face.

To ensure the Board is equipped to fulfil those obligations successfully we need to ensure that the Board has a diverse range of skills and experiences which collectively are both complementary and directly relevant to Ocado's strategy. This year, as part of the annual Board performance review, the Board conducted a review of its skills and experience. This review formed the basis of Board discussions about succession plans and the desired make-up of the Board for the future needs of the business. On 28 January 2016 we announced some changes to the Board. Firstly, the appointment of Andrew Harrison, as Non-Executive Director with effect from 1 March 2016. This appointment brings fresh insight to the Board and we will benefit from his significant technology and retail experience. In addition, David Grigson will step down from the position of Senior Independent Director with effect from the AGM on 4 May 2016. David has made a significant contribution to the Board over the last six years, and he leaves with our sincere thanks and best wishes. Further details are set out in the report on the activities of the Nomination Committee found on pages 68 and 69.

It is also important to ensure that all of the Directors develop a good understanding of the Group's operations and are best placed to make informed decisions. The report outlines many of the topics of Board discussion on page 60.

Accountability

While the Executive Directors are responsible for the day-to-day management of the business, the entire Board leads the Group and provides the debate and constructive challenge to management necessary to create accountability and drive performance. The Audit Committee has played an important role in overseeing the implementation of risk and assurance systems in the Group, including in relation to strategically important projects such as the Ocado Smart Platform and the new CFCs. While crucial to delivering value to shareholders, monetising intellectual property and expansion of the platform business into overseas markets present risks to the business, including those risks associated with the implementation of unproven technology and systems. With the support of management, the Board and the Audit Committee discussed these principal risks and their mitigants as well as the processes for identifying and managing the risks and assurance actions. Understanding the Group's principal risks and related mitigating actions is an important part of the assessment made by the Directors with regards to the Group's viability over the longer term. We make a viability statement for the first time in this Annual Report (see page 39). Further information on accountability is provided in the Audit Committee Report on pages 63 to 67.

Remuneration and Engagement with Shareholders

Our Executive Director remuneration arrangements are intended to support the achievement of our business objectives. With the support of the Remuneration Committee oversight, we continue to believe that the current remuneration packages help to appropriately incentivise management to sustain long-term value for shareholders. The Directors' Remuneration Policy put in place in 2014, with its emphasis on long-term incentives, aims to reward achievement of core financial objectives and outstanding growth in the value of the Group relative to the FTSE 100 over the longer term. The Directors' Remuneration Report on pages 80 to 117 contains further details.

It is important that our shareholders remain supportive including with regards to the Directors' Remuneration Policy. We believe, based on shareholder feedback sought and the results of voting at general meetings, that the vast majority of shareholders consider that our remuneration arrangements are the most appropriate way to incentivise the Executive Directors and senior management to create and sustain long-term value. I welcome the opportunity to discuss remuneration, governance and other matters with shareholders as this provides important feedback to the Company about its direction and performance.

Annual General Meeting

Our Annual General Meeting will be held at 11 am on 4 May 2016 at Peterborough Court, 133 Fleet Street, London, EC4A 2BB. It provides an excellent opportunity to meet the Directors and I would like to encourage our shareholders to attend.

Lord Rose
Chairman
Ocado Group plc

16. Statement of Corporate Governance

Introduction

This Statement of Corporate Governance covers the following areas:

- the structure and role of the Board and its committees;
- the Board's effectiveness;
- relations with the Company's shareholders and the AGM; and
- the reports of the Nomination Committee and the Audit Committee.

The report of the Remuneration Committee is set out separately in the Directors' Remuneration Report on pages 80 to 117. The Group's risk management and internal control framework and the Group's principal risks and uncertainties are described on pages 38 to 41. These sections form part of this Statement of Corporate Governance. The Directors' Remuneration Report on pages 80 to 117, the Directors' Report on pages 70 to 77 and the going concern and viability statements on page 39 also contain information required to be included in this Statement of Corporate Governance, and so are incorporated into this statement by reference.

Compliance with the Code

This Statement of Corporate Governance explains how the Company applies the main principles and complies with all relevant provisions set out in the UK Corporate Governance Code, September 2014 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 Disclosure and Transparency Rules of the Financial Conduct Authority.

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. The Company has applied the principles and complied with the provisions of the Code, except for provisions D.1.1 and D.2.2. These areas of non-compliance are explained below. 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.

Code Provision	Area	Explanation
D.1.1 and Schedule A	Design of performance-related remuneration	As explained on page 105, Directors are not required to retain shares from share incentive schemes for a holding period after vesting or exercise or for a period after leaving the Company.
D.2.2	Senior management remuneration	As explained on page 83, the Remuneration Committee monitors, but does not make recommendations concerning, the level and structure of remuneration for senior management of the Company.

Board Approval of the Statement of Corporate Governance

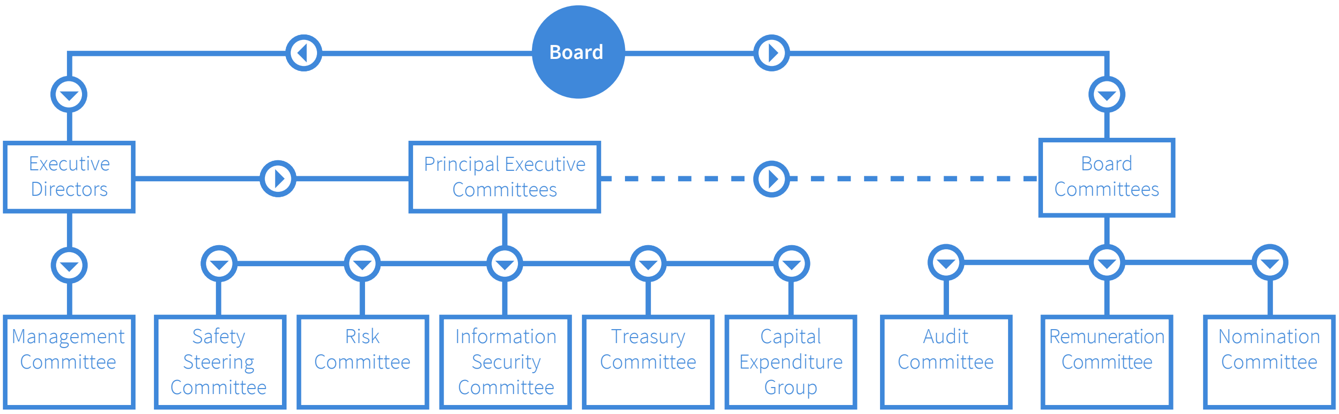
This separate Statement of Corporate Governance is approved by the Board and signed on behalf of the Board by its Chairman and the Group General Counsel and Company Secretary. Certain parts of this Statement of Corporate Governance have been reviewed by the Company's external auditors, PwC, for compliance with the Code, to the extent required.

Further information on the Code can be found at www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance.aspx

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.



Board Responsibilities

The Board is collectively responsible for the long-term success of the Company. Subject to its Articles and the Companies Act, the business of the Company is managed by the Board who may exercise all of the powers of the Company. The Board's main responsibilities and some of the key actions carried out during the period are set out below. 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.

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.	Annual review of key risks and risk appetite and reviewing reports of risk management. Review of reports on specific risk areas including cyber security.	Approving the annual budget, the business plan for the Group and individual capital expenditure projects.	Approving a new corporate responsibility vision statement and plan and the establishment of the Ocado Foundation charity. Receiving a report on corporate responsibility initiatives.
	Overseeing the Group's strategy for monetising its IP and technology and Ocado Smart Platform negotiations.	Review and approve the Group's regulatory results announcements and reports.	Receiving reports on and discussing the Group's marketing and commercial initiatives.	Receiving report on people issues. Discussing management succession plans and Board composition. Reviewing report on IT resourcing plans.
	Receiving reports from senior management on trading, business performance and financing. Approving new financing including the terms of the amended and extended existing unsecured £210 million revolving credit facility.	Reviewing reports on health, safety and environment, litigation, investor relations and legal and company secretarial matters.	Site visit to Andover CFC and to the technology testing facility to assist in understanding the operational and technology issues the business faces. Receiving regular reports on key projects including the new technology, the IT replatforming and the Andover and Erith CFCs.	Receiving various reports on governance and regulatory changes.

16. Statement of Corporate Governance (continued)

Board Roles

The names and details of the current (as at the date of this Annual Report) Directors on the Board are set out in the Board of Directors section on pages 50 and 51. As at the date of this Annual Report, the Board comprises 11 members, including the Chairman, four Executive Directors and six Non-Executive Directors. Some of the key responsibilities are summarised below.

	Chairman	Chief Executive Officer	Senior Independent Director	Non-Executive Directors	Company Secretary and Group General Counsel
	Lord Rose	Tim Steiner	David Grigson	Ruth Anderson, Robert Gorrie, Jörn Rausing, Alex Mahon, Douglas McCallum	Neill Abrams
Responsibilities	• Leadership of the Board • Ensuring the Board's effectiveness and governance • Influencing the Board's agenda	• Day-to-day management of the Group's operations • Operations and results of the Group • Executing the strategy once agreed by the Board • Making proposals for the Group's strategy to the Board	• Providing a sounding board for the Chairman • Serving as an intermediary between the other Directors when necessary • Being available to discuss any concerns with shareholders	• Constructively challenge the Executive Directors • Monitor the delivery of the Group's strategy within the risk and control framework set by the Board	• Ensuring that Board procedures are followed • Governance matters • Ensuring that information flows between the Board and its committees

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 in which no individual has unfettered decision-making power.

Board Committees

Certain aspects of the Board's responsibilities have been delegated to committees to assist the Board in various areas. The chairman of each committee provides a report or update of each meeting of the respective committee to the Board at the subsequent Board meeting.

		Required Under Terms of Reference		
Committee	**Role and Terms of Reference**	**Membership**	**Minimum Number of Meetings per Year**	**Committee Report on pages**
Audit	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 auditors and the effectiveness of the Internal Audit and Risk function. Makes recommendations to the Board for a resolution to be put to shareholders of the Company in relation to the appointment and remuneration of the external auditors.	At least three members. All members should be independent Non-Executive Directors.	Three	63 to 67
Remuneration	Determines the remuneration, bonuses, long-term incentive arrangements, contract terms and other benefits in respect of the Executive Directors, the Chairman and the Company Secretary.	At least three members. All members should be independent Non-Executive Directors.	Two	80 to 117
Nomination	Undertakes an annual review of succession planning and ensures that the membership and composition of the Board, including the balance of skills, remain appropriate. Makes recommendations for the membership of the Board, the Audit Committee and the Remuneration Committee.	At least three members. All members should be Non-Executive Directors with a majority of independent Non-Executive Directors.	Two	68 and 69

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

View more information online at ocadogroup.com

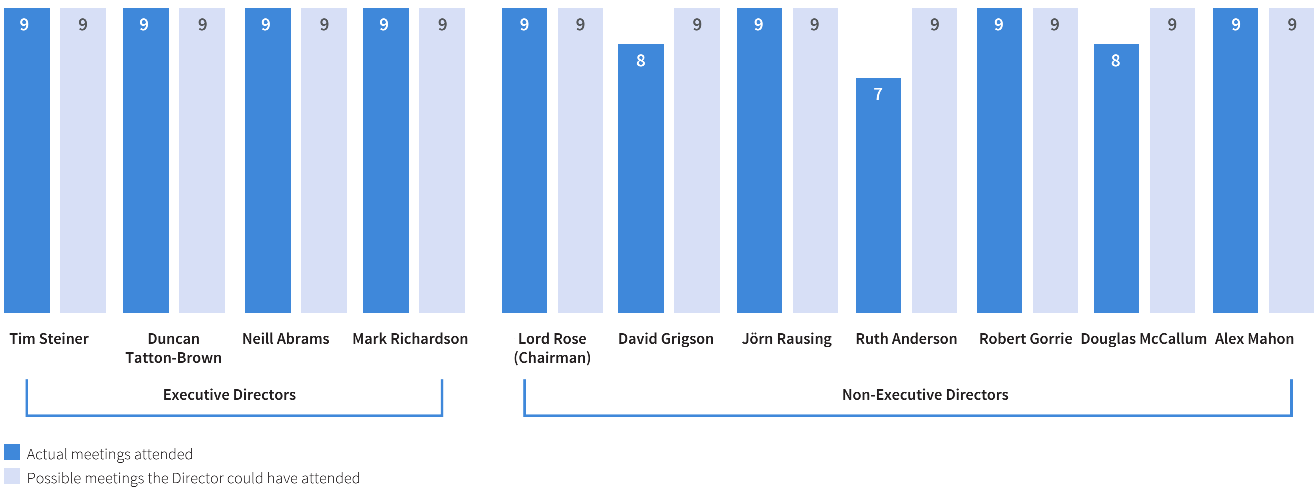
Other Committees

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 below, formally report into the Executive Directors, and may provide reports to the Audit Committee from time to time. The Management Committee, comprising the Executive Directors and nine members of management, implements and oversees operational matters.

Committee	
Risk Committee	Overseeing the Group's risk register, risk control processes and disaster recovery planning.
Information Security Committee	Monitoring the Group's information security measures and overseeing changes to security systems.
Treasury Committee	Overseeing the treasury policy concerning the Group's cash and deposits, investments, foreign exchange and applicable interest rates.
Safety Steering Committee	Overseeing the Group's health, safety and environment management systems and monitoring the progress of safety plans.
Capital Expenditure Group	Reviewing and authorising capital expenditure projects, overspends and property expenditure, in accordance with agreed limits.

Board Attendance

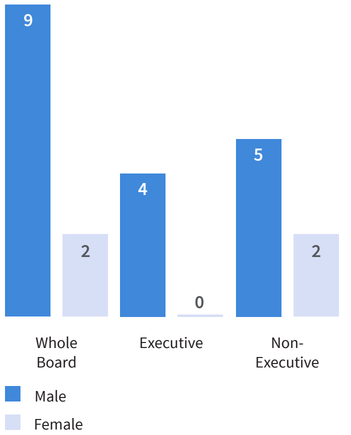
The attendance record of the Directors at scheduled Board meetings during the period is set out in the chart below. The Board scheduled nine meetings during the period. Details of attendance at committee meetings are set out in the relevant committee report. During the period, the Non-Executive Directors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



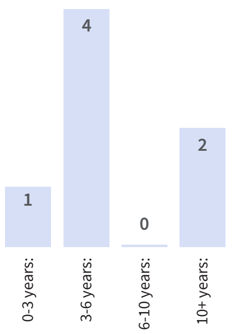
1. Where a Director has not attended a Board meeting, it was due to a conflicting prior commitment or illness.

16. Statement of Corporate Governance (continued)

Gender Diversity



Length of Tenure of Chairman and Non-Executive Directors



Composition of the Board

Board Changes

Following the period end, the Company announced that David Grigson will step down from the position of Senior Independent Director with effect from the AGM on 4 May 2016. The Company announced also the appointment of Andrew Harrison, as Non-Executive Director with effect from 1 March 2016. As a result of the Board changes, the Nomination Committee agreed some changes to the composition of the Board committees, as outlined in the respective committee reports.

Andrew Harrison has been Deputy Chief Executive Officer of Dixons Carphone plc since August 2014. Prior to this, Andrew built his career at Carphone Warehouse, holding a number of different roles from 1995, and becoming a member of the board in 2006. In 2010, Andrew was appointed Chief Executive Officer of Best Buy Europe, a joint venture between Best Buy Co., Inc. and Carphone Warehouse plc. Following this, he was appointed Group Chief Executive of Carphone Warehouse plc. Andrew is a trustee of both Techknowledge for Schools and Get Connected.

Review of Board and Board Committee Composition

The Board changes were a result of a review carried out during the period by the Board and the Nomination Committee of the composition of the Board and the Board committees. Details of this review can be found in the Nomination Committee report on pages 68 and 69. The review takes into account various considerations including length of Director tenure, Board diversity, independence and the mix of skills and experience of the Directors. These considerations are outlined below.

Board Diversity

The Board seeks to ensure that its composition, and that of its committees, is appropriate to discharge its duty effectively and to manage succession issues. To enable the Board to meet its responsibilities, it is important that the Board's composition is sufficiently diverse and reflects a broad range of knowledge, skills and experience. The Board's diversity policy includes a commitment to having a meaningful representation of women on the Board and in senior positions in the Company. The policy also includes a commitment to engage only executive search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms. This includes Ridgeway Partners, who were engaged to help the Company secure a new Non-Executive Director for the Group. The Nomination Committee monitors these objectives.

The Board remains conscious of the fact that the number of women on the Board is currently below 20% of membership. Whilst it has never been, in the Board's opinion, in the best interests of the Company and its shareholders to set numerical targets for gender on the Board, the Board is committed to increasing the percentage of women on the Board and in senior positions in the Company. Further, diversity was an active consideration when changes were made to the Board's composition, and this will remain the case. Any future appointments will continue to be based on objective criteria to ensure that the best individuals are appointed for the role. For more information on diversity in respect of all the Group's employees, see the Our People section on pages 46 and 47. The chart on the left illustrates the diversity of the Board in terms of gender.

Board Tenure

The Board also takes into account the length of tenure of existing Directors when considering reappointment and succession planning. Ruth Anderson has served six years (in March 2016) as a Director and both Jörn Rausing and Robert Gorrie have served as Directors for over 12 years and accordingly their reappointments to the Board are subject to particular scrutiny. The Board took into account the importance of maintaining Board continuity given other changes made to the Board. The chart on the left illustrates the tenure of Directors.

Mix of Skills and Experience

During the period, each Director assessed the current mix of skills and experience on the Board. The chart on the right provides an outline of some of the results from this review, indicating the main areas of knowledge and experience of existing Directors. Further details of the review process are set out in the Nomination Committee report on pages 68 and 69.

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 are six Non-Executive Directors all determined by the Board to be independent and four Executive Directors, the Board complies with this recommendation. The chart on the right illustrates the current composition of the Board in respect of the independence of its members.

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

Scrutiny by the Board

The Board has scrutinised the factors relevant to its determination of the independence of the Non-Executive Directors Jörn Rausing and Robert Gorrie, in particular.

Jörn Rausing

Jörn Rausing has been a Director for almost 13 years, although less than six of these have been in the era of the Company as a listed company. Jörn is a beneficiary of the Apple II Trust, a material (approximately 11%) shareholder of the Company. He is not a representative of the Apple II Trust, nor does the Apple II Trust have any contractual or other right to appoint a Director to the Board.

The Board considers his continued membership of the Board to be in the best interests of the Group and supports the principles of the Code. His significant international business experience at Tetra Laval enhances the balance of skills and experience on the Board, especially at a time when the Group is starting to expand outside of the UK, and reinforces the long-term perspective of the Board's decision making.

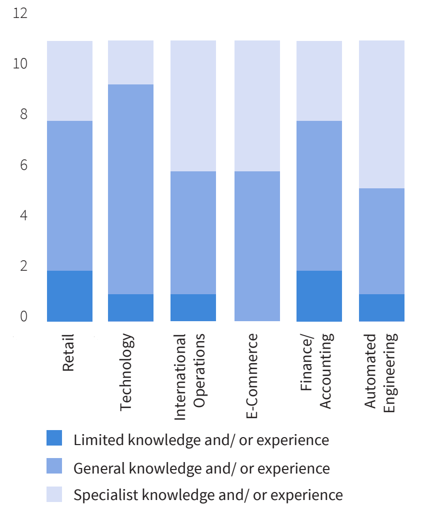
The Board considers Jörn to be independent in character and judgement and does not believe that the size of the Apple II Trust's shareholding or the length of Jörn's tenure on the Board amounts to a relationship or circumstance which affects his judgement. Jörn has stood for re-election annually since 2011 and on each occasion has been re-elected by shareholders.

Robert Gorrie

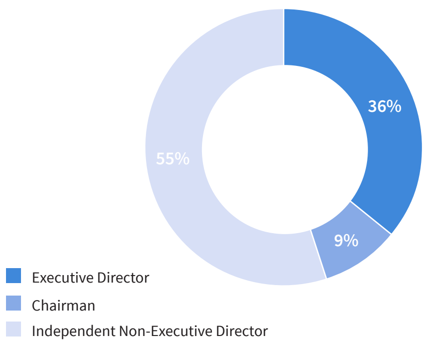
Robert Gorrie has been a Director for almost 16 years, but less than six of these have been in the era of the Company as a listed company. Robert acts as a non-executive chairman of the Ocado Council, an employee representative forum that was set up to provide primarily hourly paid employees with direct access to the Board. He received an additional £6,000 fee during the period for performing this role (2014: £7,100). Robert was employed by the Company until 2006, in an executive role as the Logistics Director.

The Board considers that Robert's knowledge of the Group's complex IT and logistics operations is of benefit to the Board in assisting it to formulate the Group's strategy, including its strategy for international expansion, and his prior experience of running a logistics operation in the USA is helpful in monitoring the execution of that strategy. The Board does not consider that the Ocado Council constitutes a material business relationship with the Group, nor the additional consultancy fee to be material in the context of impacting Robert's judgement. Moreover, the Board considers his role on the Ocado Council to be a positive asset in the promotion of good governance, by providing a direct channel of communication between the Non-Executive Directors and employees and increasing the Board's understanding of the business. Robert has stood for re-election annually since 2011 and on each occasion has been re-elected by shareholders.

Levels of Knowledge and Experience on the Board



Board Independence



16. Statement of Corporate Governance (continued)

Effectiveness

Review of Board Effectiveness

The effectiveness of the Board is important to the success of the Group, and the annual review provides a useful opportunity for the Directors to reflect on their collective and individual effectiveness and consider changes.

The review for 2015 was carried out internally using two questionnaires. The online questionnaires were prepared by the Company Secretary with support from an external and independent consultant, Independent Audit Limited. One questionnaire asked questions to assess performance in a range of areas including Board strategy, leadership and culture and sought to gauge the extent of perceived progress of the Board and the Board committees in the areas of development identified in the external Board review from 2013 (which had been carried out by Independent Audit Limited). An assessment of each individual Director was also carried out using an online questionnaire.

The findings of the review were evaluated by the Company Secretary and the Chairman, and a Board evaluation report was provided to the Board. The results were benchmarked against those from the 2014 and 2012 Board evaluations to help assess progress. The Board discussed the results of the review, which indicated that the consensus view of the Board was that the Board performance was generally equivalent to, or stronger than that of prior years, in the areas assessed. However, while no areas of significant weakness were identified by Directors, the Board needed to spend more time discussing people development and succession plans. Directors were asked to identify areas of Board focus for 2016 and common among these were the importance of discussing the Group's Ocado Smart Platform strategy, opportunities and risks, and monitoring a number of important major projects including new CFCs and technology development. The Board concluded that it had operated effectively throughout the year. The Chairman of each of the Board committees separately discussed the Board review as it pertained to their committee. No actions were identified from these reviews. The Chairman separately reviewed the results of the individual Director performance evaluations.

The Board intends to continue to conduct annual performance reviews, with external oversight of the review scheduled for 2016.

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 15 May 2015, all of the current Directors stood for re-appointment, and were duly elected with a range of 90% to 99% of votes cast by shareholders in favour of re-appointment.

All Directors, except David Grigson, will retire and seek re-election at the AGM. New Non-Executive Director, Andrew Harrison, whose appointment takes effect on 1 March 2016, will also 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 above, on the reviews of the Chairman (led by the Senior Independent Director) 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 below) and other responsibilities, taking into account a number of considerations including outside commitments and any changes thereof (outlined in this Statement of Corporate Governance) during the period).

The rules that the Company has about the appointment and replacement of Directors are described in the Directors' Report on page 71.

Board Induction and Professional Development

The Chairman and the Company Secretary are responsible for preparing and coordinating an induction programme when new Directors are appointed to the Board (although there were no appointments in the period).

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, Deloitte LLP, including on the new remuneration reporting market practices. The members of the Audit Committee received training from the Company's auditors, PwC, on corporate reporting, including the new viability statement requirements in the Code and on important technology risk areas, namely information security and data governance. Members of the Audit Committee receive written technical updates from PwC to keep them abreast of the latest accounting, auditing, tax and reporting developments. The Company Secretary also provides updates to the Board and the committees on governance and regulatory changes impacting the Group (for example, the new Modern Slavery Act reporting requirements).

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.

External Board Appointments and Conflicts

There have been a number of changes to the Directors' external appointments 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. Each Director's biographical details and significant time commitments outside of the Company are set out in the Board of Directors section on pages 50 and 51.

Director	Change in Commitment	Effective Date of Change
Douglas McCallum	Appointed Chairman of Photobox Holdco Limited, trading as photobox	5 May 2015
David Grigson	Resigned as Non-Executive Director of Standard Life Plc	12 May 2015
Alex Mahon	Resigned as Chief Executive Officer of Shine Group	11 February 2015
Alex Mahon	Appointed Chief Executive Officer of the Foundry Ironmongers Limited	10 November 2015

Whenever a Director takes on additional external responsibilities, the Board considers any potential conflicts that may arise. The Board monitors any potential conflicts of interest. 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 a 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 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 interests to the Company. Thereafter each Director has an opportunity to disclose conflicts at the beginning of each Board and Board committee meeting. No Director has 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.

Engagement with Shareholders

Investor Relations

The Company keeps shareholders informed of its strategy and progress. 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 a bi-annual investor roadshow and also addresses current and prospective shareholders at various investment conferences, both in the UK and abroad. The Board regularly receives feedback from the Company's brokers 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, the Chairman, and David Grigson, the Senior Independent Director, are available to the Company's shareholders for discussions. The Chairman met with some of the Company's shareholders during the period to discuss various matters including corporate governance and executive remuneration.

The Group also engages with shareholders in the event of a substantial vote against a resolution proposed at an annual general meeting.

Changes to the Company's Resolution Regarding the Authority to Allot Shares

At the 2015 annual general meeting, the Company's resolution seeking authority to allot shares received significant opposition, with 21.38% of votes against the resolution. The Company sought feedback from shareholders to understand the reasons behind the opposition. As a result the Group has revised the allotment resolution that it is seeking. At the 2016 AGM, the Directors will seek an authority to allot shares under two separate resolutions, rather than one, as in previous years. While the substance of each resolution will remain the same, the new structure will allow shareholders to more clearly express their views on the constituent elements of the previous, single, allotment resolution. For more information on the resolutions, please refer to the Directors' Report on pages 70 to 77.

The Directors' Remuneration Report also received a significant shareholder vote against at the annual general meeting in 2015. The Company sought feedback from shareholders to understand the reasons behind the dissent. For an explanation of this, see page 116 of the Directors' Remuneration Report.

16. Statement of Corporate Governance (continued)

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 Directors take responsibility for preparing this Annual Report and make a statement to shareholders to this effect. The statement of Directors' responsibility on page 76 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 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 the Annual Report by the Executive Directors and the full Board;
- focused review of specific sections of the 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 page 64);
- 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 and governance obligations;
- discussions between contributors and management to identify relevant and material information;
- detailed debates and discussions concerning the principal risks and uncertainties;
- review and approval by the external auditors; 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 Auditors' report on pages 120 to 126.

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 11 am on 4 May 2016 at Peterborough Court, 133 Fleet Street, London, EC4A 2BB.

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 www.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 78.62% to 100%.

The Company's Statement of Corporate Governance (which is set out on pages 54 to 62) is approved by the Board and signed on its behalf by

Lord Rose
Chairman

Neill Abrams
Group General Counsel and Company Secretary

Ocado Group plc
Registered in England and Wales,
number 07098618
2 February 2016

Ruth Anderson
Audit Committee Chairman

"Our report provides information concerning our oversight of the Company's assurance framework, internal controls and financial reporting."

17. Audit Committee Report

Dear Shareholder,

I am pleased to present the report of the Audit Committee for the financial year ended 29 November 2015.

Our report provides information concerning our oversight of the Company's assurance framework, internal controls and financial reporting.

We considered the significant accounting matters and issues in relation to the financial statements and in this report we explain why the issues are considered significant, which provides additional context for understanding the Group's accounting policies and financial statements for the period. This is the first year the Directors are required to make a viability statement and so the Audit Committee has spent time reviewing the Company's new viability statement (see page 39) and in particular understanding the analysis which was prepared by management and supports the Board's view that the Company will be able to continue in operation and meet its liabilities as they fall due over the longer period assessed.

We continued our role of overseeing the relationship with the external auditors, PricewaterhouseCoopers LLP, and were satisfied that they remain effective, independent and objective. However, in light of impending regulatory changes, we agreed to tender the role of external auditor in 2016, the result of which would be put to a shareholder vote at the 2017 annual general meeting. This timing aligned with the required rotation of the current audit engagement partner in 2017.

These matters as well as its other key responsibilities are outlined in more detail below. I will be available at the AGM to answer any questions about our work.

Ruth Anderson
Audit Committee Chairman
2 February 2016

Membership and meetings

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

Ruth Anderson Chairman	David Grigson	Alex Mahon
Audit Committee member since 9 March 2010	Audit Committee member since 9 March 2010	Audit Committee member since 1 June 2012
Number of meetings: 4	**Number of meetings: 4**	**Number of meetings: 4**
Number attended: 3	Number attended: 4	Number attended: 4

Ruth Anderson missed an Audit Committee meeting which took place shortly after she had surgery.

Two members of the Audit Committee (Ruth Anderson and David Grigson) are considered by the Board to have competence in accounting and/or auditing and recent and relevant financial experience. Both have professional qualifications with the Institute of Chartered Accountants of England and Wales. Alex Mahon's appointment to the Audit Committee was renewed during the period, effective from June 2015. The biography of each member of the Audit Committee is set out in the Board of Directors section on pages 50 and 51.

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

Since period end, the Company announced that the Audit Committee composition will change as a result of the retirement of David Grigson at the AGM and the appointment of new Non-Executive Director, Andrew Harrison. Andrew Harrison will become a member of the Audit Committee with effect from 1 March 2016.

During the period, the Audit Committee met with the Head of Internal Audit and Risk, without management present.

17. Audit Committee Report (continued)

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 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 auditors, PwC. The Board and the Audit Committee have reviewed this Annual Report, as well as the half-year report. As part of the year-end reporting process the Audit Committee reviewed a management report on accounting estimates and judgements, external auditors' reports on internal controls, accounting and reporting matters and a management representation letter concerning accounting and reporting matters.

Monitoring the integrity of the financial statements of the Company and 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. For information concerning the process followed by the Company in preparing this Annual Report see page 62 of the Statement of Corporate Governance.

Accounting Judgements and Issues: The Audit Committee has assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates.

The Audit Committee reviewed and discussed reports from management on accounting issues and estimates in relation to this Annual Report. The Audit Committee sought to assess the reasonableness of the assumptions and judgements underlying the accounting issues.

The Audit Committee considers that the Company has adopted appropriate accounting policies and made appropriate estimates and judgements. The table on the following page summarises 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. The list is not a complete list of all accounting issues, estimates and policies but highlights the most significant ones in the opinion of the Audit Committee. The areas of assessment concerning revenue recognition and exceptional items, although set out in the notes to the consolidated financial statements (see note 1.4), were not significant to the Group's results for the period and so did not warrant particular Audit Committee focus. The accounting treatment of all significant issues and judgements was subject to review by the external auditors. For further information on the Company's critical accounting estimates and assumptions refer to the notes to the consolidated financial statements on pages 132 to 174. For a discussion of the areas of particular audit focus by the external auditors, refer to pages 120 to 124 of the Independent Auditors' Report.

Area	Issue and Nature of Judgement	Factors and Reasons Considered and Conclusion	Impact on Financial Information and Disclosure in Financial Statements
Cost of Sales — Commercial Income	The main categories of commercial income are identified as promotional support, media income and volume rebates. Commercial income is an area of focus due to the quantum of income recorded and its significance to the results of the period. Some parts of commercial income require management to apply judgement to ascertain the amounts and timing of income to be recognised where it relates to supplier transactions that span the period end. The amounts due from suppliers in relation to promotional activity and volume related sales targets are material.	The Audit Committee assessed the judgements made by management regarding volume rebate estimates for supply agreements negotiated by Waitrose. These volume rebates arise from annual agreements with many suppliers which include a financial reward for achieving pre-agreed volumes. These agreements are negotiated on behalf of the Group by its supply partner, Waitrose and the contract period typically spans the year end. The Audit Committee reviewed the basis of the judgements made by management and concluded that these were appropriate. This income is included in cost of sales (page 135).	See notes 2.1 and 3.8 to the consolidated financial statements on pages 132 and 174.

Area	Issue and Nature of Judgement	Factors and Reasons Considered and Conclusion	Impact on Financial Information and Disclosure in Financial Statements
Intangible Assets — Capitalisation of Internal Development 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.	Details of material technology projects which are being capitalised along with the rationale for capitalisation were presented to and reviewed by the Audit Committee. The criteria for identification of projects which may be treated as intangible assets and the process to capture the costs of these technology projects were discussed by the Audit Committee. The Audit Committee also discussed the need for any impairment of the existing carrying values of capitalised software and systems recognised as a result of the development of new software and systems.	The amount of £24.1 million of internal development costs have been capitalised within intangible non-current assets, as set out in note 3.1 to the consolidated financial statements on pages 142 and 143.
Share Options and other Equity Instruments	The Group has multiple share schemes with differing methods of settlement and vesting criteria. The accounting for these schemes can be complex and typically requires management judgement, including assumptions with respect to transfer restrictions, share price volatility, leaver numbers and the likelihood of performance criteria being met.	The methodology, key assumptions and vesting criteria for the key share-based payment arrangements , as presented by management, were discussed and agreed by the Audit Committee.	The amount of £9.8 million for share-based payments is included in operating expenses. The methodology and key assumptions are set out in note 4.10 to the consolidated financial statements on pages 162 to 170.
Recognition of Deferred Tax Asset	The estimates used to support the future business profitability and recognised deferred tax asset require management judgement.	The basis of 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.	Details of the deferred tax asset are set out in note 2.8 to the consolidated financial statements on page 139.

Revenue: The Audit Committee considered the treatment adopted by management for accounting for charges to customers for plastic carrier bags and agreed that it be recorded as a deduction from revenue.

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 39). The external auditor reviewed management's assessment and discussed this review with the Audit Committee.

Segment Reporting: The Audit Committee considered the Group's approach to segmental reporting and concluded that the approach of reporting as one operating segment remains appropriate given the Group continues to be managed as one segment.

Tax Review: The Audit Committee also considered the Company's tax strategy and concluded that management's low risk approach to tax management remained appropriate. The Audit Committee discussed the various means by which the Group could provide the necessary tax expertise to cater for the growth of the business in the future.

Internal Audit and Risk: Internal Audit and Risk provides objective assurance and advisory services designed to add value and improve the operations of the Group. Its scope encompasses the examination and evaluation of the adequacy and effectiveness of the Group's governance, risk management and internal control processes in relation to the Group's goals and objectives. The Head of Internal Audit and Risk is supported by internal resources and where necessary third party resources or specialist expertise including in technology.

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 and Risk. The internal audit plan, which is developed by Internal Audit and Risk with input from management and the external auditors, takes into account the Group's objectives and the activities of the external auditors. It seeks to ensure that it addresses key areas of risk. The Internal Audit and Risk plan, which was approved by the Audit Committee in January 2015, set out a number of activities for the period and the 2016 financial year, including assurance programmes for key projects such as the new CFCs and the Ocado Smart Platform. Recommendations from Internal Audit and Risk are communicated to the relevant business area for implementation of appropriate actions. The results are reported to the Audit Committee alongside progress against the Internal Audit and Risk plan. As well as reporting at each Audit Committee meeting on governance, risk management and the control environment, Internal Audit and Risk reports on any cases of whistleblowing, fraud and bribery.

A review of the effectiveness of Internal Audit and Risk was carried out during the period by way of questionnaire completed by members of management, the Audit Committee and the external auditors. Having considered the results of this review and informal feedback from management and the external auditors provided during the period, the Audit Committee concluded that Internal Audit and Risk was effective.

17. Audit Committee Report (continued)

Risk Review: An annual review of the effectiveness of risk management and internal control processes was carried out by the Audit Committee. The Audit Committee relies on a number of different sources to carry out this review including an assessment report by management, Internal Audit and Risk assurance and assurance provided by the external auditors and other third parties. No significant failings or weaknesses were identified in this review.

The Audit Committee is supported by a number of sources of internal assurance from within the Group. Members of the Group's operations team presented to the Audit Committee in areas of key risks identified in the Group risk register, notably food safety, information security and data governance. This is complemented by monitoring and updated reports conducted by Internal Audit and Risk. The Audit Committee reviewed reports from management on key risk programmes concerning technology projects including its new technology platform. Given the importance of technology to the Group's strategy, both the Board and the Audit Committee discussed reports from management on the Group's technology security arrangements including with respect to protection of customer and employee data and of its systems from cyber attacks. In early 2016, the Group received a report concerning an information security audit conducted by Internal Audit and Risk and a report on the results of an information security review by KPMG.

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 38 to 41, where the Audit Committee's work in this area is highlighted.

Interaction with the Board: The Chairman of the Audit Committee reports at each Board meeting on the business conducted at the previous Audit Committee meeting and the recommendations made by the Audit Committee.

Annual Review: In addition to its annual performance evaluation, discussed in the Statement of Corporate Governance on page 60, the Audit Committee carried out a review of its terms of reference. No changes were made to the terms of reference.

Assessing the Effectiveness of the External Audit Process

The Audit Committee places great importance on ensuring that there are high standards of quality and effectiveness in the external audit carried out by PwC. Audit quality is reviewed by the Audit Committee throughout the year and includes reviewing and approving 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 PwC 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 Auditors' Report on pages 120 to 126). The Audit Committee also considered the audit scope and materiality threshold. The Audit Committee met with PwC at various stages during the period, including without management present, to discuss their remit and any issues arising from the audit.

Auditor Re-appointment Overview

The Audit Committee considered the re-appointment of PwC as external auditors. This review took into account the factors below.

Effectiveness: The Audit Committee reviewed the performance of PwC based on a survey 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 Audit Committee also met with management, including without PwC present, to hear their views on the effectiveness of the external auditors. The Audit Committee concluded that the performance of PwC remained effective.

Independence and Objectivity: The Audit Committee considered the safeguards in place to protect the external auditors' independence. PwC 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 auditors' independence and concluded that PwC remained independent and objective in relation to the audit.

Non-Audit Work carried out by the External Auditors: To help protect auditor objectivity and independence, the provision of any non-audit services provided by the external auditors requires prior approval, as set out in the table below.

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 auditors 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 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 auditors' 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 PwC during the period is set out in Note 2.5 of the consolidated financial statements on page 137. Of the non-audit services fees paid to PwC, most related to advice on the suitable location for a technology centre in Southern Europe and assurance work on the Group's carbon disclosures.

The Audit Committee received a report from management regarding the extent of non-audit services performed by PwC. PwC also 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 12.9% of the audit fees) charged had any impact on its independence as statutory auditors. The Audit Committee was satisfied this was the case and so the auditors' 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 £287,000 (2014: £244,000)) was appropriate and that an effective audit could be conducted for such a fee. The existing authority for the Directors (including the Audit Committee) to determine the current remuneration of the external auditors is derived from the shareholder approval granted at the Company's annual general meeting in 2015. At the annual general meeting in 2015, 99.98% of votes cast by shareholders were in favour of granting the Directors this authority.

Recommendation to Re-appoint: Following its consideration, the Audit Committee recommended to the Board the re-appointment of PwC as external auditors. The Board has accepted this recommendation and a resolution for its re-appointment for a further year will be put to the shareholders at the AGM. At the annual general meeting in 2015, 99.56% of votes cast by shareholders were in favour of re-appointing PwC as external auditors.

Proposed Tender of External Audit

PwC has audited the Group's accounts since 2001 and the previous audit engagement partner rotated in 2012. A formal tender of the external audit contract has not been carried out since PwC was first engaged in 2001.

During the period the Audit Committee considered the timing of a formal tender of the external audit contract. Although the Group would not be required to execute a tender process or an auditor rotation for a considerable number of years under the new European and UK regulations, the Audit Committee recommended to the Board that a competitive tender process take place in 2016, with the outcome to be put to shareholders for approval at the 2017 annual general meeting. The Audit Committee believes this timing is in the best interests of the Company's shareholders as it would coincide with the timing of the rotation of PwC's audit engagement partner, due in 2017, under professional standards and because a tender has not been conducted since 2001. The Audit Committee plans to oversee this tender process and plans to agree a timetable and tender document in 2016, to be prepared in accordance with relevant requirements. Full details of the process will be set out in the 2016 Annual Report. There are no contractual obligations which restrict the Committee's choice of statutory auditor.

Review of External Auditor Appointment Policy: In conjunction with the external audit tender review, the Audit Committee reviewed the Group's policy on auditor appointment and independence. It agreed to changes to the policy to address the new legislative requirements, including restrictions on the provision of non-audit services by the external auditors (noted above) and mandated Audit Committee duties for auditor reappointment. The Audit Committee expects to keep this policy under review, in light of ongoing consultations by the Competition and Markets Authority and the Financial Reporting Council in this area.

David Grigson
Nomination Committee Chairman

> "During the year, the Nomination Committee has undertaken a number of activities, the results of which led to … some changes to the Board."

18. Nomination Committee Report

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the financial year ended 29 November 2015.

During the year, the Nomination Committee has undertaken a number of activities, the results of which led to the Company's announcement on 28 January 2016 concerning some changes to the Board. We appointed Andrew Harrison, with effect from 1 March 2016. This provides a period of continuity until my retirement from the Board at the AGM on 4 May 2016.

This report outlines the work of the Nomination Committee in reviewing Board composition and succession plans and overseeing the Director recruitment process.

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

David Grigson
Nomination Committee Chairman
2 February 2016

Read the Chairman's Governance Introduction on pages 52 and 53

Read more about the Board of Directors on pages 50 and 51

Membership and Meetings

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

Member	Nomination Committee member since	Number of meetings	Number attended
David Grigson Chairman	9 March 2010	2	2
Robert Gorrie	9 March 2010	2	2
Jörn Rausing	9 March 2010	2	2
Ruth Anderson	9 March 2010	2	1
Douglas McCallum	3 October 2011	2	2
Alex Mahon	1 June 2012	2	2
Lord Rose	11 March 2013	2	2

The appointment of Alex Mahon was renewed for a further three-year period from June 2015. The biography of each member of the Nomination Committee is set out in the Board of Directors section on pages 50 and 51.

Since the period end, the Company announced that the Nomination Committee composition will change as a result of the retirement of David Grigson at the AGM and the appointment of new Non-Executive Director Andrew Harrison with effect from 1 March 2016. Andrew Harrison will become a member of the Nomination Committee with effect from 1 March 2016. Lord Rose will become Chairman of the Nomination Committee with effect from the AGM.

Other attendees at the Nomination Committee meetings include the Chief Executive Officer, the People Director and the Deputy Company Secretary.

Principal Activities of the Nomination Committee During 2015

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

Succession Plans: The Nomination Committee is responsible for overseeing the process of succession and management development for the Executive Directors and the next layer of management, the Management Committee. The Chief Executive Officer and the People Director reported to the Nomination Committee the progress made on the succession plans for the Group. The Nomination Committee's focus is on ensuring that the business has appropriate plans for responding to the changing needs of the business given its rapid growth in technology and potential overseas expansion with the Ocado Smart Platform. The Nomination Committee was assured that appropriate succession and development plans are in place for senior management.

Reviewing Board Composition: The Nomination Committee undertook a review of the Board's size and composition with a view to refreshing the Board's succession plans. The review of Board composition took into account various considerations including diversity, Director tenure, independence and mix of Board knowledge, skills and experience. For an explanation of these considerations in relation to the current Board see the Statement of Corporate Governance on pages 54 to 62.

The Nomination Committee is responsible for reviewing the composition of the Board, to ensure that its membership represents a mix of backgrounds and experience that will enhance the quality of its deliberations and decisions. Diversity considerations and the Board's diversity policy were taken into account when reviewing the Board's succession plans. For further information on Board diversity refer to the Statement of Corporate Governance on page 58 and on employee diversity refer to page 46 of the Our People section.

The Nomination Committee recommended that the Board undertake a review of the current skills and experience of the Board. The review was intended to help the Board ensure that it has the right mix of skills, experience and backgrounds to support the Company's strategic objectives in the future. This review was carried out by way of a self-assessment questionnaire which was prepared by the Company Secretary and completed by all Directors. A summary of the findings of the review was presented and discussed by the Board. Some of the review results are set out in the Statement of Corporate Governance on page 58. The skills review formed part of the discussions of the Nomination Committee around the necessary skills and experience of future appointees to the Board as existing Non-Executive Directors retire from the Board. When considering the skills and experience that could be added to the Board it concluded that it would be valuable for a prospective Non-Executive Director to have experience in a number of areas, including the technology sector, e-commerce experience and international operations. This reflected the changing emphasis of the Group's strategy to monetising its technology and intellectual property and selling the Ocado Smart Platform to international retailers.

Non-Executive Director Succession: Following its review of Board composition, the Board agreed a plan for Director recruitment. The Board agreed to seek one or more candidates for the role of Non-Executive Directors.

The Group carried out a recruitment process to identify suitable candidates, with the support of Ridgeway Partners. Ridgeway Partners, an external and independent executive search consultant (without connections to the Company), was appointed to carry out recruitment searches, following a competitive tender process. Ridgeway Partners is an accredited firm under the Enhanced Voluntary Code of Conduct for Executive Search Firms.

Potential candidates were compiled by Ridgeway Partners based on an agreed Non-Executive Director role description. From this list, the Chairman compiled a list for interview. Initial interviews were conducted with the Chairman, the Chief Executive Officer and the Chief Financial Officer. A shortlist of candidates was compiled and these final candidates were interviewed by most of the remaining Directors. The Nomination Committee recommended that the Board appoint Andrew Harrison as an independent Non-Executive Director. For information concerning Andrew Harrison's remuneration arrangements, refer to the Directors' Remuneration Report on pages 80 to 117.

As part of the Board changes, current Senior Independent Director, David Grigson, will retire from the Board with effect at the AGM on 4 May 2016. This will allow time for an orderly handover of responsibilities from David Grigson. The Nomination Committee recommended that Alex Mahon take up the role of Senior Independent Director with effect from 4 May 2016. The Chairman, Lord Rose, will assume responsibility for chairman of the Nomination Committee at the same time. The Nomination Committee also recommended some changes to the composition of the Board committees, as outlined in the respective committee reports.

Annual Review: In addition to its annual performance evaluation, discussed in the Statement of Corporate Governance on page 60, the Nomination Committee carried out a review of its terms of reference during the period. The review resulted in no changes to the terms of reference.

19. Directors' Report

"This Directors' Report should be read in conjunction with the Strategic Report."

Read more about the Statement of Directors' Responsibilities on pages 76 and 77

View more information online at Ocadogroup.com

Introduction

This section of this Annual Report is a Directors' Report required by the Companies Act 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 8 to 47) which includes the Corporate Responsibility Report (pages 42 to 45), and the Statement of Corporate Governance (defined in the index below as the "CG Statement") (pages 54 to 62), 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 (*).

The Strategic Report

The Directors are required under the Companies Act 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 8 to 47.

The Company has chosen to include some of the information required to be disclosed in the Directors' Report within the Strategic Report (pages 8 to 47), 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 Statement of Corporate Governance, as noted in the index on page 70.

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 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 Statement of Corporate Governance on pages 54 to 62 and the Directors' responsibility statement on page 76.

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 Statement of Corporate Governance on pages 54 to 62.

19. Directors’ Report (continued)

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.

Share Capital

The Company’s authorised and issued ordinary share capital as at 29 November 2015 comprised a single class of ordinary shares. The shares have a nominal value of 2 pence each. The ISIN of the shares is GB00B3MBS747.

As at 20 January 2016, being the latest practicable date prior to publication of this report, the Company’s issued share capital consisted of 625,456,843 issued ordinary shares, compared with 621,005,986 issued ordinary shares per the 2014 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 4.10 to the consolidated financial statements.

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, 34,770,981 (2014: 34,810,561) are held by Greenwood Nominees Limited on behalf of Appleby 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 these 34,770,981 ordinary shares, although it may at the request of a participant vote in respect of 33,240,664 ordinary shares which have vested under the JSOS and remain in the trust at period end. The total of 34,770,981 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 34,770,981 ordinary shares held by the EBT Trustee. Note 4.9(a) 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, 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 15 May 2015, 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 15 May 2015, to allot shares in the Company: (A) up to one-third of the issued share capital; and (B) comprising equity securities up to two-thirds of the issued share capital but after deducting any allotments or grants made under (A) above in connection with an offer by way of a rights issue. These authorities apply until the end of the AGM (or, if earlier, until the close of business on 15 August 2016). During the period, the Directors did not use their power to issue shares under the authorities provided by the shareholder resolution passed on 15 May 2015, but did satisfy options and awards under the Company's option and incentive schemes.

Following shareholder dissent to the Company's share allotment resolution at the 2015 annual general meeting, the Company will, at the AGM, seek a modified share allotment authority under two separate resolutions. The first resolution will seek authority to allot shares up to one-third of the Company's issued share capital and the second resolution will seek authority to allot shares up to two-thirds of the Company's issued share capital in connection with a rights issue only and subject to allotments or grants made under the first resolution. The substance of each allotment resolution will remain the same as at the 2015 annual general meeting and is in line with the Investment Association guidelines (formerly guidance issued by the Association of British Insurers) on the allotment of shares. However, by proposing two separate resolutions, shareholders will now be able to more clearly express their views on the constituent elements of the previous, single allotment resolution. The Directors have no present intention to exercise the authorities sought under either resolution, but the Directors wish to ensure that the Company has maximum flexibility in managing the Company's capital resources. However, if they do exercise the authorities, the Directors intend to follow the Investment Association guidelines concerning its use.

Accordingly, at the AGM, shareholders will be asked to grant an authority to allot shares in the Company under two resolutions: resolution 1: up to one-third of the Company's issued share capital; and resolution 2: comprising equity securities up to two-thirds of the Company's issued share capital but after deducting any allotments or grants made under resolution 1 in connection with an offer by way of a rights issue. These authorities will apply until the end of the next annual general meeting or until the close of business on 4 August 2017.

The Directors were granted authority at the previous annual general meeting on 15 May 2015, to disapply pre-emption rights. It would give the Directors the authority to allot ordinary shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. This authority applies until the end of the AGM (or, if earlier, until the close of business on 15 August 2016). During the period, the Directors did not use their power to issue shares under this authority.

A new special resolution will be proposed at the AGM to renew the Directors' powers to disapply pre-emption rights. The new resolution, which follows the Pre-emption Group's revised Statement of Principles on disapplying pre-emption rights (the "PEG Principles"), will seek an authority to disapply pre-emption rights over 10% of the Company's issued ordinary share capital (not 5%, as previously). The Directors intend to only allot shares representing more than 5% of the issued ordinary share capital of the Company under this authority, where that allotment is in connection with an acquisition or specified capital investment (within the meaning given in the PEG Principles) which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The Directors intend to follow the PEG Principles regarding cumulative usage of authorities within a rolling 3-year period where the principles provide that usage in excess of 7.5% of issued ordinary share capital of the Company (excluding treasury shares) should not take place without prior consultation with shareholders, except in connection with an acquisition or specified capital investment as referred to above. The power will expire at the earlier of 4 August 2017 and the conclusion of the annual general meeting of the Company held in 2017.

19. Directors' Report (continued)

Significant Shareholders

During the period the Company has received notifications, in accordance with Disclosure 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	81,804,512	13.08	Direct/Indirect
Capital Group Companies Inc	61,938,208	9.91	Indirect
Morgan Stanley (Institutional Securities Group and Global Wealth Management)	34,668,871	5.88	Direct & QFI
Norges Bank	26,532,851	4.50	Direct & QFI

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 and Transparency Rule 5.1.2R in the period between 30 November 2015 and 20 January 2016 (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
Morgan Stanley (Institutional Securities Group and Global Wealth Management)	56,491,313	9.57	Direct & QFI
The Goldman Sachs Group, Inc	25,008,723	3.99	Indirect & QFI
Deutsche Bank AG	31,320,431	5.31	Direct & QFI

These figures represent the number of shares and percentage held as at the date of notification to the Company.

Significant Related Party Agreements

There were no contracts of significance during the period between the Company or any Group company and either (1) a Director of the Company or (2) 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 shares 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 pages 80 to 117.

Significant Agreements

There are a number of agreements to which the Group is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid. Details of the significant agreements are summarised below.

Morrisons Operating agreement: 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 will be entitled to give notice to terminate the operating agreement (a "Termination Event").

If such a Termination Event occurs prior to the date on which capital is intended to be expended on an agreed new CFC ("Capital Commitment Date"), then:

- Morrisons would be entitled to give not less than four (but not more than four and a half) years' notice to terminate and the Company's right to be the exclusive supplier of the services would fall away.
- The Company shall purchase Morrisons' shares in MHE JV Co Limited (the owner of the automation in CFC2) and may be required to repurchase CFC2.

If such a Termination Event occurs after the Capital Commitment Date, then:

- The Company would continue to be obliged to provide the services under the operating agreement, but the Company's right to be the exclusive supplier of the services would fall away and Morrisons would be released from its annual sales target.
- Further, certain of the fees payable by Morrisons would scale back to reflect Morrisons.com's actual use of the services, but would not (except if the Company had procured a third party to acquire Morrisons' capacity of all relevant CFCs) afford either party a termination right prior to the end of the term.

Sourcing Agreement with Waitrose: The Company's primary 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.

Revolving Credit Facility Agreement: The Group has an unsecured £210 million revolving credit facility with Barclays Bank PLC, HSBC Bank plc, The Royal Bank of Scotland plc and Abbey National Treasury Services plc (Santander) 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.

19. Directors' Report (continued)

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 8 to 47.

Future Developments of the Business

The Group's likely future developments including its strategy are described in the Strategic Report on pages 8 to 47.

Employees with disabilities

Applications for employment by people with disability are always fully considered, 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 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 page 127. The Group's profit before tax for the period amounted to £11.9 million (2014: £7.2 million).

The Directors do not propose to pay a dividend for the period (2014: nil).

Post-Balance Sheet Events

There have been no material events after the balance sheet date of 29 November 2015 to the date of this Annual Report.

Independent Auditors

The Company's auditors, PwC, have indicated their willingness to continue their role as the Company's auditors. Resolutions concerning the re-appointment of PwC as auditors 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 auditors, refer to page 66 of the Statement of Corporate Governance.

Disclosure of Information to Auditors

In accordance with the Companies Act, 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 pages 50 and 51 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 auditors are 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 auditors are 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 Group and the Company 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 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 pages 50 and 51 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 71) 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.

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
Registered in England and Wales
Number 07098618
2 February 2016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Directors' Remuneration Report

Douglas McCallum
Remuneration Committee Chairman

"We are focused on providing clear reporting on past remuneration and future policy, and we welcome your feedback."

Read the Chairman's Governance Introduction on pages 52 and 53

Read the Statement of Corporate Governance on pages 54 to 62

20. Directors' Remuneration Report

Annual Statement from the Remuneration Committee Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2015.

We believe that the remuneration of the Executive Directors appropriately and fairly reflects the performance of the Group. In 2015, the retail business grew formidably in a turbulent retail environment. The business performance is aligned with the relatively high achievement in the period against the AIP objectives and over the previous three years for the LTIP objectives.

Relationship Between Pay and Performance

We have, in accordance with the Directors' Remuneration Policy and the rules of the 2015 AIP, recommended a bonus payment based on 65% to 67% achievement against objectives under the plan for the period. This echoes the strong growth of the retail business, with the Group's Gross Sales (Retail) for the period increasing 14.7% and the Group's EBITDA increasing 13.8%.

During the period, we reviewed the performance against the 2013 LTIP awards, which had a performance period ending at the end of the financial year. Based on the 2015 results, the Directors achieved 100% against the performance condition, EBIT. The Group's earnings before interest and tax and exceptional items for the period was £21.4 million, an increase of 28.9% on 2014. The 2013 LTIP awards are expected to vest in March 2016.

Key Changes to Executive Director Remuneration

We believe that our remuneration framework helps support and drive our strategy, and ensures the Group retains a management team with the skills and expertise necessary to deliver our long-term commercial priorities. In addition to determining fixed elements of remuneration, we seek to ensure that the AIP, the LTIP and the GIP contain specific performance measures that support the strategy and objectives of high business growth.

Base salaries of the Executive Directors were reviewed and increased by 2% in April 2015 which is in line with employee salary increases.

During the financial year, we undertook a review of the Executive Director AIP structure and concluded that the financial measures of EBITDA and Gross Sales (Retail) remained aligned with the Company's strategy and should be retained for 2016 in order to encourage continued strong retail business growth. The proportion allotted to individual objectives for the 2015 AIP has been maintained at 30%, to reflect the increased importance of delivering key strategic objectives in 2016, notably the Ocado Smart Platform.

The performance measures for the 2015 and 2016 LTIP awards are intended to reward financial performance through the financial targets, but also to reward delivery of economic efficiency of the new proprietary infrastructure solution. The Board is looking to drive the cost and operational efficiency of the new infrastructure solution to help support the success of the Ocado Smart Platform business over the coming years.

Changes to Non-Executive Director Remuneration

The Non-Executive Directors' annual fees were reviewed and remained unchanged from the previous year.

Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the annual general meeting which took place on 7 May 2014 and will continue in force until 2017. There are no proposals to amend the Directors' Remuneration Policy at the present time as we believe that the policy continues to remain both appropriate and effective. All of our decisions regarding executive remuneration for the period have been made in line with the policy.

Shareholder Feedback and Remuneration Disclosure

Each year, we review how shareholders voted on the remuneration report, together with any feedback received. We are aware of shareholders' concerns regarding transparency of performance-related remuneration given that to date, this has not been published. To enhance our reporting of performance we have included in this year's report actual performance targets for incentive schemes.

We are focused on providing clear reporting on past remuneration and future policy, and we welcome your feedback. I will be available at the AGM to answer any questions about the work of the Remuneration Committee.

Douglas McCallum
Remuneration Committee Chairman
2 February 2016

20. Directors' Remuneration Report (continued)

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.

Membership

The current membership of the Remuneration Committee, together with appointment dates, is set out below:

Douglas McCallum Chairman	Ruth Anderson	David Grigson
Remuneration Committee member since 3 October 2011	Remuneration Committee member since 9 March 2010	Remuneration Committee member since 5 February 2013
Number of meetings: 4	**Number of meetings: 4**	**Number of meetings: 4**
Number attended: 4	Number attended: 4	Number attended: 4

The biography of each member of the Remuneration Committee is set out in the Board of Directors section on pages 50 and 51.

Other attendees at the Remuneration Committee meetings included the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the People Director, the Rewards and Benefits Manager, the Company Secretary, the Deputy Company Secretary and the external adviser to the Remuneration Committee, Deloitte LLP. The Chairman, the Company Secretary and 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.

Since the period end, the Company announced that the Remuneration Committee composition will change as a result of the retirement of David Grigson at the AGM and the appointment of new Non-Executive Director, Andrew Harrison. Andrew Harrison will become a member of the Remuneration Committee with effect from 1 March 2016.

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
Deloitte LLP	Remuneration Committee	Executive remuneration advice including assisting in a benchmarking review of Executive Director remuneration.	Separate teams engaged by the Company to advise on a range of Company tax, share schemes and accounting matters, including transaction advice.
Slaughter and May	Company	None	Employment law, share schemes and tax as well as general UK legal advice in respect of a number of the Company's remuneration matters, including vesting of the LTIP and the Chairman's Share Matching Award.

Deloitte LLP reappointment review

The Remuneration Committee considered the reappointment of Deloitte LLP. This review took into account Deloitte's effectiveness, independence, period of appointment and fees.

The Remuneration Committee reviewed the performance of Deloitte LLP 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 Deloitte LLP remained effective.

The Remuneration Committee considered the independence and objectivity of Deloitte LLP. Deloitte LLP 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. Deloitte LLP confirmed to the Company that it is a member of the Remuneration Consultants Group and as such operates under the code of conduct in relation to executive remuneration consulting in the UK. The Remuneration Committee is, following its annual review, satisfied that Deloitte LLP has maintained independence and objectivity.

For the period, £32,000 in advisory fees were paid or payable to Deloitte LLP for services provided to the Remuneration Committee.

Deloitte LLP were appointed by the Remuneration Committee in 2012 following a tender process led by the then Remuneration Committee Chairman.

Following review by the Remuneration Committee, it was agreed that Deloitte LLP 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.

Principal Activities of the Remuneration Committee During 2015

The Remuneration Committee has been delegated responsibility for setting remuneration for all of the Executive Directors, the Chairman and the Company Secretary. This is outlined on page 56. In line with its terms of reference, the following key matters were considered by the Remuneration Committee during the period:

- approving the 2014 Directors' Remuneration Report;
- reviewing performance under the 2014 AIP and consideration of any bonuses payable;
- approving the 2015 AIP performance targets;
- approving the 2015 LTIP awards and performance targets;
- reviewing performance against LTIP awards;
- consideration of changes to the performance measures for the 2016 LTIP awards;
- receiving a report from Deloitte LLP on Executive Director remuneration benchmarking and approving increases in the Executive Director base salaries;
- receiving a report on Group-wide and management remuneration for 2015;
- consulting the Chief Executive Officer and the Chairman on performance and remuneration of the Executive Directors;
- receiving reports from Deloitte on senior executive pay, market themes and trends;
- receiving a report on the Group's share schemes and plans for 2016;
- receiving a report on shareholder feedback on the 2014 annual report and 2015 annual general meeting;
- approving a new invitation under the Sharesave scheme for 2016;
- approving minor amendments to the JSOS scheme rules;
- reviewing the Remuneration Committee's performance and terms of reference; and
- reviewing the performance of Deloitte LLP and retaining them as external remuneration consultants.

The Remuneration Committee's work also included monitoring and considering (rather than recommending) 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. The Remuneration Committee believes this practice is beneficial to the Company and supports the Code principle D.2.

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.

20. Directors' Remuneration Report (continued)

Remuneration Policy Report

Introduction

This part of the Directors' Remuneration Report sets out the Company's policy for the remuneration of its Directors.

The Directors' Remuneration Policy was approved by shareholders at the annual general meeting which took place on 7 May 2014 and took effect from that date. Since then the Remuneration Committee reviewed the Directors' Remuneration Policy and concluded that it remained appropriate for the foreseeable future. Given there were no proposals to revise the policy it remains valid and will not be put for shareholder approval at the AGM. It is expected that the Company will next propose a resolution to approve the Directors' Remuneration Policy at the annual general meeting to be held in 2017, or sooner in the event of proposed revisions to the policy.

The Directors' Remuneration Policy is extracted in full from the 2013 annual report without amendment and it is in the form approved by shareholders at the annual general meeting which took place on 7 May 2014, except: (i) for this introduction; (ii) to reflect shareholder approval of the GIP and 2014 ESOS; (iii) references to Jason Gissing, former director; and (iv) minor amendments such as page or cross references and changed defined terms.

Remuneration Principles for Senior Executives

The Directors' Remuneration Policy and reward strategy is underpinned by the remuneration principles. These principles relate to the core values of the Company. The main principles of senior executive remuneration are set out below:

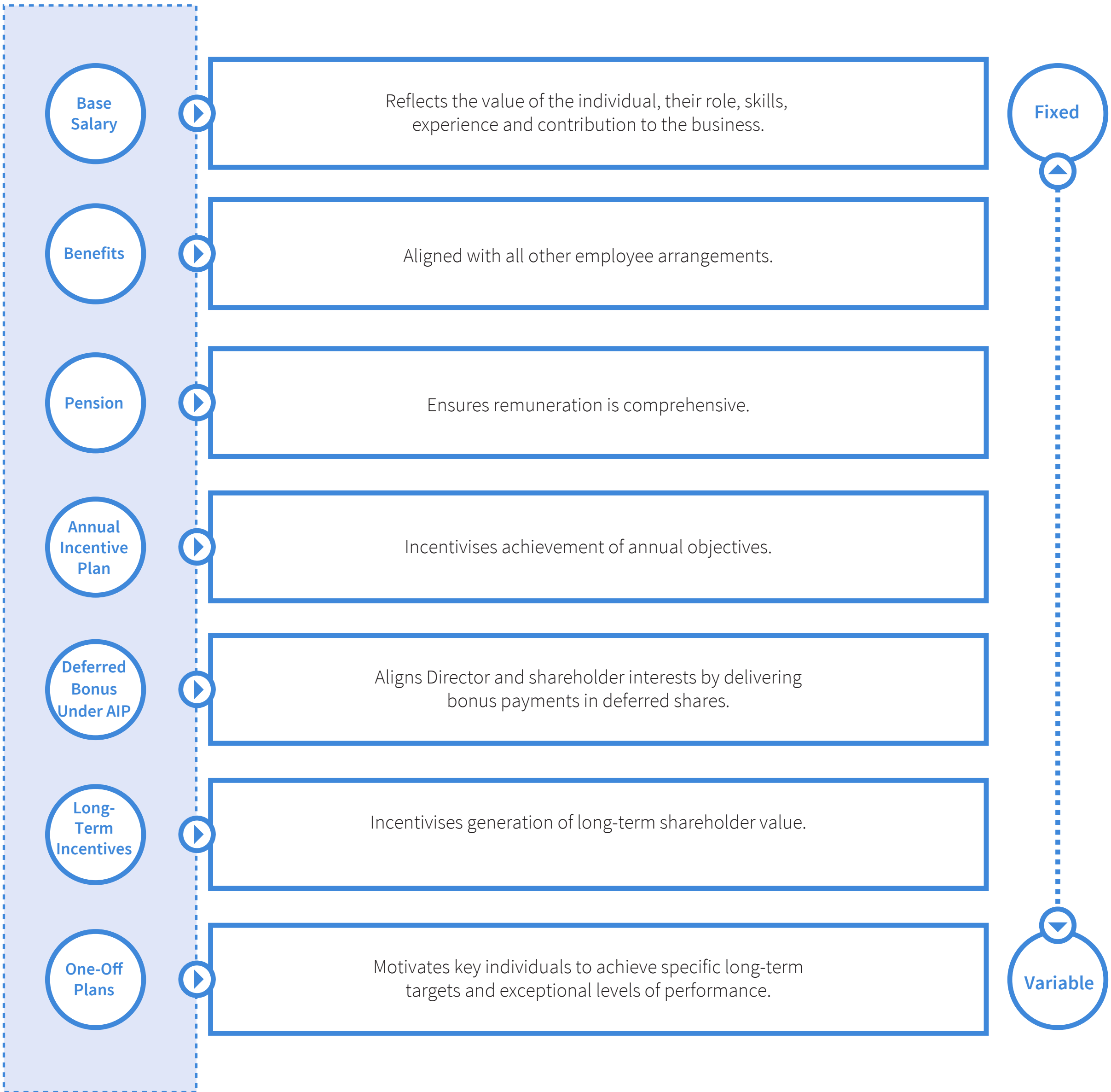
- Support long-term success and sustainable long-term shareholder value.
- Be aligned to the business strategy and achievement of planned business goals.
- Be compatible with the Group's risk policies and systems.
- Link maximum payout to outstanding results.
- Ensure that performance related pay constitutes a significant proportion of the overall package.
- Provide a balance between attracting, retaining and motivating the right calibre of candidates, and taking into account the entrepreneurial culture of the business.
- Encourage a high performance culture.

Link with Strategy

The Company's reward strategy continues to evolve in parallel with the Company's development. The key objective to be achieved through the Directors' Remuneration Policy is to support the Group's main strategic objectives of expansion and high growth. The AIP, the LTIP and the GIP contain specific performance measures designed to support the objectives of accelerating core business performance in the short and medium term (for example, EBITDA and sales growth targets) and the objectives of creating long-term success and sustainable long-term shareholder value (for example, EPS target and share price growth targets).

The Directors' Remuneration 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 Directors' Remuneration Policy" on page 97. The Remuneration Committee introduced share deferral in the AIP, minimum shareholding requirements and the GIP to help ensure a longer-term focus for the business from the Executive Directors.



Remuneration Committee Discretion and Judgement

In formulating the Directors' Remuneration Policy, the Remuneration Committee has sought to allow it sufficient operational flexibility over Director remuneration for the next three years. While the policy provides the boundaries for remuneration arrangements, the policy is intended to provide some isolated discretion for the Remuneration Committee to use in various circumstances relating to particular components of remuneration. The Directors' remuneration 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.

20. Directors' Remuneration Report (continued)

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	JSOS	GIP
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 or payment	Y	Y	N	Y
Discretion required when dealing with a change of control or restructuring of the Group	Y	Y	Y	Y
Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen	Y	Y	Y	Y
Adjustments required in certain 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	N	Y
The annual review of performance measures and weighting, and targets from year to year	Y	Y	Y	N
Adjustment to level of payments, even when targets met (for example, to reflect individual or Company performance)	Y	N	N	N
Application of malus and clawback	Y	Y	N	Y

In addition, the terms of the Chairman's Share Matching Award provide that the Board has discretion with respect to dealing with change of control and treatment of leavers. The use of discretion in relation to the Company's 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.

Development of Directors' Remuneration Policy

Shareholder Context

The Remuneration Committee has sought alignment between the Directors' Remuneration Policy and shareholder interests.

When proposing changes to the Executive Directors' remuneration arrangements, the Remuneration Committee has sought the views of the Company's largest shareholders. The Remuneration Committee sought shareholder input on the Directors' Remuneration Policy and new incentive arrangements for 2013 and 2014. Changes have been made to incentive arrangements in response to the feedback received (for example, changes to the design and performance measures for the LTIP and changes to the GIP). The Company is committed to ongoing dialogue with shareholders on the Directors' remuneration and will continue to seek their views on any significant changes to the remuneration arrangements or exercises of discretion.

Employee Context

The Directors' Remuneration Policy is designed in line with the remuneration principles outlined on page 84, which reflect the remuneration principles for the Group. A key remuneration principle for the Group is that share schemes be used to recognise and reward good performance and attract and retain employees, wherever possible and appropriate. This is reflected by the operation of the ESOS which allows all employees an opportunity to share in the Group's success via share ownership. This philosophy will be maintained via awards to all employees under the Share Incentive Plan, rather than the ESOS.

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.

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. 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. This provides some of the context for the Remuneration Committee's decisions concerning changes to base pay and other elements of remuneration for the Executive Directors. The Company did not consult with employees when drawing up the Directors' Remuneration Policy, nor take into account any remuneration comparison measurements.

Remuneration Policy Table: Elements of Director Remuneration

The Directors' Remuneration Policy as it applies to the Executive Directors consists of the elements set out in the table below:

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Fixed pay				
Base pay 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 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, 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. However, normally, maximum salary increases for Executive Directors will be within the normal percentage range and guidelines that are applied to the 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 awards 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 initial salary has been positioned below the market.	No contractual provisions for clawback or malus.

20. Directors' Remuneration Report (continued)

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Benefits Attract and retain the right calibre of senior executive required to support the long-term interests of the business.	The Company provides a range of benefits which are aligned with those provided to monthly paid employees. These may include: private medical insurance, life assurance, travel insurance, critical illness cover, travel allowance, free parking, access to financial and legal advice and Company-wide employee benefits including an employee assistance programme, staff product discount and subsidised staff canteens and discounts. Any travel arrangements or travel costs required for business purposes will be provided by the Company. Additional benefits or payments in lieu of benefits may also be provided in certain circumstances, if required for business needs. Any benefits allowances will be paid in cash monthly and will not form part of pensionable salary.	Not performance linked.	Benefits for Executive Directors are set at a level which the Remuneration Committee considers to be appropriate against appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company.	No contractual provisions for clawback or malus.
Pension 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, employer contributions may be paid into a personal pension arrangement. These will not be treated as salary for the purposes of incentive awards. The Group's contributions under the defined contribution scheme are set as a percentage of salary based on length of scheme membership. Contributions under the occupational money purchase scheme are aligned with the legislative minimum.	Not performance linked.	Contributions to the defined contribution scheme for Executive Directors will normally be in line with the other scheme participants; however, the Remuneration Committee may exceed this standard maximum in order to be market competitive and attract and retain the right calibre of senior executive talent needed to support the long-term interests of the business. Pension contributions for UK Executive Directors will not exceed 30% of base salary. For Executive Directors outside the UK, provision for an executive pension will be set taking into account local market rates.	No contractual provisions for clawback or malus.

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Variable Pay: Short-Term Incentives				
Annual Incentive Plan ("AIP") Provide a direct link between measurable and predictable annual Company and/ or role specific performance and reward. Incentivise the achievement of outstanding results aligned to the business strategy.	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. Bonus payments, if made, are payable in cash after the results of the Group have been audited. To the extent that an Executive Director does not meet the minimum shareholding requirement, up to 50% of any bonus payment will be deferred into shares, vesting after a period of three years.	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 strategic and financial targets with the majority being financial. For threshold performance, 25% of the maximum opportunity will be earned. For stretch performance, the maximum opportunity will be earned. A straight-line sliding scale applies between the threshold and the maximum. The performance conditions for the relevant financial year are described in the Annual report on remuneration.	The maximum bonus is 200% of base salary. For the 2015 performance year, the maximum bonus is 100% of base salary for the Executive Directors and 125% for the Chief Executive Officer.	The AIP rules provide for clawback and malus for three years from date of payment of a bonus or grant of a deferred award in certain exceptional circumstances.
Variable Pay: Longer-Term Incentives				
Long Term Incentive Plan ("LTIP") Attract, retain and incentivise senior executives. Align the interests of the senior executives and the shareholders.	An award over a fixed number of shares is granted annually. Awards made in the form of nil-cost options or conditional share awards will ordinarily vest three years from award, subject to continued service and the achievement of performance conditions and other conditions. Dividend equivalents may be paid in cash or additional shares on LTIP awards that vest. The award may be satisfied either by a new issue of shares, the transfer of treasury shares or shares held in the Company's EBT or by market purchase of shares.	The Remuneration Committee sets targets that are closely aligned to the delivery of the Group's strategic objectives for the performance period. These may be a mix of strategic and financial targets with the majority being financial. For threshold performance, 25% of the maximum opportunity will vest. For stretch performance, the maximum opportunity will vest. Vesting will be on a straight-line basis between the threshold and the maximum. The measurement period for performance conditions will ordinarily comprise at least three financial years of the Company. The performance conditions for the final year of the three-year vesting period are described in the Annual report on remuneration.	The Remuneration Committee may grant awards, with a maximum total market value of 150% of annual base salary of a participant. In the case of the Chief Executive Officer, the maximum total market value of an LTIP Award is 200% of annual base salary. In exceptional circumstances, the Remuneration Committee may grant awards with a maximum total market value of 300% of annual base salary of a participant or, in the case of the Chief Executive Officer, 400% of annual base salary.	Clawback and malus provisions may be applied to LTIP awards in certain exceptional circumstances.

20. Directors' Remuneration Report (continued)

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Joint Share Ownership Scheme ("JSOS") Attract, retain and incentivise senior executives. Align the interests of the senior executives and the shareholders, by driving share price growth over four years.	The JSOS was established prior to the Company's listing on the London Stock Exchange in 2010. The participants and Appleby Trust (Jersey) Limited, the EBT Trustee, acquire separate beneficial interests in ordinary shares of the Company. The participant may lose his interest in the shares. No future annual awards will be made under the JSOS to Executive Directors.	Interests in shares vest annually over a four-year period subject to leaver provisions. The participant benefits from the increase in value of the shares above a predetermined market price for each tranche (the "hurdle price"). Awards under the JSOS will have no value unless the hurdle price is achieved. Interests in the Company's shares are granted in tranches, with a different hurdle rate for each tranche.	The JSOS rules contain a 7.5% issued share capital limit for the cumulative total of awards under the plan and the ABI's 5% and 10% in ten year dilution limit for total awards, which constrain the number of interests that may be issued under the JSOS.	Certain leaver provisions described on page 96 allow the Company to recover share interests in certain circumstances.
Growth Incentive Plan ("GIP") Attract, retain and incentivise senior executives. Align the interests of senior executives and shareholders, by incentivising senior executives to deliver exceptional levels of growth and return to the shareholder over the long term.	Awards will be granted on a one-off basis. An Executive Director will be granted options over shares in the Company with a nil exercise price. While all Executive Directors are eligible to participate in this plan, only the Chief Executive Officer and two existing Executive Directors will receive an initial grant. New Executive Directors may be invited to participate at a level dependent on the point during the performance period at which they joined. To participate, the Executive Directors are required to hold a level of shares throughout the performance period. For the Chief Executive Officer, this shareholding must be at least one times salary and for other Executive Directors, this shareholding must be at least half times salary.	Options will be subject to a single performance condition to be satisfied over the five years from the date of grant. The share price of the Company is the sole performance measure and will be assessed relative to the growth of the FTSE 100 Share Index over that period. Performance will be assessed based on the three month average share price of the Company and of the FTSE 100 Share Index at the beginning and end of the performance period. The performance target schedule is as follows: • Growth of less than the FTSE 100 Share Index plus 5% p.a.: 0% of the award vests. • Growth in FTSE 100 Share Index plus 5% p.a.: 25% of the award vests. • Growth in FTSE 100 Share Index plus 10% p.a.: 50% of the award vests. • Growth in FTSE 100 Share Index plus 15% p.a.: 75% of the award vests. • Growth in FTSE 100 Share Index plus 20% p.a. (or more): 100% of the award vests.	Four million shares will be awarded to the Chief Executive Officer. One million shares will be awarded to each of the other participating Executive Directors. Awards to new participating Executive Directors will not exceed the proposed award levels to existing participants.	Clawback and malus provisions may be applied to GIP awards in certain exceptional circumstances.

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
All-Employee Share Plans				
Sharesave Provide all employees, including Executive Directors, the opportunity to voluntarily invest in Company shares and be aligned with the interests of shareholders.	All employees are eligible to participate in this HMRC approved employee share scheme. The Company grants options over shares in the Company to employees, including the Executive Directors. To obtain an option an eligible individual must agree to save a fixed monthly amount for three years up to the maximum monthly amount in line with HMRC limits. The amount saved will determine the number of shares over which the option is granted. Options are granted at a discount to the market price at the time of grant. Options may be exercised in a six month period three or five years from the date of grant, subject to continued service.	Not performance linked.	Options may be granted at a maximum discount to the market price up to a maximum amount in line with HMRC limits. Employees are limited to saving a maximum in line with these HMRC limits.	The scheme rules do not provide for malus or clawback provisions.
Share Incentive Plan ("SIP") 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 HMRC approved employee share scheme. The SIP allows for: • 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 will be in line with HMRC limits.	The scheme rules do not provide for malus or clawback provisions.

20. Directors' Remuneration Report (continued)

Purpose and Link to Strategy	How it Operates	Performance Conditions	Maximum Opportunity	Recovery or Withholding
Executive Share Option Scheme ("ESOS") Provide all employees, including Executive Directors, the opportunity to receive Company share options and be aligned with the interests of shareholders.	All employees are eligible to participate in this HMRC approved employee share scheme and the unapproved part of the scheme. The Company grants options over shares in the Company to employees. There are currently no plans to make awards to the Executive Directors under this plan. Options over shares vest on the third anniversary of grant, subject to continued service and satisfaction of any performance conditions. If vested, the options may be exercised at any time between the third and tenth anniversaries of grant at the executive's discretion.	If awards are made the Remuneration Committee will set targets. Targets will be closely aligned to the delivery of the Group's strategic objectives. These may be a mix of strategic and financial targets with the majority being financial. For threshold performance, up to 25% of the maximum opportunity would be received.	Maximum opportunity for awards will be in line with HMRC limits for the HMRC approved part of the scheme. Maximum opportunity for awards under the unapproved part of the scheme are limited by the scheme rules which limit an award to 300% of annual base salary, except in exceptional circumstances.	The scheme rules do not provide for malus or clawback provisions.
2014 Executive Share Option Scheme ("2014 ESOS") Provide all employees, including Executive Directors, the opportunity to receive Company share options and be aligned with the interests of shareholders.	The 2014 ESOS was approved by shareholders at the 2014 annual general meeting. The 2014 ESOS is based on the ESOS, described above. There are currently no plans to make awards to the current Executive Directors under this plan.	Same as for ESOS described above.	Same as for ESOS described above.	Same as for ESOS described above.

The Directors' Remuneration Policy as it applies to Non-Executive Directors consists of the elements set out in the table below:

Purpose and Link to Strategy	How it Operates
Non-Executive Director Fee Core element of remuneration, paid for fulfilling the role in question.	Paid monthly in cash. Fee structure includes an annual base fee for a Non-Executive Director and a Senior Independent Director, and additional fees for being a Board Committee chair. Reviewed annually by the Executive Directors and 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 to the Company. Non-Executive Directors are not usually eligible for annual bonus, all-employee share incentive schemes, pensions or other benefits with the exception of the staff product discount offered to all employees.
Chairman Fee Core element of remuneration, paid for fulfilling the role in question.	Paid monthly in cash. 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 to the Company.
Chairman's Share Matching Award To attract and retain the right calibre of Chairman necessary to support the long-term interests of the business.	The Chairman is not usually eligible for annual bonus, any incentive schemes, pensions or other benefits. The current Chairman received a one-off initial share award upon his appointment as Chairman. Shares will not vest until the Chairman has served for three years. The Chairman will not be entitled to sell any shares awarded to him until the first anniversary of when he ceases to be a member of the Board. The award is not subject to performance conditions. Certain leaver provisions described on page 96 allow the Company to recover the award in certain circumstances.

Notes to the Policy Table:

1. No other items in the nature of remuneration are provided by the Company to its Non-Executive Directors, save for the amounts paid to Robert Gorrie as described on page 104.
2. The Non-Executive Directors are entitled to be reimbursed for out of pocket expenses incurred in carrying out their responsibilities to the Company.
3. Other than as described in the policy table, there are no components of the Executive Directors' remuneration that are not subject to performance measures. In the case of the Sharesave and SIP, these HMRC approved all-employee schemes are subject to rules constrained by legislation and so awards are made on the same terms (not comprising performance conditions) to all employees including Executive Directors. Prior to the Company's listing in 2010, some option awards were made to the Executive Directors under the ESOS without performance conditions. Although awards will not usually be made to existing Executive Directors, the rules of the ESOS and 2014 ESOS require the Remuneration Committee to impose performance conditions on any awards made to a Director under each plan. The Chairman's Share Matching Award was a one-off award of shares made to the Chairman on appointment. No performance conditions attached to the receipt of the award (only continued service as Chairman until the end of the three-year vesting period). In structuring the Chairman's Share Matching Award without any performance related elements, the Remuneration Committee complied with the Code and sought to ensure the Chairman's independence on appointment. The Chairman is not entitled to sell any awarded shares until a year after he leaves the Board. The award was approved by shareholders at the 2013 annual general meeting. Performance targets apply to the AIP, LTIP and GIP.
   a. AIP – the Remuneration Committee adjusts the design (including measures and weightings) of the AIP each year to incentivise the delivery of key business objectives and individual performance for that financial year. Management proposes suitable metrics and levels of performance to form the threshold and stretch levels of performance. Any individual objectives applicable for the AIP are linked to the Executive Director's role and/or his business area(s) and are in line with the Group's strategy. The measurable objectives are agreed between the Executive Director and the Chief Executive Officer (or in the case of the Chief Executive Officer, between him and the Chairman). The Remuneration Committee reviews the proposed targets to assess whether they are appropriately aligned with the strategy and shareholders' interests and whether the reward that would accrue to the Executive Director is appropriate in the circumstances. Usually, full vesting will only occur where exceptional performance levels have been achieved and significant shareholder value created. Details of the performance measures applying to the 2015 AIP are outlined in the Annual report on remuneration.
   b. LTIP – the Remuneration Committee reviews the design of the LTIP each year to ensure that the performance conditions remain relevant to the Company's key strategic objectives. The Remuneration Committee reviews the performance measures in light of the long-term strategic plan and agrees the threshold and stretch conditions that must be achieved. Full vesting will only occur where exceptional performance levels have been achieved and significant shareholder value created. In light of shareholder feedback from the shareholder consultation conducted in March 2013, the Remuneration Committee revised the targets from 2013 and decided to put in place two performance objectives for the 2014 awards. The underlying measurement period for performance conditions will ordinarily comprise at least three financial years of the Company. In the case of the 2013 and 2014 awards the measurement period is the last financial year.
   c. GIP – the GIP performance measure was designed to incentivise outstanding growth in value of the Group over the five-year performance period. The performance measure requires the growth in the Company share price to be significantly more than the growth of the FTSE 100 Share Index over that period. This helps to ensure alignment with shareholders, as full vesting will only occur where outstanding shareholder value is created. The GIP was approved by shareholders at the 2014 annual general meeting.
4. The Directors' Remuneration Policy contains formal components for short and long-term incentives with performance conditions attached. While the Group has a policy of remunerating its employees through share scheme participation, it does not have formal arrangements for all employees akin to the components of Directors' remuneration. Senior management participate in an annual bonus plan and the long-term incentive schemes, including the LTIP and JSOS, with award levels set at lower percentages of salary than those of the Directors. The performance conditions and other terms of these schemes are the same as for the Executive Directors. The bonus plan does not include provision for share deferral of a payment. The Group operates some tailored bonus and long-term incentive arrangements (such as the JSOS) for other small groups of employees but aside from the JSOS and the all-employee share schemes (the SIP, the ESOS and the Sharesave), the variable remuneration of employees is not closely aligned with that of Directors.

20. Directors' Remuneration Report (continued)

Director Shareholding Obligation

It is the policy of the Company that the Directors are expected to build up over a period of time, and hold, a minimum level of shareholding in the Company. This is considered an effective way to align the interests of the Executive Directors and shareholders in the long term. These shareholding requirements are outlined in the table below.

Director	Shareholding Requirement
Executive Directors	Executive Directors are required to hold 100% base salary (150% for the Chief Executive Officer) in shares. This can be built up over three years from appointment. Share awards may count if vesting is not subject to any further performance conditions or other conditions such as continued employment. Share interests and share awards which are vested, but remain subject to a holding period and/or clawback, may count towards the holding requirement. Until the minimum shareholding is met, an Executive Director must defer up to 50% of any cash bonus payable under the AIP as an award of shares.
Non-Executive Directors	Non-Executive Directors are required to hold the equivalent of one year's annual fee in shares. This can be built up over three years.
Chairman	The Chairman is required to hold the equivalent of one year's annual fee in shares. This can be built up over three years from appointment.

Should the requirement be achieved but the market value of the Company's shares subsequently fall below the required level, compliance with this requirement will be based on the higher of the original share purchase price or current market price.

Approach to Remuneration of Directors on Recruitment

Recruitment of Executive Directors

When determining the remuneration of a newly appointed Executive Director, the Remuneration Committee will apply a number of principles.

The Remuneration Committee will seek to align the remuneration package of a newly appointed Executive Director with the Directors' Remuneration Policy outlined above. 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. The Remuneration Committee's considerations would be subject to the overall limit on variable remuneration outlined below.

Where promotion to an Executive Director role is from within the Company, any performance-related pay element arising from their previous role will continue on its original terms, provided such element was not made in contemplation of such person becoming an Executive Director.

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.

In addition, one-off payments in respect of relocation or ongoing relocation allowances may be made to a newly appointed 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 cash payment or a combination of both.

The maximum level of variable pay which may be awarded upon recruitment (excluding any "buy out" awards or costs and allowances on relocation and awards made to appointees under the GIP) is 600% of base salary. GIP awards will be subject to the award limits set out in the remuneration policy table.

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.

Loss of Service or Termination Policy

Service Contracts for Executive Directors

Each of the Executive Directors is employed pursuant to a service contract with Ocado Central Services Limited.

The Directors' Remuneration Policy provides that an Executive Director's 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.

The Directors' Remuneration Policy provides that 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. While the service contracts do not specify this, 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.

The service contracts do not contain any specific provisions relating to a change of control of the business.

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 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 the relocation costs for returning the departing Executive Director and his family to their original country of origin. The Company may provide relocation costs by funding services, or cash payment or a combination of both.

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 Directors' Remuneration Policy.

Letters of Appointment for Non-Executive Directors

Each of the Non-Executive Directors has a letter of appointment with the Company. The Directors' Remuneration Policy provides that a Non-Executive Director's appointment may be terminated by either party giving to the other not less than one month's notice, or in the case of the Chairman, not less than six months' notice.

Other than described above, there are no relevant contractual provisions that are, or are proposed to be, contained in any Non-Executive Director's letter of appointment that could give rise to remuneration payments or payments for loss of office, but which are not disclosed elsewhere in the Directors' Remuneration Policy.

Payments on Cessation of Employment for Executive Directors

The Executive Director service contracts do not oblige the Company to pay a bonus if the Executive Director is under notice of termination. But under the rules of the AIP, the Executive Director may receive a proportion of the bonus or deferred award that the Remuneration Committee determines would otherwise have been payable or granted to him under the rules for the financial year.

The treatment of outstanding share awards is governed by the relevant scheme rules, all of which have been approved by shareholders. The table on page 96 provides a summary of these leaver provisions. 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.

Payments on Cessation of Service for Non-Executive Directors

The table on page 96 provides a summary of the leaver provisions applicable to the Chairman's Share Matching Award. The Remuneration Committee has discretion in defining the type of leaver category applicable to the departing Chairman.

20. Directors' Remuneration Report (continued)

Share Scheme Leaver Provisions

Remuneration Element	Bad Leavers	Good Leavers
JSOS	If a participant is a "bad leaver" (i.e. he is neither a "good leaver" nor a "very bad leaver"), he would retain his vested interests but unvested interests may be acquired by the EBT Trustee for the lower of the market value and the initial subscription price. In the case of a "very bad leaver" (i.e. has or could have been dismissed for cause or is in material breach of an obligation binding after termination), both vested and unvested interests may be acquired by the EBT Trustee for the lower of the market value and the initial subscription price.	The participant's interest shall continue to vest on the same dates as if that participant had remained in employment so long as the participant remains a good leaver. Should the participant die before a tranche vests, the participant's interest will vest entirely on the date of death.
LTIP	Generally, unvested LTIP awards (and vested LTIP options) will lapse on the date the participant ceases to be an employee.	If a participant ceases to be an employee of the Group for a good leaver reason (e.g. ill health, injury or permanent disability), then his awards which have not vested will vest on the vesting date (or earlier as the Remuneration Committee shall determine) but only to the extent that the performance conditions have been satisfied subject to operation of malus and clawback provisions. Unless the Remuneration Committee decides otherwise, the award will be reduced pro rata to reflect the proportion of the performance period that has elapsed to the date of cessation of employment. If a participant dies, his LTIP awards will vest on the date of his death and the performance conditions will not apply but (unless the Remuneration Committee decides otherwise) the LTIP award will be reduced pro rata to reflect the proportion of the performance period that has elapsed at the date of death. To the extent that LTIP options vest in accordance with the above provisions, they may usually be exercised for a period of 12 months following vesting and will otherwise lapse at the end of that period. To the extent that a participant 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.
GIP	See LTIP above, as the same leaver rules apply.	See LTIP above, as the same leaver rules apply.
Deferred Shares Under the AIP	Deferred share awards will lapse on the date the Executive Director ceases to be an employee.	An Executive Director will retain his deferred share award on ceasing employment with the Group and will receive the award at the usual vesting date in accordance with the plan rules, subject to the operation of clawback and malus provisions.
All-Employee Share Plans	Leavers will be treated within the HMRC approved scheme rules.	Leavers will be treated within the HMRC approved scheme rules.
Chairman's Share Matching Award	If the Chairman ceases to be a Director of the Company prior to vesting for any reason other than a good leaver reason, the share award will be forfeited.	If the Chairman ceases to be a Director of the Company prior to vesting for a "good leaver reason" (death, illness, injury or disability or any other reason determined by the Board) then a pro rata proportion of the share award will vest and the remainder shall lapse.

Change of Control

The incentive schemes contain change of control provisions, as set out in the relevant scheme rules.

Under the LTIP, in the event of a takeover of the Company, LTIP awards will vest early subject to: (i) the extent that the performance and other conditions have been satisfied at that time, (ii) the operation of malus or clawback, and (iii) (unless the Remuneration Committee decides that pro-rating would be inappropriate in the particular circumstances) pro-rating to reflect the proportion of the normal performance period that has elapsed at the date of that event.

Under the GIP, if there is a change of control of the Company, options may be exercised early subject to the performance target being satisfied, and in proportion to the amount of the performance period that has elapsed.

Under the AIP, deferred share awards vest early on a change of control, though the Remuneration Committee has discretion to not release the award early and instead roll the award into an equivalent award in the acquiring company.

Under the terms of the Chairman’s Share Matching Award, in the event of a change of control a pro rata proportion of the share award will vest, subject to the Board’s discretion to determine that a greater number of shares should vest.

Under the terms of the JSOS rules, in the event of an offer a participant may request the EBT Trustee to accept the offer with respect to shares that have vested under the JSOS.

For further information on agreements impacted by a change of control see the Directors’ Report on pages 74 to 75.

Other Remuneration

External Appointments for Executive Directors

It is the Company’s policy and a requirement of the contract of employment that the Executive Director may not take up non-executive directorships or other appointments without the approval of the Board. Any outside appointments are considered by the Nomination Committee or the Board to ensure they would not cause a conflict of interest and are then approved by the Board. The Board would not usually agree to an Executive Director taking on more than one non-executive directorship of a listed or public company or the chairmanship of such a company. It is the Company’s policy that remuneration earned from such appointments may be kept by the individual Executive Director.

Remuneration Arrangements Prior to Policy

The Remuneration Committee has the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the Directors’ Remuneration Policy, where the terms of the payment were agreed either before the policy came into effect or at a time when the relevant individual was not a Director of the Company, and in the opinion of the Committee, the payment was not consideration for the individual becoming a Director of the Company. For these purposes, “payments” includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Illustration of Directors’ Remuneration Policy

The bar charts on page 98 provide estimates of the potential future reward opportunity for each of the Executive Directors based on the Directors’ Remuneration Policy outlined on pages 84 to 98.

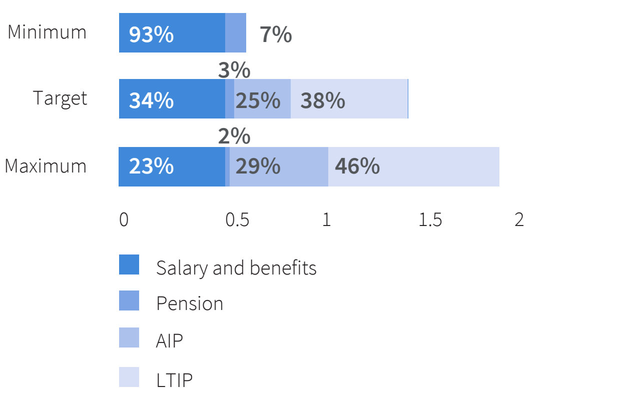
	AIP	LTIP	Base Salary, Benefits and Pension
Minimum	Performance is below threshold on each metric.	Performance is below threshold on each metric.	Fixed
Target or at Expectation	Threshold performance is reached on each metric.	Threshold performance is reached on each metric.	Fixed
Maximum	Maximum performance is achieved on each metric.	Maximum performance is achieved on each metric.	Fixed

20. Directors' Remuneration Report (continued)

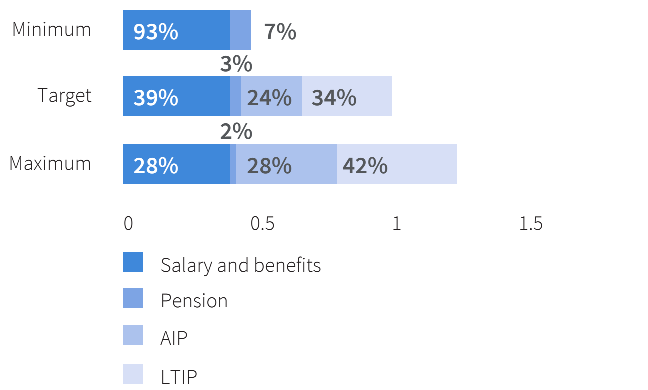
The figures use the 2013 base salary and pension (see 2013 annual report on pages 88 and 89) and value of benefits received for 2013 (see 2013 annual report on page 89). The performance related pay figures are based on the potential awards for 2014 (see 2013 annual report on pages 102 and 103), but it should be noted that LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant. For the purposes of illustrating the Directors' Remuneration Policy, it is assumed that the LTIP awards granted in 2014 will also be vesting in 2014. The impact of the GIP has not been included. The estimated remuneration for each Executive Director is based on three different levels of performance, set out below.

In all scenarios, the impact of share price movements on the value of LTIP awards has been excluded.

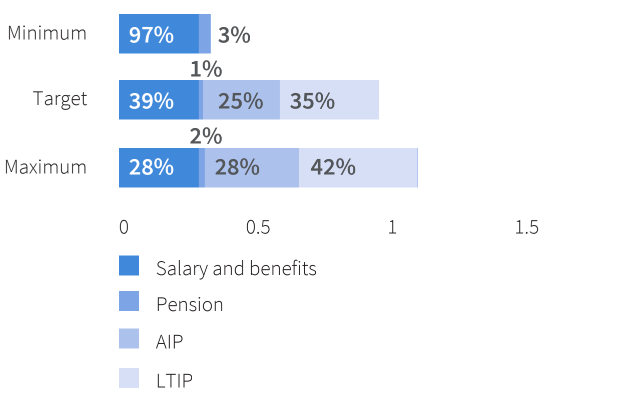
Tim Steiner, Chief Executive Officer (£m)



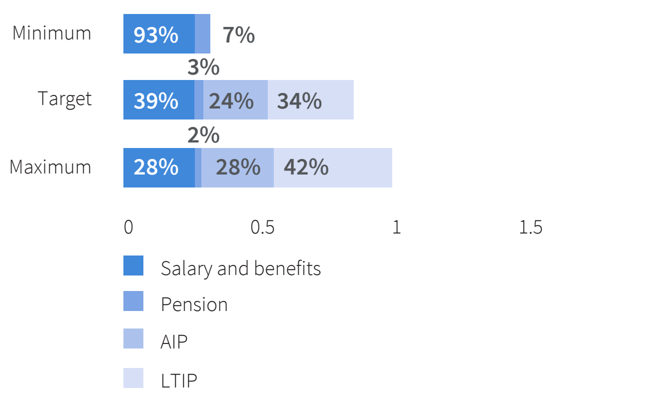
Mark Richardson, Chief Operations Officer (£m)



Duncan Tatton-Brown, Chief Financial Officer (£m)



Neill Abrams, Group General Counsel (£m)



Annual Report on Remuneration — 2015

Introduction

This part of the Directors' Remuneration Report sets out the Directors' remuneration paid in respect of the 2015 financial year. It sets out the payments to Directors and details of 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 82 and 83 constitutes the Annual Report on Remuneration, and will be subject to an advisory shareholder vote at the Company's AGM.

Highlights for 2015 (audited)

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

Base Pay and Benefits	Pension	AIP	Long-Term Incentives	All-Employee Schemes
Base pay increase of 2% for the Executive Directors, in line with other employees. No pay increases for the Non-Executive Directors in period. No change to taxable benefits.	Company contributions to pensions for Executive Directors in line with the Directors' Remuneration Policy.	Total bonus earned by Executive Directors for 2015 based on 65% to 67% of target achievement was £1,115,370 (2014: £912,415)	Awards were granted under the LTIP. 100% of target achievement for the 2013 LTIP awards, which are due to vest in March 2016.	No awards or options vested under any all-employee share schemes during the period. Certain options exercised under ESOS during period, where options were due to expire. Ongoing participation in the SIP and Sharesave schemes.
Further Information:				
See page 100.	See page 101.	See page 101.	See page 103.	See pages 110 - 112.

Total Director Remuneration (audited)

The total remuneration paid to all of the Directors during the period was £13,205,000. The detailed remuneration breakdown for the Executive Directors and the Non-Executive Directors is set out separately.

20. Directors' Remuneration Report (continued)

Executive Directors

Total Remuneration (audited)

The total remuneration for the period for each of the Executive Directors is set out in the table below. Total cash-based remuneration paid to the Executive Directors was £2,814,000 in 2015, which was 4.5% higher than in 2014 (£2,692,000). The prior year figure includes remuneration paid to former Executive Director Jason Gissing in that period (see note 3 to the Total Remuneration table).

	Tim Steiner		Neill Abrams		Duncan Tatton-Brown		Mark Richardson		Total	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Salary	557	517	289	282	345	337	345	337	1,536	1,473
Taxable Benefits	44	37	1	1	1	1	1	1	47	40
Pensions	45	41	23	23	19	19	28	27	115	110
Total Fixed Pay	646	595	313	306	365	357	374	365	1,698	1,623
AIP	459	385	194	156	232	184	231	187	1,116	912
Total Remuneration in cash	1,105	980	507	462	597	541	605	552	2,814	2,535
Share Plans – requiring investment										
JSOS – theoretical gain	—	5,503	—	2,227	—	2,937	—	2,562	—	13,229
Share Plans – awards										
LTIP	4,775	—	1,061	—	2,387	—	1,634	—	9,857	—
GIP	—	—	—	—	—	—	—	—	—	—
ESOS	—	—	—	—	—	—	—	—	—	—
2014 ESOS	—	—	—	—	—	—	—	—	—	—
SIP	—	—	—	—	—	—	—	—	—	—
Sharesave	—	—	—	—	—	—	—	—	—	—
Total for Share Plans	4,775	5,503	1,061	2,227	2,387	2,937	1,634	2,562	9,857	13,229
Recovery of sums paid	—	—	—	—	—	—	—	—	—	—
Total Remuneration	5,880	6,483	1,568	2,689	2,984	3,478	2,239	3,114	12,671	15,764

1. The value of LTIP awards for 2013 has been estimated based on 100% vesting and the three-month average share price from 1 September 2015 to 27 November 2015 of 348.02 pence per share, as these awards are not capable of vesting until after the end of the period, on 31 March 2016. This value assumes no dividends will be payable. The value assumes that the participant 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.
2. Tim Steiner's taxable benefits have been restated for 2014 in relation to the use of a chauffeur-driven car. Total remuneration for both Tim Steiner and the Executive Directors for 2014 has been restated accordingly.
3. Former Executive Director Jason Gissing, who retired from the Board on 7 May 2014, received the following remuneration during the prior period which is not included in the table (£'000): salary - 144; taxable benefits - 1; pensions - 12; total fixed pay - 157; total remuneration in cash - 157; JSOS - theoretical gain - 3,669; total for share plans - 3,669; total remuneration - 3,826.

An explanation of each element of remuneration paid in the table is set out in the following section.

The Company has obtained a written confirmation from each Executive Director that they have not received any other items in the nature of remuneration from the Group, other than those already disclosed in this 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 2015 (£)	Salary 2014 (£)	Effective from
Tim Steiner	561,000	550,000	1 April 2015
Neill Abrams	290,700	285,000	1 April 2015
Mark Richardson	346,800	340,000	1 April 2015
Duncan Tatton-Brown	346,800	340,000	1 April 2015

The changes to base salary were made in line with the Directors' Remuneration Policy. The Executive Directors received an increase in base pay of 2% which was in line with the percentage salary increases for the monthly paid employees of the Group in the period. The increases, which position the salaries broadly around the market median for a company of the Company's size and complexity, also aim to help retain the Executive Directors.

Taxable Benefits (audited)

The Executive Directors received taxable benefits during the period, notably private medical insurance, travel insurance and use of a chauffeur-driven car. 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 product discount. The remuneration arrangements for the Executive Directors do not include a company car or car cash allowance, but the directors have access to a chauffeur-driven car. This service was used almost exclusively by Tim Steiner during the period and accordingly is shown as a taxable benefit in the Total Remuneration table.

Pensions (audited)

The Company made pension contributions on behalf of the Executive Directors to the defined contribution Group personal pension scheme (which is administered by Standard Life). 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 rates being, for employees and Executive Directors joining the pension scheme before May 2013, from 3% up to 8%, and for employees joining the scheme after May 2013, from 3% up to 6%, depending on the number of years the employee or Executive Director has participated in the scheme). The contributions during the period made on behalf of the Executive Directors were 8% of base salary, except in the case of Duncan Tatton-Brown, which was 7% of base salary up to 31 December 2015, in accordance with the rules of the scheme. These contributions were made in line with the Directors' Remuneration Policy which allows the Company to make employer contributions of up to 30% of base salary.

Pension contributions can be made to the Executive Directors (and any other employee) as a cash allowance where the Executive Director has reached either the HMRC annual limit or HMRC lifetime allowance limit for pension contributions as provided for in the Directors' Remuneration Policy. In accordance with this policy, Duncan Tatton-Brown has elected to receive his pension contributions as an equivalent cash allowance.

Annual Incentive Plan (audited)

The Remuneration Committee re-examines the design of the AIP each year to incentivise the delivery of key business objectives and individual performance for that financial year. The 2015 AIP was based on the performance targets and weightings set out below. Financial performance measures, namely Gross Sales (Retail) and EBITDA, were the primary targets, with 70% of the annual bonus being determined by performance against targets set by the Remuneration Committee at the start of the financial year, by reference to the Company's budget for the period. Of the balance, 30% related to individual objectives for each of the Directors, largely independent of the financial objectives. The weighting of the individual objectives increased from 20% in 2014 to 30% in 2015 in order to align incentives with the Company's increased emphasis on achieving certain strategic objectives. 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, 8.75% of total bonus is payable and at "maximum" performance, 35% of total bonus is payable. A straight line sliding scale will apply in relation to the intermediate points between the "threshold" and "maximum". Each target was discrete and could be earned separately. 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.

		Tim Steiner	Duncan Tatton-Brown	Mark Richardson	Neill Abrams
Financial objectives					
EBITDA (% of total target)		35	35	35	35
Gross Sales (Retail) (% of total target)		35	35	35	35
Individual objectives (% of total target)		30	30	30	30
Examples of business area objectives	**1.**	Develop strategic plans under Ocado Smart Platform.			
	2.	Drive efficiency and progress key projects including new CFCs.	Prepare and execute financing strategy to include UK and international requirements.	Improve performance and capacity in line with annual order growth.	Develop Group's patent function.
	3.	Develop and drive long term strategy.	Continue to operate an efficient and effective finance function.	Deliver Andover CFC ahead of its capacity being required and in line with budget.	Continue oversight of legal, HR, CR and Risk functions.

20. Directors' Remuneration Report (continued)

Financial Targets and Individual Targets

Each Executive Director had between four and six individual objectives, with different weightings, under the plan. They related to specific programmes relevant to each Executive Director's business area for which they have primary responsibility. All of the Executive Directors had an individual objective which concerned the development of strategic plans for internationalising the business with the Ocado Smart Platform. The Remuneration Committee also considered environmental, social and governance issues when setting the individual objectives, in particular for Neill Abrams who has responsibility for the Group's CR policy. The Remuneration Committee reviewed the performance of each Executive Director against the measurable performance metrics and based their judgment on a report by the Chief Executive Officer and the Chairman.

The Group's Gross Sales (Retail) for the period were £1,115.7 million, which was above the "threshold" of £1,104.6 million set under the 2015 AIP. The Group's EBITDA (pre-exceptional items) for the period was £81.5 million, which was above the "threshold" of £75.5 million set under the 2015 AIP.

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. All Executive Directors met to some extent their individual objectives, with achievement between 75% and 80% of maximum.

	Financial Targets										Individual Objectives			Total Payment	
	Gross Sales (Retail)					EBITDA									
	Target		Performance	Achievement		Target		Performance	Achievement		Performance	Achievement			
Director	Threshold	Maximum	Actual	% bonus	% salary	Threshold	Maximum	Actual	% bonus	% salary		% bonus	% salary	% salary	£'000
Tim Steiner	£1,104.6m	£1,158m	£1,115.7m	14.2%	17.8%	£75.5m	£83.5m	£81.5m	28.7%	35.9%	Note 1	22.5%	26.9%	81.8%	£459
Duncan Tatton-Brown	£1,104.6m	£1,158m	£1,115.7m	14.2%	14.2%	£75.5m	£83.5m	£81.5m	28.7%	28.7%	Note 1	24.0%	24.0%	66.9%	£232
Neill Abrams	£1,104.6m	£1,158m	£1,115.7m	14.2%	14.2%	£75.5m	£83.5m	£81.5m	28.7%	28.7%	Note 1	23.8%	23.8%	66.7%	£194
Mark Richardson	£1,104.6m	£1,158m	£1,115.7m	14.2%	14.2%	£75.5m	£83.5m	£81.5m	28.7%	28.7%	Note 1	23.6%	23.6%	66.5%	£231

1. 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 30. Performance may range from zero to 30.
2. The applicable salary used for calculating the bonus payment under the rules of the 2015 AIP is the applicable base salary on the date of payment.

Disclosure of Targets

Following a change in policy agreed by the Remuneration Committee, the threshold and maximum targets and achievement against the targets have been disclosed in respect of the financial targets for the AIP. A broad description of some of the Executive Directors' individual objectives has been provided, but specific details concerning the individual objectives and performance against them has not been disclosed in this report. Although the Remuneration Committee is conscious of the regulations and the Code requirement that performance targets should be transparent, it considers that the individual objectives were and remain commercially sensitive to the Company and if disclosed could damage the Company's commercial interests. These individual objectives mostly relate to important business plans and actions and consequently could hinder the progress of the business or the Group's competitive advantage if publicly disclosed. The Remuneration Committee does not expect to disclose this information at a later date. The Remuneration Committee believes that the targets were stretching and have been rigorously applied.

Summary of Bonus Earned

The Remuneration Committee has, in accordance with the Directors' Remuneration Policy and the rules of the 2015 AIP, recommended an aggregate bonus payment of £1,115,370 (2014: £912,415) under the plan for the period. The Remuneration Committee believes that this level of bonus payment appropriately reflects the performance of the business and individual performance during the period, which saw strong trading for the Group in a very competitive market. The table above summarises the bonus payments for each Executive Director for the 2015 AIP. The cash payments are expected to be made in February 2016. No amount has been deferred to a later date given that under the rules of the AIP deferral does not apply as all of the Executive Directors have met the minimum shareholding requirements under the Directors' Remuneration Policy.

Share Plans

Awards granted under long-term incentive 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. Awards under most of the Company's share plans are subject to three-year vesting periods and therefore awards made or exercised during the period will not necessarily be reflected in the total remuneration figure for this period. Further details on all the existing share incentives held by the Executive Directors are set out below.

JSOS

There are no JSOS interests that vested during the period, therefore no value is shown in the total remuneration table for the period. The fourth and final tranche of JSOS shares vested on 1 January 2014. For a detailed description of the valuation of the JSOS in the 2014 column of the table, see page 112 of the 2014 annual report.

LTIP

The LTIP is the primary long-term incentive for the Executive Directors. The LTIP awards help retain and reward the Executive Directors for the delivery of long-term business objectives.

The three year performance period for the 2013 LTIP award expired at the end of the Financial Year. The Remuneration Committee reviewed the performance against the 2013 LTIP performance target, which was the Group's earnings before interest and tax and pre-exceptional items and prior to the cost of the LTIP awards for management, for the financial year. As noted on page 127 of this Annual Report, the Group's earnings before interest and tax and exceptional items for the period was £21.4 million, which was an increase of 28.9% on 2014. The performance target also takes into account the share based management incentive charges which were £7.8 million (see page 138). The Group's earnings before interest and tax and pre-exceptional items and before the LTIP award costs for management was £29.2 million, which exceeded the maximum performance target of £25.2 million for the 2013 LTIP awards. Accordingly, achievement against the performance condition was 100%. Details of performance against the EBIT target is set out in the table below. The value of the 2013 LTIP awards in the total remuneration table is estimated based on the average Company share price for the final three months of the period.

The expected vesting date of the 2013 LTIP award is 31 March 2016. Subject to the continued satisfaction of the award conditions, final vesting will be determined.

	EBIT			
	Target		Performance Achievement	
Director	Threshold	Maximum	Actual	% of maximum
Tim Steiner	£17.5m	£25.2m	£29.2m	100%
Duncan Tatton-Brown	£17.5m	£25.2m	£29.2m	100%
Neill Abrams	£17.5m	£25.2m	£29.2m	100%
Mark Richardson	£17.5m	£25.2m	£29.2m	100%

1. 25% of an award vests for threshold performance with full vesting for achieving or exceeding maximum performance. Vesting is a straight line between these two points.
2. Details of the number of conditional shares awarded to each Director for the 2013 LTIP awards are shown in the table on page 108.

Recovery of Sums Paid (audited)

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

20. Directors' Remuneration Report (continued)

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. With the exception of the Chairman (who has received the Chairman's Share Matching Award, which is noted on page 112) and Robert Gorrie (who receives other remuneration as set out below), the Non-Executive Directors received no remuneration from the Group other than their annual fee.

Non-Executive Director	Fees 2015 £'000	Fees 2014 £'000	Taxable Benefits 2015 £'000	Taxable Benefits 2014 £'000	Pension Entitlements 2015 £'000	Pension Entitlements 2014 £'000	Annual Bonus 2015 £'000	Annual Bonus 2014 £'000	Long-Term Incentives 2015 £'000	Long-Term Incentives 2014 £'000	Recovery of Sums Paid 2015 £'000	Recovery of Sums Paid 2014 £'000	Total Remuneration 2015 £'000	Total Remuneration 2014 £'000
Lord Rose	200	200	—	—	—	—	—	—	—	—	—	—	200	200
David Grigson	70	67	—	—	—	—	—	—	—	—	—	—	70	67
Ruth Anderson	60	57	—	—	—	—	—	—	—	—	—	—	60	57
Robert Gorrie	48	45	—	—	—	—	—	—	—	—	—	—	48	45
Jörn Rausing	48	45	—	—	—	—	—	—	—	—	—	—	48	45
Douglas McCallum	60	56	—	—	—	—	—	—	—	—	—	—	60	56
Alex Mahon	48	45	—	—	—	—	—	—	—	—	—	—	48	45

The remuneration arrangements for the Non-Executive Directors (except the Chairman) were reviewed by the Executive Directors and the Chairman during the period and remained unchanged.

The review was carried out by the Executive Directors and Chairman in accordance with the Directors' Remuneration Policy and accordingly took into account the responsibility and time commitments of the roles of the Non-Executive Directors and Board committee chairmen, the financial position and trading performance of the business, and the appropriate benchmark data (obtained from third party providers) for comparable roles for companies of equivalent size and complexity to the Group.

The Chairman's fees were not subject to review in 2015 as it was agreed on appointment that the Chairman's fee would not be reviewed by the Remuneration Committee for a minimum of three years from appointment.

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 Chairman received the Chairman's Share Matching Award on becoming Chairman in May 2013. The details of the award are outlined on page 112.

Robert Gorrie chairs the meetings of the Ocado Council and occasionally provides advice on various employee matters, in addition to his role as a Non-Executive Director. He provides these services through Robert Gorrie Limited (of which he is the sole shareholder) and is paid a per diem fee for these services. These fees are included in the related party transactions with key management personnel in Note 5.4 to the consolidated financial statements.

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 (audited)

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 (audited)

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 reappointment at the annual general meeting. There are no provisions in the letters of appointment for payment for early termination. A Non-Executive Director appointment may be terminated on one month's notice, except in the case of the Chairman, which requires six months' notice. A copy of a pro forma Non-Executive Director letter of appointment is available on the Company's corporate website. Copies of the letters of appointment and the service contracts of the Executive Directors are available for inspection at the Company's registered office.

Deferral or Holding Periods (audited)

The Executive Director share schemes do not contain any requirements for share deferral or additional holding periods except the Company operates deferred remuneration under the AIP to the extent that the minimum shareholding requirement for the Director has not been met. However, the Remuneration Committee feels that their absence is materially mitigated by the existing large shareholdings held by the Executive Directors in the Company and by the lengthy five-year vesting period that applies to the GIP. Such factors help create a longer term focus from the Executive Directors and strong alignment with shareholders, as envisaged by Code principle D.1.

Director Retirement Arrangements (audited)

As noted on page 68, David Grigson will retire from the Board at the Company's AGM on 4 May 2016. As announced on 28 January 2016, it was determined in accordance with the Directors' Remuneration Policy that the arrangements set out below should apply in relation to David Grigson's remuneration on retirement.

Element of Remuneration	Treatment
Remuneration Payments	All outstanding fees will be paid up to 4 May 2016 in accordance with the terms of David Grigson's 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.
Share Schemes	David Grigson has never participated in a Group share scheme.

Director Appointment Arrangements (audited)

As announced on 28 January 2016, Andrew Harrison was appointed to the Board as a Non-Executive Director with effect from 1 March 2016. Andrew Harrison's remuneration is in line with the approved recruitment policy detailed on page 94. On appointment, Andrew Harrison's basic annual fee is £48,000. Andrew Harrison will not receive any other benefits or payments in line with the Directors' Remuneration Policy.

Payments to Past Directors

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 Remuneration 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.

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, listed on the Johannesburg Stock Exchange. The role does not involve any remuneration paid or payable to Neill.
- In addition to his role as Executive Director of the Company, Duncan Tatton-Brown is an independent non-executive director, senior independent director and audit committee chairman of Zoopla Property Group plc, listed on the London Stock Exchange. For his services to Zoopla Property Group plc Duncan is paid a fee of £62,500 per annum.
- 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.

20. Directors' Remuneration Report (continued)

Director Shareholdings (audited)

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, were:

	Ordinary Shares of 2 Pence each held at 29 November 2015		Ordinary Shares of 2 Pence each held at 30 November 2014	
Director	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding
Tim Steiner	14,478,423	14,291,200	14,404,145	14,291,314
Lord Rose	750,000	–	750,000	–
Robert Gorrie	415,660	–	415,660	–
Neill Abrams	597,007	1,314,339	560,054	1,313,853
Douglas McCallum	20,000	–	10,000	–
Duncan Tatton-Brown	97,865	60,650	97,865	60,163
Ruth Anderson	80,000	–	80,000	–
David Grigson	35,000	–	35,000	–
Alex Mahon	11,099	–	11,099	–
Jörn Rausing	–	69,015,602	–	69,015,602
Mark Richardson	–	694	–	208

1. The indirect holding for Neill Abrams includes holdings of Caryn Abrams (wife of Neill Abrams) who holds 79,745 (2014: 79,745) ordinary shares, and as a discretionary beneficiary of a trust holding 133,100 (2014: 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 60,000 (2014: 60,000) ordinary shares.
3. 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 110. There have been no changes in the Directors' beneficial interests in trusts holding ordinary shares of the Company.
4. No Director had an interest in any of the Company's subsidiaries at the beginning or end of the period.
5. On 17 May 2013, in respect of various contracts for the transfer of shares (as described on pages 235 and 238 of the Prospectus), Tim Steiner and Neill Abrams delayed the date on which completion under the contracts for transfer would take place to 30 June 2016, or such later date as the parties may agree.
6. Where applicable, the above indirect holdings include SIP Partnership Shares held under the SIP, which are held in trust.

Director Shareholding Requirement (audited)

The table below 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.

Director	Minimum Shareholding Requirement (% of Base Salary or Fee)	Complied with Shareholding Requirement?	Basis for Compliance
Tim Steiner	150	Yes	Indirect and direct shareholdings
Duncan Tatton-Brown	100	Yes	Indirect and direct shareholdings
Neill Abrams	100	Yes	Indirect and direct shareholdings
Mark Richardson	100	Yes	JSOS and SIP interests
Lord Rose	100	Yes	Direct shareholdings
Robert Gorrie	100	Yes	Direct shareholdings
Douglas McCallum	100	Yes	Direct shareholdings
Ruth Anderson	100	Yes	Direct shareholdings
David Grigson	100	Yes	Direct shareholdings
Alex Mahon	100	Yes	Direct shareholdings
Jörn Rausing	100	Yes	Indirect shareholdings

The assessment for compliance is based on the current annualised salary or fee (as set out in the total remuneration tables) which applied on 20 January 2016 (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 265 pence per share on 20 January 2016), of the relevant shareholdings.

Director Interests in Share Schemes (audited)

JSOS (audited)

At the end of the period the Executive Directors' interests in ordinary shares in the Company pursuant to the Group's JSOS were as follows:

Director	Type of interest	Date of issue	Number of share interests	Hurdle Price (£)	Vesting Date
Tim Steiner	Joint interest in shares	03/02/10	2,513,100	1.73	01/01/11
	Joint interest in shares	03/02/10	2,513,100	1.91	01/01/12
	Joint interest in shares	03/02/10	2,513,100	2.08	01/01/13
	Joint interest in shares	03/02/10	2,513,000	2.28	01/01/14
Neill Abrams	Joint interest in shares	03/02/10	1,017,200	1.73	01/01/11
	Joint interest in shares	03/02/10	1,017,200	1.91	01/01/12
	Joint interest in shares	03/02/10	1,017,200	2.08	01/01/13
	Joint interest in shares	03/02/10	1,017,100	2.28	01/01/14
Duncan Tatton-Brown	Joint interest in shares	01/11/12	365,000	1.70	01/01/13
	Joint interest in shares	01/11/12	1,100,000	1.80	01/01/14
Mark Richardson	Joint interest in shares	03/02/10	223,300	1.73	01/01/11
	Joint interest in shares	03/02/10	223,300	1.91	01/01/12
	Joint interest in shares	03/02/10	223,300	2.08	01/01/13
	Joint interest in shares	03/02/10	223,200	2.28	01/01/14
	Joint interest in shares	30/11/12	711,975	1.70	01/01/13
	Joint interest in shares	30/11/12	776,700	1.80	01/01/14

Granted: No awards of JSOS shares interests were made during the period. The Remuneration Committee does not, as at the date of this Annual Report, have any intention of making a further award of share interests under the JSOS scheme to the Executive Directors. The JSOS scheme which was put in place prior to the Company's Admission in 2010, involves the Executive Directors investing their own funds to purchase a shared interest in the Company's shares at the market value at that time. These investments were made in 2010 (in the case of Tim Steiner, Neill Abrams and Mark Richardson) and in 2012 (in the case of Duncan Tatton-Brown and Mark Richardson again). The Executive Directors invested from their own resources. The purchased interests entitle the Executive Directors to a return only if, in the future, the share price exceeds the relevant hurdle rate. The Executive Directors would lose their investment if the share price were not to exceed the hurdle price. For a detailed description of the JSOS scheme refer to pages 249 to 252 of the Prospectus.

Vested: No JSOS share interests vested during the period.

Sold: No JSOS share interests have been sold by an Executive Director since inception of the scheme.

Lapsed: No JSOS share interests lapsed during the period.

20. Directors' Remuneration Report (continued)

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 (£)	End of Performance Period	Expected Vesting Date
Tim Steiner	Conditional shares	23/07/13	400	**1,371,951**	1,800,000	29/11/15	31/03/16
	Conditional shares	05/02/14	200	**174,588**	900,000	27/11/16	31/03/17
	Conditional shares	13/03/15	200	**291,005**	1,100,000	03/12/17	13/03/18
Mark Richardson	Conditional shares	23/07/13	280	**469,512**	616,000	29/11/15	31/03/16
	Conditional shares	05/02/14	150	**96,023**	495,000	27/11/16	31/03/17
	Conditional shares	13/03/15	150	**134,920**	510,000	03/12/17	13/03/18
Neill Abrams	Conditional shares	23/07/13	200	**304,878**	400,000	29/11/15	31/03/16
	Conditional shares	05/02/14	120	**64,016**	330,000	27/11/16	31/03/17
	Conditional shares	13/03/15	120	**90,476**	342,000	03/12/17	13/03/18
Duncan Tatton-Brown	Conditional shares	23/07/13	300	**685,975**	900,000	29/11/15	31/03/16
	Conditional shares	05/02/14	150	**96,023**	495,000	27/11/16	31/03/17
	Conditional shares	13/03/15	150	**134,920**	510,000	03/12/17	13/03/18

1. The LTIP awards are conditional awards under the rules of the LTIP, which is a right to receive free shares in the Company, subject to the achievement of performance conditions over a three-year performance period.
2. The 2013 LTIP award was determined based on a price of 131.2 pence per share. The 2013 LTIP awards have one performance condition which is the Company's earnings before interest and tax ("EBIT") pre-exceptional items for the financial year ended 29 November 2015. At "threshold" performance, 25% of an LTIP award will vest and at "maximum" performance, 100% of an LTIP award will vest. Vesting will be on a straight-line basis between the "threshold" and the "maximum".
3. The 2014 LTIP award was determined based on a price of 515.5 pence per share. The 2014 LTIP award is subject to two equally weighted performance conditions, which are the levels of diluted and adjusted earnings per share and Group Revenue, for the 2015/2016 financial year. At "threshold" performance, 25% of an LTIP award will vest and at "maximum" performance, 100% of an LTIP award will vest. Vesting will be on a straight-line basis between the "threshold" and the "maximum".
4. The 2015 LTIP award is outlined below.
5. The 2013 LTIP awards are not capable of vesting until after the end of the period, on 31 March 2016.

Granted: LTIP awards were made in respect of 2015 of up to 150% of annual base salary and in the case of the Chief Executive Officer, an LTIP award with a total market value of 200% of annual base salary. Such awards were made in accordance with the Directors' Remuneration Policy. The number of shares subject of an LTIP award was determined based on a price of 378 pence per share, being the volume weighted average price of the Company's ordinary shares on the three trading days prior to 13 March 2015 (being the LTIP grant date).

The 2015 LTIP awards are conditional awards under the rules of the LTIP, which are a right to receive free shares in the Company, subject to the achievement of four equally weighted performance conditions for the 2016/2017 financial year, being the third year of a three-year performance period. The performance metrics relate to the retails business and the platform business. The Remuneration Committee believes that these performance conditions encourage the delivery of crucial strategic objectives of the Group, and provide a better basis for assessing performance for the performance period than the two measures that were used for the 2014 LTIP awards. The performance conditions concerning the financial performance of the Group, both earnings before tax and revenue, will be focused on the Group's retail business performance and will be weighted 25% each. The new proprietary infrastructure solution performance conditions will each have a 25% weighting. The first concerns the operational efficiency of the Andover CFC in the 2016/2017 financial year and the second concerns the capital cost for an Ocado Smart Platform module.

The rationale for, and basis of measurement of, the performance metrics was as follows:

Performance target	Commercial rationale	Basis of measurement
Retail business (50%)	Rewards top line sales growth for the retail business in line with the Group's strategy and the creation of financial returns to shareholders.	Group Revenue and earnings before tax for the retail business for the 2016/2017 financial year.
Platform business (50%)	Rewards progress and achievement with the proprietary infrastructure solution, which is a key strategy objective.	Operational efficiency of Andover CFC and the capital cost per Ocado Smart Platform modules for the 2016/2017 financial year.

The Remuneration Committee has agreed "threshold" and "maximum" conditions that must be achieved. No LTIP award will vest unless a "threshold" level of the performance condition has been achieved. At "threshold" performance for a performance target, 6.25% of an LTIP award will vest and at "maximum" performance, 25% of an LTIP award will vest. Vesting will be on a straight-line basis between the "threshold" and the "maximum". Each target is discrete and can be earned separately. Full vesting will only occur where exceptional performance levels have been achieved and significant shareholder value created.

The performance conditions for the 2015 LTIP awards will be tested in relation to the financial year ending in 2017 to determine what percentage of the LTIP awards has been achieved, and will vest during 2018 to the extent that the performance conditions have been achieved.

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.

Vested: No awards under the LTIP vested during the period, though the performance period for the 2013 LTIP awards finished (as noted above).

Sold: As no awards under the LTIP have vested, no shares held under the LTIP have been sold by an Executive Director.

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 (£)	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
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
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

1. The face value of the options which are the subject of a GIP award was determined based on a price of 318.60 pence per share. A condition of vesting is that each participant holds, and retains throughout the performance period, shares in the Company. The Chief Executive Officer is required to hold shares equivalent, at the date of the award, to the value of his annual salary. Both other participants are required to hold shares equivalent, at the date of the award, to the value of half of their annual salary. The GIP award is subject to the achievement of a single performance condition to be satisfied over five years commencing on the date of grant of the awards. The share price of the Company is the sole performance measure, and will be assessed relative to the growth of the FTSE 100 Share Index over that period assessed using a three-month averaging period. The performance schedule is set out in the table below:

Performance target	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

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

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.

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

20. Directors' Remuneration Report (continued)

ESOS (audited)

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

Director	Type of interest	Date of Grant	Number of share options	Exercise Price (£)	Face value (£)	Exercise Period
Mark Richardson	Option	31/05/09	70,000	1.20	84,000	31/05/12 – 30/05/19
Duncan Tatton-Brown	Option	12/08/13	9,923	3.02	29,967	08/07/16 – 07/07/23

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 scheme to the existing Executive Directors. Existing options held by the Executive Directors under the ESOS were granted prior to the Company's listing in 2010 (except those granted in 2013 to then new appointee Director, Duncan Tatton-Brown). 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. Accordingly, no value is shown in the total remuneration table for the period.

Sold: Tim Steiner and Neill Abrams exercised ESOS options during the period. Had the options not been exercised they would have expired at the end of the exercise period, on 15 May 2015. Both Directors also sold sufficient of the resulting shares to cover the cost of the exercise and the tax liabilities due. The details of each ESOS option exercise and resulting share sale are set out below.

Director	Date of Grant	Number of Options Exercised	Exercise Price (£)	Date of Exercise and Sale	Shares Sold on Exercise	Share Sale Price (£)	Shares Retained on Exercise
Tim Steiner	16/05/05	200,000	1.15	13/05/2015	125,722	3.8735	74,278
Neill Abrams	16/05/05	50,000	1.15	08/05/2015	31,616	3.785	18,384
	16/05/05	50,000	1.15	13/05/2015	31,431	3.8735	18,569

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

2014 ESOS (audited)

No awards have been granted to the Executive Directors under the 2014 ESOS, and the Remuneration Committee does not have any intention of making an award of options under the 2014 ESOS scheme to the Executive Directors. Accordingly, no value is shown in the total remuneration table for 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 29/11/2015	SIP Shares that Became Unrestricted in the Period	Total Unrestricted SIP Shares Held at 29/11/2015
Tim Steiner	486	69	1,068	3,852	2,914	–	–
Duncan Tatton-Brown	487	69	1,029	3,721	2,868	–	–
Mark Richardson	486	70	1,029	3,725	2,919	–	–
Neill Abrams	486	70	863	3,166	2,575	–	–

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.

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 2015 under the terms of the SIP and the Directors' Remuneration Policy. "Free shares" are where 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. "Partnership shares" are where employees are invited to purchase ordinary shares directly from their earnings. The market value of such partnership shares which an employee can purchase in any tax year currently may not exceed £1,800 (or 10% of the relevant employee's remuneration, if lower). "Matching shares" are additional free shares which may be allocated to an employee who purchases partnership shares. The rules of the SIP reflect current UK legislation and allow for a maximum match of two to one. The matching ratio adopted by the Company for the SIP during the period was a ratio of one matching share for every seven partnership shares purchased, considerably lower than the maximum permitted ratio.

There are no performance conditions attached to awards made under the SIP, although free and matching shares are subject to a three-year forfeiture period. Partnership shares are purchased by the employees and therefore forfeiture does not apply. Free and matching shares awarded under the SIP are subject to a holding period of no less than three years but no more than five years. Partnership shares purchased by employees will not be subject to a holding period.

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. Since the end of the period and 20 January 2016, 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 awarded	Total face value of free shares and matching shares (£)	Total SIP shares held at 20/01/2016
Tim Steiner	101	15	–	45	3,030
Duncan Tatton-Brown	101	15	–	45	2,984
Mark Richardson	101	14	–	41	3,034
Neill Abrams	101	14	–	41	2,690

Vested: No awards under the SIP vested during the period. Free 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 and matching shares will be forfeited. As 2015 was the second year of operation for the SIP, no such forfeiture period had expired in respect of free or matching shares awarded to the Executive Directors. 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. Accordingly, no value is shown in the total remuneration table for the period.

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	01/10/13	2,987	3.01	8,997	01/12/16 – 31/05/17
	Options	01/04/15	2,777	3.24	8,998	01/05/18 – 01/11/18
Neill Abrams	Options	01/10/13	2,987	3.01	8,997	01/12/16 – 31/05/17
	Options	01/04/15	2,777	3.24	8,998	01/05/18 – 01/11/18
Duncan Tatton-Brown	Options	01/10/13	2,987	3.01	8,997	01/12/16 – 31/05/17
	Options	01/04/15	2,777	3.24	8,998	01/05/18 – 01/11/18
Mark Richardson	Options	01/04/15	5,555	3.24	17,998	01/05/18 – 01/11/18

Granted: The Executive Directors elected to participate in the 2015 invitation under the Ocado Sharesave Scheme, where the Directors were granted options to purchase ordinary shares of 2p each in the Company on the same terms as all other employees, at an exercise price of £3.24 per ordinary share, as set out in the table above.

Vested: No awards matured under the Sharesave scheme during the period. Accordingly, no value is shown in the total remuneration table for the period.

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

Lapsed: No Sharesave awards lapsed during the period.

20. Directors' Remuneration Report (continued)

Chairman's Share Matching Award (audited)

At the end of the period, the Chairman's Share Matching Award was as follows:

Director	Type of Interest	Date of Grant	Number of Shares	Face Value (£)	End of Vesting Period
Lord Rose	Restricted shares	17/05/13	452,284	400,000	10/05/2016

1. The face value of the award has been calculated using a price of 88.44 pence per share, being the volume weighted average share price of the Company's ordinary shares on the three trading days prior to 22 January 2013 (the date of the announcement of the Chairman's appointment). The basis for the award was to match up to £400,000 of Company shares where such shares were acquired by the Chairman.
2. The award is not subject to any performance conditions other than continued service.

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. The allocation of awards under the JSOS were met by the subscription for new shares by the participant and the EBT. Awards granted under the LTIP and 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. The Chairman's Share Matching Award was met by the new issue of shares on the date of grant. The share deferral provisions in the AIP have not been approved by shareholders and accordingly awards will be satisfied only by the purchase of existing shares by the EBT until such shareholder approval is obtained.

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 JSOS, 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.

The JSOS rules have additional overriding limits on the number of shares that may be allocated under the JSOS. Up to 7.5% of the Company's ordinary issued share capital may be held under the JSOS.

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 practical date prior to the publication date of this Annual Report being 20 January 2016, 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.

All Share Plans

Discretionary Share Plans

Review of Changes in Remuneration and Company Performance

This part of the report provides some context for the Directors' remuneration arrangements including information concerning the Company's performance, shareholder returns and the Group's total expenditure on employee pay.

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 five financial years.

Year	Chief Executive Officer Total Remuneration (including JSOS) (£'000)	AIP or Bonus Payment as a Percentage of Target Achievement (%)	Value of AIP or Bonus Payment (£'000)	Long-Term Incentives as a Percentage of Maximum Opportunity (%)
2015	**5,880**	**65.0**	**459**	**100**
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).
2. From 2010, the Company had the JSOS as the main form of long-term incentive plan. 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 table). In 2011, the first tranche of JSOS shares vested in that period. The LTIP was implemented in 2013 but the first award has a performance period ending in 2015 and a vesting date in 2016 so is estimated for the 2015 Total Remuneration table. The GIP and SIP were both implemented in 2014, but have vesting dates in 2019 and 2017 respectively.
3. For an explanation of JSOS and the theoretical remuneration represented in the Chief Executive Officer's total remuneration, see page 112 in the 2014 Annual Report.

Chief Executive Officer percentage change versus representative 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 of the Group's UK employees from the preceding period to the current period.

	Chief Executive Officer	All UK employees
Percentage change in salary from 2014 to 2015	2%	2.4%
Percentage change in taxable benefits from 2014 to 2015	18.9%	14.7%
Percentage change in AIP earned from 2014 to 2015	19.2%	0%

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 UK employees is on a per capita basis.

20. Directors' Remuneration Report (continued)

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 or previous year. The information shown in this chart is:

- Profit – Group profit before tax taken from the table on page 127 of the financial statements.
- Total gross employee pay – total gross employment costs for the Group (including pension, variable pay, share-based payments and social security) as stated on page 138 of the financial statements.

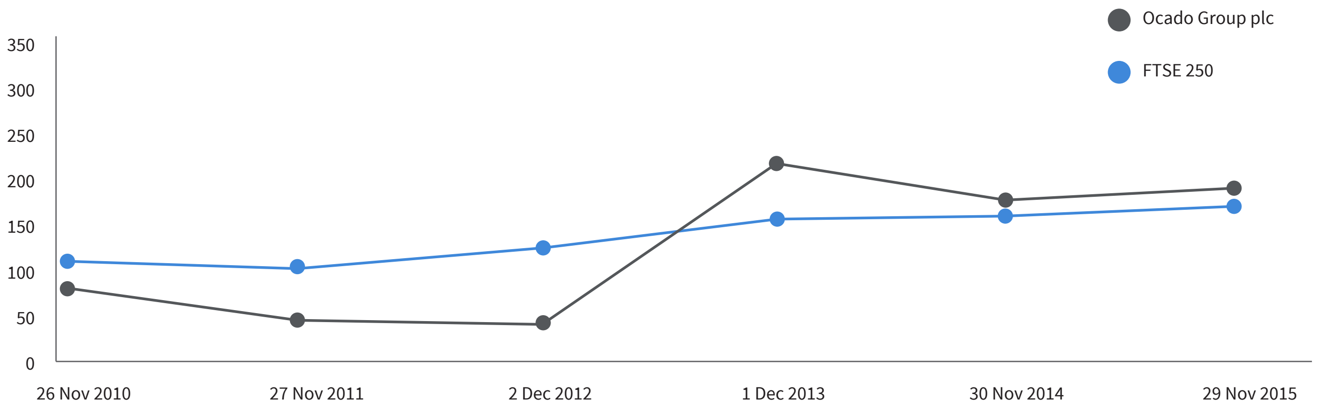
	29 November 2015 (£m)	30 November 2014 (£m)
Profit before tax	11.9	7.2
Total gross employee pay	239.9	190.5

Company Share Price

The closing market price of the Company's shares as at 27 November 2015, being the last trading day in the period ended 29 November 2015, was 366.50 pence per ordinary share (2014: 325.00 pence) and the share price range applicable during the period was 312.60 pence to 470.80 pence per ordinary share.

Total Shareholder Return

The following graph shows the TSR performance of an investment of £100 in the Company's shares from its Admission to the end of the period compared with an equivalent investment in the FTSE 250 Index (which was chosen because it represents a broad equity market index of which the Company is a constituent). The TSR was calculated by reference to the movements in share price. The Company has not paid a dividend since its Admission so the Company's TSR does not factor in dividends reinvested in shares.



Annual Report on Remuneration — Implementation of Policy for 2016

Introduction

This part of the Directors' Remuneration Report sets out implementation of the Directors' Remuneration Policy for 2016.

Summary of Changes for Executive Directors

This table briefly summarises the proposals for the Directors' remuneration arrangements for 2016 when compared to the arrangements for the period.

Base Salary and Benefits	Pension	AIP	Long-Term Incentives	All-Employee Schemes
Base salary will be subject to annual review.	No changes proposed outside of the policy.	No change to the maximum opportunity, measures or structure of 2016 AIP.	No change to the maximum opportunity or measures for 2016 LTIP awards.	New invitation to participate in Sharesave. Ongoing participation in the SIP.

Base Salary and Benefits

The Remuneration Committee expects to finalise its annual review of the Executive Directors' base salaries later in 2016, 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 the Executive Directors are expected to remain in line with the Directors' Remuneration Policy.

2016 AIP

The Remuneration Committee approved the implementation of an AIP for the Executive Directors applicable to the 2015/2016 financial year. This plan broadly reflects the framework of the 2015 AIP and is line with the Directors' Remuneration Policy.

The bonus potential for the Executive Directors is 100% and for the Chief Executive Officer is 125% of base salary for "maximum" performance, which is the same as the 2015 AIP.

The weighting of objectives in the 2016 AIP is the same as the 2015 plan, with 35% for a Gross Sales target, 35% for a Group EBITDA target and 30% for performance measured against role-specific objectives. The Gross Sales target relates to the Group's retail sales and does not include any income or benefits from the Morrisons operation. The rationale for setting these performance measures has not changed from 2015. For an explanation, see the Annual Report on Remuneration on page 101.

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 will disclose achievement against the targets after the end of the performance period, provided such disclosure is not considered commercially sensitive at the time.

2016 LTIP Awards

The Remuneration Committee approved the making of awards under the LTIP for the Executive Directors for the 2015/2016 financial year. The amount of the LTIP awards is based on a percentage of salary, expected to be broadly in line with the percentages agreed for the 2015 LTIP awards and in line with the Directors' Remuneration Policy.

As with the 2015 LTIP awards, the Remuneration Committee proposes to make 2016 LTIP award grants subject to earnings before tax and Revenue performance conditions in respect of the retail business, as well as two measurable financial targets linked to the economic efficiency of the new proprietary infrastructure solution. Each performance condition will have a 25% weighting.

No LTIP award will vest unless a "threshold" level of performance condition has been achieved. At "threshold" performance for a performance target, 6.25% of an LTIP award will vest and at "maximum" performance, 25% of an LTIP award will vest. Full vesting will occur where exceptional performance levels have been achieved and significant shareholder value created.

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 will disclose achievement against targets after the end of the performance period, provided such disclosure is not considered commercially sensitive at the time.

20. Directors' Remuneration Report (continued)

SIP

The Executive Directors are expected to continue their participation in the SIP scheme in 2016.

Sharesave

The Executive Directors will be invited to participate in the next offer of Sharesave, expected to be made in 2016.

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.

Shareholder Approval and Votes at AGM

The 2015 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 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 Directors' Remuneration Report received significant shareholder votes against it (19.39%) at the annual general meeting in May 2015 (see the table on the opposite page for the voting outcomes for the resolutions regarding remuneration at the previous annual general meeting). The Chairman had consulted with many of the Company's larger shareholders on the Directors' Remuneration Policy and other key remuneration changes prior to the 2015 annual general meeting. Accordingly, the Company was aware of some shareholders' ongoing primary concerns with the Company's remuneration arrangements, including transparency of the AIP and LTIP performance conditions. The Remuneration Committee reviewed its policy concerning target disclosure and agreed to provide additional target disclosure. The Remuneration Committee agreed to a new policy, namely that the Company provide retrospective disclosure of actual targets for Executive Director incentive schemes, provided that such disclosure did not comprise commercially sensitive targets. The Company Secretary sought feedback from a number of larger shareholders who had voted against the Directors' Remuneration Report resolution at the annual general meeting in May 2015, on the proposal to provide greater share scheme target transparency. The additional target disclosure is set out in this Annual Report.

The Remuneration Committee will continue to seek the views of shareholders on any significant changes to the Directors' remuneration arrangements or any proposed exercises of discretion in relation thereto.

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
2015 AGM						
Approve the 2014 Directors' Remuneration Report	377,215,710	80.61	90,709,506	19.39	476,384,487	8,459,271
2014 AGM						
Approve the 2013 Directors' Remuneration Report	399,764,910	80.04	99,701,426	19.96	499,693,161	226,825
Approve the Ocado Growth Incentive Plan	365,970,183	73.24	133,721,017	26.76	499,693,271	2,071
Approve the 2014 ESOS	481,882,997	97.10	14,373,969	2.90	499,692,971	3,436,005
2013 AGM						
Approve the 2012 Directors' Remuneration Report	349,776,432	76.54	107,184,194	23.46	461,418,179	4,457,553
Approve the Ocado Long Term Incentive Plan	360,235,983	86.40	56,698,838	13.60	461,418,179	44,483,358
Approve the Chairman's Share Matching Award	384,380,959	83.30	77,037,220	16.70	461,418,179	0

Basis of Preparation and Audit Review

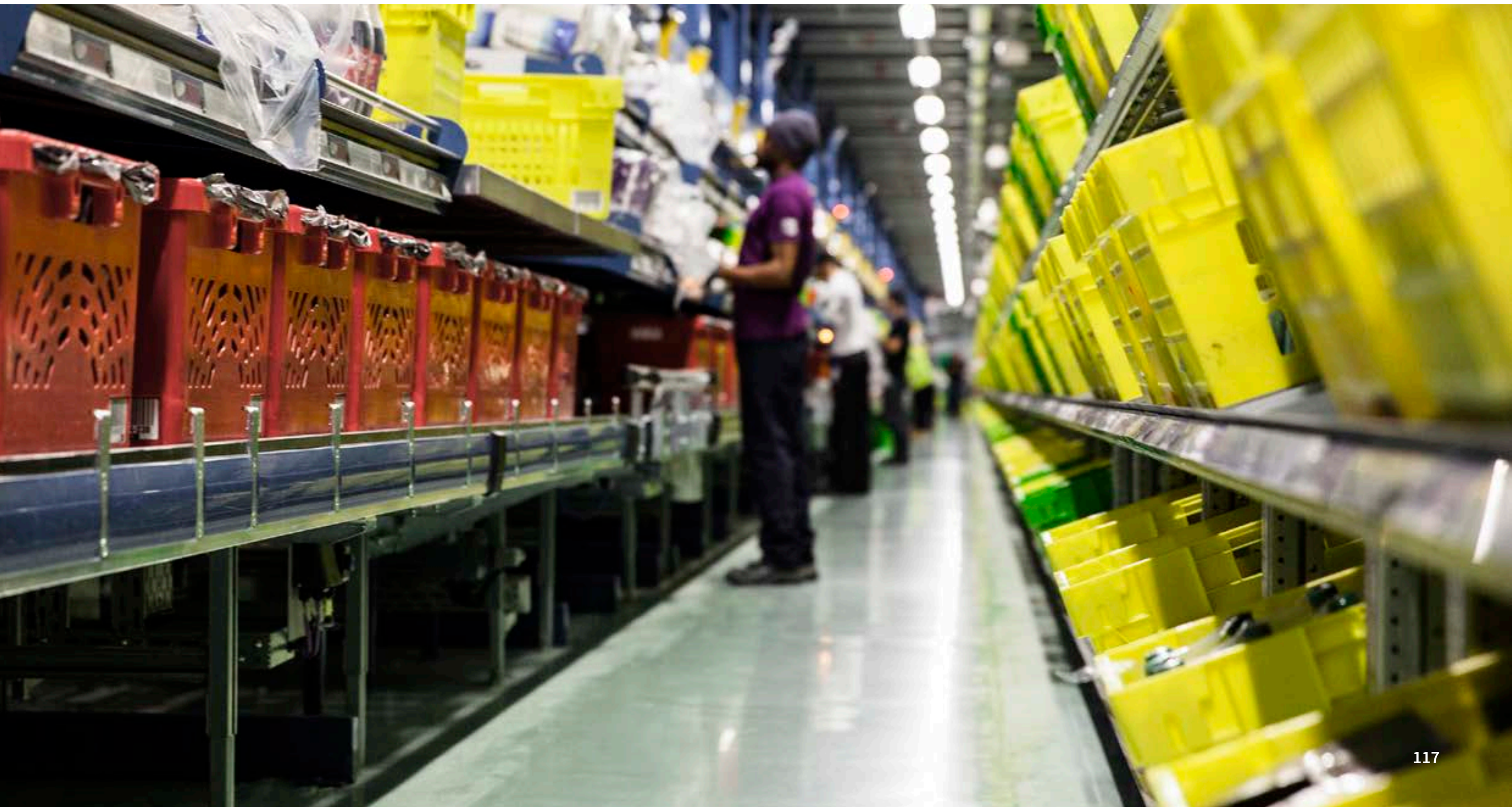
This report is a Directors' Remuneration Report for the 52 weeks ended 29 November 2015, prepared for the purposes of satisfying section 420(1) and section 421(2A) of the Companies Act. It has been drawn up in accordance with the Companies Act and the Code, the Regulations, the Listing Rules and the Disclosure and Transparency 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 auditors, PricewaterhouseCoopers 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

Douglas McCallum
Chairman of the Remuneration Committee
Ocado Group plc
2 February 2016



Our Financials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Independent Auditors' Report

to the members of Ocado Group plc

Report on the group financial statements

Our opinion

In our opinion, Ocado Group plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 29 November 2015 and of its profit and cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Consolidated Balance Sheet as at 29 November 2015;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview

Context

Our 2015 audit was planned and executed having regard to the fact that the operations of Ocado were largely unchanged from the prior year albeit the level of capital expenditure, particularly in relation to developing the platform, continued to be significant. In addition we had regard to the continued tough trading environment in the UK grocery market, whilst noting that Ocado continued to grow its customer base and revenues, and the potential impact this might have on cash flow projections used to support asset carrying values. In light of this our overall audit approach in terms of scoping and areas of focus was largely unchanged with continued scrutiny over the development and technical feasibility of key capital projects and the assessed economic return that these were anticipated to achieve.

- Overall group materiality: £4.5m which represents 0.41% of revenue.

- The complete financial information of all active trading companies located in the UK, whose results taken together account for all material balances and line items within the consolidated financial statements, were audited by the UK engagement team.
- The UK engagement team also audited the group's joint venture with Wm Morrisons Supermarkets Plc ("Morrisons").

- Commercial income.
- Capitalisation of internal development costs.
- Share based payments.
- Deferred tax asset.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Commercial income As described in the Audit Committee Report on page 64 and in the critical accounting estimates and judgements and accounting policies sections in the notes to the accounts (page 135), Ocado has three main streams of commercial income; promotional support; media income; and volume rebates. This remains an area of focus due to the judgments involved and the quantum of income recorded under these arrangements and its significance in relation to the result for the period. The amount to be recognised in the income statement for elements of commercial income requires management to apply judgement based on the contractual terms in place with suppliers and estimates of amounts the group is entitled to where transactions span the financial period-end. **Promotional support and media income** Promotional support and media income arrangements are typically structured to last for a four week duration and are settled with suppliers within a short period following the relevant service or promotion having been fulfilled. This income stream involves high volume, lower value arrangements and requires limited judgement or estimation by management in determining the amount that the group is entitled to. Notwithstanding the limited judgement involved, the magnitude of this income is highly material. Our focus was therefore whether an arrangement or agreement for the promotional support and media income recognised existed, whether the relevant promotion or media advertising had taken place and whether the income recognised was recorded in the appropriate period. **Volume rebates** Volume rebates is the stream of commercial income which, in our view, involves the most judgement. Volume rebates are earned both on supply arrangements managed by Waitrose (as the group's supply partner) under the Waitrose sourcing agreement referred to on page 12 and on arrangements with direct suppliers to Ocado. Rebates earned under Waitrose managed supply arrangements are material to the group's results whilst rebates earned from direct suppliers are becoming more significant. Entitlement to income under Waitrose supply arrangements is based on the level of purchasing activity made by Ocado under the Waitrose sourcing agreement and the specific contractual terms negotiated with various suppliers by Waitrose. As Waitrose negotiates and agrees the contracts with suppliers, Ocado has to determine income to be recorded based on interim payments received during the year and information provided by Waitrose in relation to amounts due at the period end. The key judgement that we therefore focus on in the calculation of Ocado's share of rebates due from Waitrose is the estimate of amounts to be accrued at the period end, based on information provided by Waitrose.	**Promotional support and media income** Our approach, specifically in relation to promotional income, was underpinned by testing key system controls, including those used to determine the amount of items sold under the terms of a supplier funded promotion arrangement. We determined that the testing of these controls provided us with audit evidence that promotional support income had been recorded appropriately and in the correct period. Our testing for promotions also included checking the computation of the amounts billed to suppliers. We additionally reconciled the total value of promotion income recorded in Ocado's "Promotions" system for the period to the total value recognised in the general ledger and found no material reconciling items. We independently confirmed the terms of a sample of individual promotion and media agreements, covering both the duration of the promotion / campaign and the quantum of promotional support per unit sold / the price charged for the campaign, directly with a range of suppliers, including requesting confirmation of items invoiced in the period and for amounts accrued at the period end, checking that the amount recognised was recorded in the correct period based on the suppliers' confirmation of details of the period the funding related to. Similar to promotional income, we reconciled the total value of amounts recorded in Ocado's "Media" booking system to the total value of media income recorded in the financial statements and found no material reconciling items. We also selected a sample of individual media adverts in the period and checked that income relating to these adverts was recognised in the period. **Volume rebates** In relation to income due from Waitrose under the terms of their supply arrangements, we visited the Waitrose head office and met with the members of the Waitrose Commercial Finance team responsible for determining rebates due to Ocado. We obtained and read a sample of supplier contracts negotiated by Waitrose and checked that there was an accrual for amounts due to Ocado in relation to these agreements, the accuracy of which we tested as set out below. We also considered how Waitrose determine their overall supplier volume rebate income and the associated Ocado share of this. We agreed a sample of amounts invoiced by Ocado to Waitrose during the period by testing the settlement of these amounts by Waitrose. With respect to accrued income recognised as due from Waitrose at the period end, we obtained a direct confirmation from Waitrose at the period end of the data used by Ocado to estimate the year end accrued income generated from supplies sourced through Waitrose. We reperformed the calculation undertaken by Ocado using this data to determine the year end accrued income and concluded the amounts recognised were reasonable. We also assessed the historical accuracy of estimates made by Ocado in relation to the estimate of the full year amount due to them from Waitrose noting that historic estimates in the last two years had proved highly accurate, based on amounts finally invoiced and settled. In respect of income due under direct supply arrangements we circularised a number of suppliers to confirm directly the amount of accrued income that Ocado should recognise at the year end. We received confirmations from all suppliers circularised with no issues of note arising. **Overall commercial income** In relation to the overall amounts recognised for all material commercial income streams, we analysed the total amounts recognised quarterly for each stream, and compared these amounts to the equivalent month in the previous year, to identify whether there were any unusual trends of significance in the amounts or timing of commercial income recognised in each period. No such items were identified.

Independent Auditors' Report (continued)

to the members of Ocado Group plc

Area of focus

Capitalisation of internal development costs

As explained on pages 20 and 22, Ocado develops a significant amount of the software used to operate the systems and technology used in the business and are further developing additional technology to increase the efficiency and capacity of existing operations, and to support future international expansion. In the current period, as set out in note 3.1 £29.7m of internal development costs have been capitalised within Intangible Assets and Property, Plant and Equipment.

We focussed on this area due to the size of the internal costs capitalised, and the fact that there is judgement involved in assessing whether the criteria set out in the accounting standards required for capitalisation of such costs had been met, particularly:

- The technical feasibility of the project; and
- The likelihood of the project delivering sufficient future economic benefits.

We had particular regard to the fact that the group has continued to invest in new technology to support future expansion both in the UK and internationally, and therefore we focussed on whether the economic benefits of the various projects under development supported the amounts capitalised. This specifically included:

- Projects relating to the re-platforming of the group's technology to enable it to improve its ability to develop and operate and to expand internationally, where the economic benefit of a successful launch is only achieved in the longer term and is inherently, therefore, more judgemental, and
- Projects where there are significant judgements made as to the level of future economic benefits due to the innovative nature of some of the technology being developed.

As part of our work we also focussed on management's judgements regarding whether capitalised costs were of a developmental rather than research nature (which would result in the costs being expensed rather than capitalised); and whether costs, including employment (payroll) costs, were directly attributable to relevant projects.

In light of the development of new software and systems, we also focussed on whether the carrying value of existing capitalised software or systems was impaired.

How our audit addressed the area of focus

We obtained a breakdown, by value, of all individual internal development projects capitalised in the period and reconciled this to the amounts recorded in the general ledger, identifying no reconciling differences.

We tested all projects where capitalised costs were in excess of £250,000, together with a sample of smaller projects from the remaining population, as follows:

- We obtained explanations from management of why the project was considered to be capital in nature, in terms of how the specific requirements of the relevant accounting standards and other guidance, most notably of IAS 38, IAS 16 and SIC 32 (Web Site Costs) were met. We also conducted interviews with individual project development managers responsible for the projects selected to corroborate these explanations and to obtain an understanding of the specific projects to enable us to independently assess whether the projects met all the criteria for capitalisation set out in accounting standards. We found the explanations obtained from individual project managers to be consistent with those obtained from management, our understanding of developments in the business and supported management's assessment that the costs met the relevant capitalisation criteria.
- We challenged both management and the relevant development project managers as to whether the development of new software or systems superseded or impaired any of the existing assets on the balance sheet. We noted that, as disclosed in notes 3.1 and 3.2 an impairment charge of £1.8m was recorded in this regard, but did not identify any further indicators of impairment. We also applied our own understanding of both new and existing projects and considered whether, in our view, there were any projects where the software is no longer in use or its life was shortened by any development activity. We found no such items.

To determine whether costs were directly attributable to projects, we obtained listings of hours worked on individual projects and selected a sample of the individual hours recorded and met with the project manager of the relevant project to obtain an understanding of the project being worked upon and to confirm that the employee selected for testing was involved on the project and to ascertain the nature of the work they had been performing. We also checked the hours charged equated to the value of costs capitalised, by applying the standard charge out rate per employee to the timesheet hours, without exception.

We also tested the standard hourly rates, referred to above, that had been applied to the hours identified as appropriate for capitalisation by reconciling these to the hourly rate equivalent of the average salary of Ocado's technology development team. We agreed that the rates applied reflected an appropriate amount of internal development employee costs in each instance with no significant matters arising.

Area of focus	How our audit addressed the area of focus
Share based payments The group has in place a number of different share incentive schemes which are accounted for in accordance with IFRS 2 "Share based payments". These range from non-complex 'vanilla' share option plans to more complex Executive Director long term incentive schemes, details of which are explained in note 4.10. The accounting treatment differs for each scheme depending on the details of the individual scheme. For certain schemes, namely the "Growth Incentive Plan" and the "Long Term Incentive Plans", determining the appropriate accounting charge for the period requires various judgments to be made including the likelihood of specific performance criteria being met (e.g., 'Revenue' and 'Earnings Before Interest and Tax' targets and share price growth) which determines whether an award will crystallise, and the level of payout that will be achieved. Whilst there were no new schemes introduced during the year there were a number of grants under pre-existing schemes. We focussed on understanding the details of each grant and the associated accounting in relation to such grants as well as existing schemes where measurement criteria, impacting the accounting, needed to be reassessed in the year.	For all new grants we discussed with management the accounting that they had applied, and together with our own independent evaluation of the contractual documentation, evaluated whether the accounting charge (where applicable) and disclosures in relation to each scheme were in accordance with IFRS 2, and determined that the treatment and disclosures relating to the schemes was consistent with the accounting requirements. We also re-performed the related calculations to check their arithmetical accuracy with no exceptions identified. Where the accounting charge to be recorded was dependent on judgement around the achievement of various performance criteria, including an assessment of achieving future targets, we challenged management's assumptions and performed sensitivity tests around the projected achievement levels. We also compared the future projections used by management, to determine the accounting charge, to the group's detailed business plans and forecasts and external market data, which we found to be materially consistent. We also had regard to the level of historical accuracy of management's projections. In light of the above, we found that the judgements made by management were reasonable and that the charge booked was not materially sensitive to what we considered to be a range of realistically possible alternative outcomes as to the levels of performance attained.
Deferred tax asset As set out in note 2.8 Ocado recognise a deferred tax asset of £10m. This was an enhanced area of focus in the current year as the group now has recorded a profit in each of the last two years raising the prospect of potentially recognising a larger element of available tax losses as an asset on the balance sheet. Determining an appropriate level of deferred tax asset to recognise requires some judgement particularly in relation to the assessed future profitability of the business and the risk adjustment factors applied to these profit projections by management as described on page 139.	We obtained the detailed tax computation produced for the group and tested the computation of accelerated capital allowances and tax losses available to offset against current and future taxable profits. In addition we tested the arithmetic accuracy of the model used by management to derive the level of deferred tax asset to recognise as well as validating that the inputs to the model were appropriate and consistent, where appropriate, with projections used elsewhere in the business. No issues of note arose from this work. We further considered the appropriateness of the risk adjustment factor applied to the calculation having regard to the continued profitability of the business and the wider challenges and opportunities facing Ocado as set out in the strategic report on pages 14 and 15 and CEO's review on pages 24 to 29. On balance we concluded that the level of risk adjustment was appropriate given the current and forecast trading performance of the business, the market place it operates in and the current status of international expansion plans.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

As described in the Strategic Report, specifically on pages 9 to 11, the group's main trading activities are grocery retailing and the development and monetisation of intellectual property and technology for the online retailing, logistics and distribution of grocery and consumer goods, which is all currently undertaken in the UK.

The group's retailing, logistics and technology development operations are held in separate legal entities. The scope of our audit includes all active trading companies located in the UK, whose results taken together account for all material balances and line items within the consolidated financial statements. All entities are managed from one central location in the UK and all audit work is undertaken by the UK engagement team.

The group structure also includes a Joint Venture arrangement with Morrisons related to the provision of warehouse equipment in CFC2.The results of this entity are also audited by the UK engagement team. No audit work was deemed necessary in relation to the group's captive insurer in Malta or development operation in Poland as the results of these entities are immaterial to the overall consolidated financial statements.

Independent Auditors' Report (continued)

to the members of Ocado Group plc

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£4.5m (2014: £4m).
How we determined it	0.41% of revenue.
Rationale for benchmark applied	We have applied revenue as a benchmark for determining materiality as we considered that this provides us with a consistent year-on-year basis for determining materiality, reflecting the group's growth and investment actions aimed at delivering enhanced levels of future profitability, and which we believe is also a key measure used by the shareholders as a body in assessing the group's performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £225,000 (2014: £200,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 39, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Report on the group financial statements

Consistency of other information

Companies Act 2006 opinion

In our opinion:

- In our opinion, 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.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: — materially inconsistent with the information in the audited financial statements; or — apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or — otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 62, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and parent company's performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on pages 63 to 67, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the directors' confirmation on page 62 of the Annual Report, in accordance with provision C.2.1 of the Code, 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.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 39 of the Annual Report, in accordance with provision C.2.2 of the Code, 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 have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

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. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Independent Auditors' Report (continued)

to the members of Ocado Group plc

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 76 and 77, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the company financial statements of Ocado Group plc for the 52 week period ended 29 November 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
2 February 2016

Consolidated Income Statement

for the 52 weeks ended 29 November 2015

	Notes	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Revenue	2.3	**1,107.6**	948.9
Cost of sales		**(732.5)**	(636.0)
Gross profit		**375.1**	312.9
Other income	2.4	**49.0**	39.4
Distribution costs	2.5	**(309.4)**	(253.1)
Administrative expenses	2.5	**(95.6)**	(85.0)
Operating profit before result from joint venture and exceptional items		**19.1**	14.2
Share of result from joint venture	3.4	**2.3**	2.4
Exceptional items	2.7	**—**	(0.3)
Operating profit	2.5	**21.4**	16.3
Finance income	4.5	**0.2**	0.4
Finance costs	4.5	**(9.7)**	(9.5)
Profit before tax		**11.9**	7.2
Taxation	2.8	**(0.1)**	0.1
Profit for the period		**11.8**	7.3

Profit per share		**pence**	pence
Basic profit per share	2.9	**2.01**	1.24
Diluted profit per share	2.9	**1.91**	1.18

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

	Notes	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Operating profit		**21.4**	16.3
Adjustments for:			
Depreciation of property, plant and equipment	3.2	**45.1**	40.0
Amortisation expense	3.1	**13.2**	12.4
Impairment of property, plant and equipment	3.2	**1.0**	1.1
Impairment of intangible assets	3.1	**0.8**	1.5
Exceptional items	2.7	**—**	0.3
EBITDA		**81.5**	71.6

Consolidated Statement of Comprehensive Income

for the 52 weeks ended 29 November 2015

	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Profit for the period	**11.8**	7.3
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Cash flow hedges		
— Losses arising on hedging contracts	**(0.7)**	(0.4)
— Gains transferred to property, plant and equipment	**—**	0.3
Foreign exchange loss on translation of foreign subsidiary	**—**	(0.1)
	(0.7)	(0.2)
Other comprehensive income for the period, net of tax	**(0.7)**	(0.2)
Total comprehensive income for the period	**11.1**	7.1

Consolidated Balance Sheet

as at 29 November 2015

	Notes	29 November 2015 £m	30 November 2014 £m
Non-Current Assets			
Intangible assets	3.1	**52.9**	38.4
Property, plant and equipment	3.2	**327.3**	275.2
Deferred tax asset	2.8	**10.0**	9.4
Financial assets	3.3	**2.9**	0.4
Investment in joint ventures	3.4	**62.0**	67.8
		455.1	391.2
Current Assets			
Inventories	3.7	**29.9**	27.6
Trade and other receivables	3.8	**60.8**	43.1
Cash and cash equivalents	3.9	**45.8**	76.3
		136.5	147.0
Total Assets		**591.6**	538.2
Current Liabilities			
Trade and other payables	3.10	**(164.4)**	(136.5)
Borrowings	4.2	**(1.6)**	(4.4)
Obligations under finance leases	4.3	**(26.5)**	(26.5)
Derivative financial instruments	4.6	**(0.7)**	(0.2)
Provisions	3.11	**(2.8)**	(0.4)
		(196.0)	(168.0)
Net Current Liabilities		**(59.5)**	(21.0)
Non-Current Liabilities			
Borrowings	4.2	**(7.7)**	(2.3)
Obligations under finance leases	4.3	**(137.0)**	(142.5)
Provisions	3.11	**(6.3)**	(5.2)
Deferred tax liability	2.8	**(2.7)**	(2.0)
		(153.7)	(152.0)
Net Assets		**241.9**	218.2
Equity			
Share capital	4.9	**12.6**	12.5
Share premium	4.9	**258.7**	255.1
Treasury shares reserve	4.9	**(50.9)**	(51.8)
Reverse acquisition reserve	4.9	**(116.2)**	(116.2)
Other reserves	4.9	**(0.8)**	(0.3)
Retained earnings		**138.5**	118.9
Total Equity		**241.9**	218.2

The notes on pages 132 to 174 form part of these financial statements.

The Consolidated financial statements on pages 127 to 174 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)
2 February 2016

Consolidated Statement of Changes in Equity

for the 52 weeks ended 29 November 2015

	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 1 December 2013		12.4	251.5	(52.4)	(116.2)	(0.1)	107.2	202.4
Profit for the period		—	—	—	—	—	7.3	7.3
Other comprehensive income:								
Cash flow hedges								
— Losses arising on forward foreign exchange contracts	4.9	—	—	—	—	(0.4)	—	(0.4)
— Gains arising on interest rate swaps	4.9	—	—	—	—	0.3	—	0.3
Translation of foreign subsidiary	4.9	—	—	—	—	(0.1)	—	(0.1)
Total Comprehensive Income/(Expense) for the Period Ended 30 November 2014		—	—	—	—	(0.2)	7.3	7.1
Transactions with owners:								
— Issues of ordinary shares	4.9	0.1	3.6	—	—	—	—	3.7
— Share-based payments charge		—	—	—	—	—	4.4	4.4
— Disposal of treasury shares		—	—	0.6	—	—	—	0.6
Total Transactions with Owners		0.1	3.6	0.6	—	—	4.4	8.7
Balance at 30 November 2014		12.5	255.1	(51.8)	(116.2)	(0.3)	118.9	218.2
Profit for the period							11.8	11.8
Other comprehensive income:								
Cash flow hedges								
— Gains arising on forward contracts	4.9	—	—	—	—	0.2	—	0.2
— Losses arising on commodity swaps	4.9	—	—	—	—	(0.7)	—	(0.7)
— Gains arising on interest rate swaps	4.9	—	—	—	—	—	—	—
Translation of foreign subsidiary	4.9	—	—	—	—	—	—	—
Total Comprehensive Income/(Expense) for the Period Ended 29 November 2015		**—**	**—**	**—**	**—**	**(0.5)**	**11.8**	**11.3**
Transactions with owners:								
— Issues of ordinary shares	4.9	0.1	4.4	—	—	—	—	4.5
— Share-based payments charge		—	—	—	—	—	7.8	7.8
— Reacquisition of interests in treasury shares		—	(0.8)	0.8	—	—	—	—
— Disposal of treasury shares		—	—	0.1	—	—	—	0.1
Total Transactions with Owners		**0.1**	**3.6**	**0.9**	**—**	**—**	**7.8**	**12.4**
Balance at 29 November 2015		**12.6**	**258.7**	**(50.9)**	**(116.2)**	**(0.8)**	**138.5**	**241.9**

Consolidated Statement of Cash Flows

for the 52 weeks ended 29 November 2015

	Notes	52 weeks Ended 29 November 2015 £m	52 weeks Ended 30 November 2014 £m
Cash Flows from Operating Activities			
Profit before tax		**11.9**	7.2
Adjustments for:			
— Depreciation, amortisation and impairment losses	3.1, 3.2	**60.1**	55.0
— Movement in provisions	3.11	**3.2**	1.9
— Share of profit in joint venture	3.4	**(2.3)**	(2.4)
— Share-based payments charge	2.6	**7.8**	4.4
— Foreign exchange movements		**—**	0.1
— Net Finance costs	4.5	**9.5**	9.1
Changes in working capital:			
— Movement in inventories		**(2.3)**	(3.6)
— Movement in trade and other receivables		**(19.1)**	(0.3)
— Movement in trade and other payables		**23.7**	13.8
Cash Generated from Operations		**92.5**	85.2
Interest paid		**(9.7)**	(9.7)
Net Cash Flows from Operating Activities		**82.8**	75.5
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**(70.7)**	(53.0)
Purchase of intangible assets		**(28.4)**	(25.8)
Dividend received from joint venture		**8.1**	—
Interest received		**0.2**	0.5
Net Cash Flows from Investing Activities		**(90.8)**	(78.3)
Cash Flows from Financing Activities			
Proceeds from the issue of ordinary share capital net of transaction costs		**4.5**	3.7
Proceeds from borrowings		**8.2**	—
Repayment of borrowings		**(5.6)**	(2.9)
Repayments of obligations under finance leases		**(26.9)**	(30.5)
Payment of financing fees[1]		**(2.5)**	(1.2)
Settlement of cash flow hedges		**(0.2)**	(0.5)
Net Cash Flows from Financing Activities		**(22.5)**	(31.4)
Net Decrease in Cash and Cash Equivalents		**(30.5)**	(34.2)
Cash and cash equivalents at the beginning of the period		**76.3**	110.5
Cash and Cash Equivalents at the end of the Period	3.9	**45.8**	76.3

1 £1.2 million in relation to financing fees paid in the prior year has been reclassified from movement in trade and other receivables to payment of financing fees.

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 England and Wales under the Companies Act 2006 (Registration number 07098618). The address of its registered office is Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Hertfordshire, AL10 9NE. The financial statements comprise the results of the Company and its subsidiaries (hereafter "the Group"), see Note 5.1. The Financial Period represents the 52 weeks ended 29 November 2015. The prior financial period represents the 52 weeks ended 30 November 2014.

The principal activities of the Group are described in the Strategic Report on pages 8 to 47.

1.2 Basis of Preparation

The financial statements have been prepared in accordance with the Listing Rules and the Disclosure 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 52 weeks ended 30 November 2014 of Ocado Group plc.

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 and Company.

Standards, Amendments and Interpretations Adopted by the Group in 2014/15 or Issued that are Effective

The Group has considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the financial year beginning 1 December 2014 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:

		Effective Date
IFRS 10	Consolidated Financial Statements*	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities*	1 January 2014
IAS 19	Employee Benefits	1 July 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 32	Financial Instruments: Presentation	1 January 2014
IAS 36	Impairment of Assets	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement	1 January 2014

*The amendments for investment entities which are effective in IFRS 10, IFRS 12 and IAS 27, above, are not relevant for the Group. Amendments regarding the application of the consolidation exception for IFRS 10 and IFRS 12 are effective from 1 January 2016, and amendments regarding the reinstatement of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements are effective from 1 January 2016, and are included in the table below.

Standards, Amendments and Interpretations Issued that are not Effective, and which have not been Early 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 1 December 2014 and have not been adopted early:

		Effective Date
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2016
IFRS 11	Joint Arrangements	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IAS 1	Presentation of Financial Statements	1 January 2016
IAS 16	Property, Plant and Equipment	1 January 2016
IAS 27	Separate Financial Statements	1 January 2016
IAS 28	Investments in Associates and Joint Ventures	1 January 2016
IAS 38	Intangible Assets	1 January 2016
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 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. The Group is currently reviewing the impact of IFRS 16.

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 per Note 5.1.

With the exception of Ocado Polska Sp. Z.o.o. all subsidiaries have a year end of 29 November 2015. The Poland Accounting Act requires a financial year to be twelve full calendar months from the prior year end date. Therefore Ocado Polska Sp. Z.o.o has a year end of 30 November 2015.

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 Group Income Statement using the equity method of accounting. Investments in joint ventures are carried in the Group 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 Presentation 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"). Sterling is the Company's functional and the Group's presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 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 income statement within finance income or finance costs. All other foreign exchange gains and losses are presented in the 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.

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.

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, estimates and assumptions, and judgements are provided below.

Notes to the Consolidated Financial Statements (continued)

Accounting policies that are significant due to the nature of business:

Area	Estimate	Note
Revenue recognition	Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue from the sale of goods is always recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, which is upon delivery of the goods to the customer's home. Revenue from the rendering of services is recognised over the period in which services are rendered.	2.1

Significant Estimates and Assumptions:

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.	2.1
Share options and other equity instruments	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. Estimates applied or used in a valuation model in order to calculate the cost include, but are not limited to, the expected life of the award, the number of awards that will ultimately vest and the expected volatility of the Company's share price.	4.10

Significant Judgements:

Area	Judgement	Note
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 judgement regarding the prudent forecasting of future taxable profits of the business and in applying an appropriate risk adjustment factor.	2.8
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
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.	2.7
Share options and other equity instruments	The selection of valuation models, such as the Black–Scholes model, and parameters used in order to determine the fair value of certain share awards requires judgement.	4.10
Going concern	In order to assess whether it is appropriate for the Group to be reported as a going concern, the Directors apply judgement, having undertaken appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties as set on pages 38 to 41. In arriving at this judgement there are a large number of assumptions and estimates involved in calculating these future cash flow projections. This includes management's expectations of revenue, EBITDA, timing and quantum of future capital expenditure and estimates and cost of future funding. The group is required to undergo an assessment of the future viability of assets grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The Directors judge that under the Group's current operating structure, the lowest level at which cash flows can be assessed is for the Group as a whole.	1.5

Other estimates, assumptions and judgements are applied by the Group. These include, but 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.

1.5 Going Concern Basis including its Effect on the Impairment of Assets

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis. There has been no material uncertainty identified which would cast significant doubt upon the 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 £45.8 million, external gross debt (excluding finance leases payable to MHE JVCo) of £53.3 million and net current liabilities of £(59.5) million. The Group has a mix of short and medium term finance arrangements and has an unutilised £210 million revolving credit facility which contains typical financial covenants and runs until July 2019. 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 127 to 131. 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 section 7 on pages 16 to 23) and the Group's principal risks and the likely effectiveness of any mitigating actions and controls available to the Directors (see pages 38 to 41).

Further details of the Group's considerations are provided in the Group's Viability and Going Concern Statement on page 39.

Impairment of Assets Based on the Separation of the Business into Cash Generating Units

The Group is required to undergo an assessment of the future viability of assets grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Given the Group's current operating structure, the lowest level at which cash flows can reasonably be assessed is for the Group as a whole. The Board does not consider that any further impairment of assets is required. There are a large number of assumptions and estimates involved in calculating these future cash flow projections, including management's expectations of:

- Increase in Revenue;
- Growth in EBITDA;
- Timing and quantum of future capital expenditure; and
- Estimation and cost of future funding.

Section 2 – Results for the Year

2.1 Profit Before Tax

Accounting Policies

Revenue

The Group follows the principles of IAS 18 “Revenue”, in determining appropriate revenue recognition policies.

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. 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. Delivery and carrier bag receipts are included in revenue.

Revenue from the sale of goods is always recognised when the significant risks and rewards of ownership of the goods have been transferred. For deliveries performed by Ocado recognition of revenue is upon delivery of the goods to 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. Income from “Ocado Smart Pass”, the Group’s discounted pre-pay membership scheme, is recognised in the period to which it relates, on an accruals basis.

Revenue from the rendering of services is recognised over the period in which services are rendered. Initial licence contract revenues are recognised over a term which is specific to individual customer contracts. For services, the term is the period over which services are rendered. For the licence of technology assets, the revenue is recognised over a period consistent with the expected life of the related technology assets. Annual licence contract revenues, including associated service and operational fees, are recognised as income in the relevant period.

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. In FY15 promotional allowances represent 85% of commercial income, with volume-related rebates representing 15%.

Promotional Allowances

Cost of sales also 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 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 administered by Standard Life, and a defined contribution Money Purchase Scheme administered by People’s Pensions. Employer contributions to the schemes are calculated as a percentage of salary based on length of scheme membership. Contributions are charged to the income statement in the period to which they relate.

Notes to the Consolidated Financial Statements (continued)

2.1 Profit Before Tax (continued)

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 one-off 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 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 and any material costs, outside of the normal course of business as determined by management.

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, currently derived solely from the UK. 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") and 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.

The principal activities of the Group are currently managed as one segment. Consequently, all activities relate to this segment.

The CODM's main indicator of performance of the segment is EBITDA, which is reconciled to operating profit below the income statement.

2.3 Gross Sales

A reconciliation of revenue to gross sales is as follows:

	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Revenue	1,107.6	948.9
VAT	82.4	66.3
Marketing vouchers	14.4	11.3
Gross sales	1,204.4	1,026.5

2.4 Other Income

A breakdown of other income is as follows:

	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Media and other income	35.3	28.0
Rental income	13.7	11.4
Other income	49.0	39.4

2.5 Operating Expenses

	Notes	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Cost of inventories recognised as an expense		715.3	621.1
Employment costs	2.6	212.8	168.9
Amortisation expense	3.1	13.2	12.4
Depreciation of property, plant and equipment	3.2	45.1	40.0
Impairment of property, plant and equipment, included in:	3.2	1.0	1.1
— Distribution costs		1.0	1.0
— Administrative expenses		—	0.1
Impairment of intangible assets, included in:			
— Administrative expenses	3.1	0.8	1.5
Impairment of receivables	3.8	0.8	0.5
Operating lease rentals			
— Land and buildings		10.3	9.4
— Other leases		0.3	0.5
Net foreign exchange movements		—	(0.2)

During the period, the Group obtained the following services from its auditors:

	52 Weeks Ended 29 November 2015 £'000	52 Weeks Ended 30 November 2014 £'000
Fees payable to the Company auditor for the audit of the Parent Company and consolidation		
— Statutory Group and Company audit	57	60
Fees payable to the Company auditor for other services		
— Statutory audit of subsidiaries	230	184
— Non-audit fees	37	35
— Audit related services	30	28
	354	307

Notes to the Consolidated Financial Statements (continued)

2.6 Employee Information

Employment costs during the financial period were as follows:

	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Staff Costs During the Period:		
Wages and salaries	**206.8**	165.8
Social security costs	**18.1**	14.6
Other pension costs	**5.1**	4.1
Share-based payment expense*	**9.9**	6.0
Total gross employment costs	**239.9**	190.5
Staff costs capitalised to Intangible assets	**(21.3)**	(17.3)
Staff costs capitalised to property, plant and equipment	**(5.8)**	(4.3)
Total Employment Cost Expense	**212.8**	168.9
Average Monthly Number of Employees (including Executive Directors) by Function		
Operational staff	**7,453**	6,001
Support staff	**1,241**	1,004
	8,694	7,005

* Included in the share-based payment expense is the IFRS 2 charge of £7.8 million (2014: £4.4 million) and an additional provision of £2.1 million (2014: £1.6 million) for the payment of amounts due to participants of the Cash LTIP and employer's NIC upon allotment of the share awards.

2.7 Exceptional items

	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Corporate Restructure	—	(0.3)
	—	(0.3)

Prior Year

Corporate Restructure

During the prior year, the Group undertook a corporate restructuring. The Group's business was split between a number of legal entities in order to reflect broadly the operational division of the business. To assist the restructuring the Group sought tax, accountancy and legal advice, for which a number of one-off costs were incurred.

2.8 Taxation

Accounting Policies

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

Current Taxation

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

Deferred Taxation

Deferred tax is recognised using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. 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 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 has 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.

Taxation — Income Statement

	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Recognised in the income statement		
Current tax:		
UK corporation tax on profits of the period	**0.1**	—
Overseas corporation tax on profits of the period	**(0.1)**	0.1
Adjustments in respect of prior periods	**0.1**	(0.3)
Total Current Tax	**0.1**	(0.2)
Deferred tax:	**—**	0.3
Origination and reversal of temporary differences	**—**	(0.2)
Total Deferred Tax	**—**	0.1
Income Tax Expense/(credit)	**0.1**	(0.1)

Notes to the Consolidated Financial Statements (continued)

2.8 Taxation (continued)

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

	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Profit before tax	**11.9**	7.2
Effective tax credit at the UK tax rate of 20.3% (2014: 21.7%)	**2.4**	1.5
Effect of:		
Utilisation of brought forward losses	**—**	(0.2)
Permanent differences	**1.8**	1.8
Difference in overseas tax rates	**0.6**	—
Release of deferred tax on capitalised R&D	**—**	(0.4)
Tax losses for which no deferred tax asset recognised	**—**	0.3
Temporary differences on which no deferred tax recognised	**(4.8)**	(3.1)
Prior year adjustments	**0.1**	—
Income Tax Charge/(credit) for the Period	**0.1**	(0.1)

As enacted in Finance Act 2014, the standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the effective rate for the period is 20.3%.

Taxation — Balance Sheet

Movement in the deferred tax asset is as follows:

	52 Weeks Ended 29 November 2015 £m
	Tax Losses Carry Forwards
As at 1 December 2013	7.9
Recognised through the income statement	1.5
As at 30 November 2014	9.4
Effect of change in UK corporation tax rate	(0.9)
Recognised through the income statement	1.5
As at 29 November 2015	**10.0**

As enacted in the Finance Act (No.2) 2015, it will change to 19% from 1 April 2017 and to 18% from 1 April 2018. Deferred tax has been provided at the rate enacted at the balance sheet date.

Movement in the unrecognised deferred tax asset is analysed below:

	Tax Losses Carried Forward £m	Accelerated Capital Allowances £m	Other Short-Term Timing Differences £m	Total £m
As at 1 December 2013	48.3	17.0	—	65.3
Potential movement in the period unrecognised through:				
— Income statement	(0.7)	(2.0)	0.5	(2.2)
As at 30 November 2014	47.6	15.0	0.5	63.1
Effect of change in UK corporation tax rate	(4.8)	(1.5)	—	(6.3)
Potential movement in the period unrecognised through:				
— Income statement	(1.1)	(8.0)	(0.5)	(9.6)
As at 29 November 2015	**41.7**	**5.5**	**—**	**47.2**

2.8 Taxation (continued)

As at 29 November 2015 the Group had approximately £287.8 million of unutilised tax losses (2014: approximately £285.3 million) available for offset against future profits. A deferred tax asset of £10.0 million (2014: £9.4 million) has been recognised in respect of £55.6 million (2014: £47.0 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 forecasted operating results calculated in approved business plans and a review of tax planning opportunities. Management have concluded that there is sufficient evidence for the recognition of the deferred tax asset of £10.0 million (2014: £9.4 million).

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.

Movement in the recognised deferred tax liability is analysed below:

	£m
As at 1 December 2013	(0.4)
Recognised through the income statement	(1.6)
As at 30 November 2014	(2.0)
Effect of change in UK corporation tax rate	0.2
Recognised through the income statement	(0.9)
As at 29 November 2015	**(2.7)**

For the year ended 29 November 2015 the Group has recognised a deferred tax liability of £2.7 million (2014: £2.0 million). Of this amount, £2.3 million (2014: £1.7 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 to 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.

In a prior period, the Group recognised a deferred tax liability of £1.7 million in respect of intangible assets that management assessed as qualifying for research and development corporation tax relief. After corporation tax relief, the timing of tax deductions in respect of expenditure incurred on these assets differs to 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.

2.9 Profit Per Share

Basic profit per share is calculated by dividing the profit 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 on an allocated basis which are accounted for as treasury shares.

Diluted profit 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 two (2014: two) classes of instruments that are potentially dilutive, namely share options and shares held pursuant to the JSOS.

Basic and diluted profit per share has been calculated as follows:

	52 Weeks Ended 29 November 2015 Number of Shares (m)	52 Weeks Ended 30 November 2014 Number of Shares (m)
Issued shares at the beginning of the period, excluding treasury shares	**586.1**	582.5
Effect of share options exercised in the period	**2.2**	2.1
Effect of treasury shares disposed of in the period	**—**	0.3
Effect of shares issued in the period	**—**	—
Weighted average number of shares at the end of the period for basic earnings per share	**588.3**	584.9
Potentially dilutive share options and shares	**31.1**	29.4
Weighted average number of diluted ordinary shares	**619.4**	614.3

	£m	£m
Profit attributable to the owners of the Company	**11.8**	7.3

	pence	pence
Basic profit per share	**2.01**	1.24
Diluted profit per share	**1.91**	1.18

The only transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of these financial statements were the exercise of 16,754 share options under the company ESOS scheme, 2,903 share options under the SAYE3 scheme and the issue of 28,463 Partnership Shares under the SIP.

Notes to the Consolidated Financial Statements (continued)

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, with the majority of such assets having useful lives of three to seven 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 on 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	3–5 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 are 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 meet 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 to be used or monetised by the Group, the enhancement of existing warehouse and routing systems capabilities, or improvements to applications 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.

Of the internally generated assets capitalised, 19% (2014:20%) 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 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.

3.1 Intangible Assets (continued)

	Internally Generated Assets £m	Other Intangible Assets £m	Total Intangible Assets £m
Cost			
At 1 December 2013	58.0	13.4	71.4
Additions	—	8.0	8.0
Internal development costs capitalised	17.3	—	17.3
Disposals	(9.7)	(8.2)	(17.9)
At 30 November 2014	65.6	13.2	78.8
Additions	**—**	**4.4**	**4.4**
Internal development costs capitalised	**24.1**	**—**	**24.1**
Disposals	**(6.7)**	**—**	**(6.7)**
At 29 November 2015	**83.0**	**17.6**	**100.6**
Accumulated amortisation			
At 1 December 2013	(33.3)	(11.1)	(44.4)
Charge for the period	(11.5)	(0.9)	(12.4)
Impairment	(1.5)	—	(1.5)
Disposals	9.7	8.2	17.9
At 30 November 2014	(36.6)	(3.8)	(40.4)
Charge for the period	**(12.4)**	**(0.8)**	**(13.2)**
Impairment	**(0.8)**	**—**	**(0.8)**
Disposals	**6.7**	**—**	**6.7**
At 29 November 2015	**(43.1)**	**(4.6)**	**(47.7)**
Net book value			
At 30 November 2014	29.0	9.4	38.4
At 29 November 2015	**39.9**	**13.0**	**52.9**

The net book value of intangibles held under finance leases is analysed below:

	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Cost	**13.8**	13.2
Accumulated amortisation	**(9.3)**	(7.2)
Net Book Value	**4.5**	6.0

For the 52 weeks ended 29 November 2015, internal development costs capitalised represented approximately 85% (2014: 68%) of expenditure on intangible assets and 19% (2014: 15%) of total capital spend including property, plant and equipment.

Notes to the Consolidated Financial Statements (continued)

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 55% of the total asset base of the Group in 2015 (2014: 51%). 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. Software written for the Group's first CFC in Hatfield is identified as a standalone intangible asset, because it has provided the foundation for software used in some areas of CFC2, and is expected to provide part of the foundation of software used in future centres including CFC3.

For more information on the Group's policy on capitalisation of borrowings costs, see Note 4.1.

Depreciation on other 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	25 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.

Estimation of Useful Life

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

The charge in respect of periodic depreciation is derived by estimating an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement. The useful lives of the 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. Historically, changes in useful lives have not resulted in material changes to the Group's depreciation charge.

Impairment of Non-Financial Assets

An annual impairment review is performed on assets with indefinite useful lives. 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. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For 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 Group as a whole. 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.

3.2 Property, Plant and Equipment (continued)

	Land and Buildings £m	Fixtures, Fittings, Plant and Machinery £m	Motor Vehicles £m	Total £m
Cost				
At 1 December 2013	42.3	296.8	38.9	378.0
Additions	13.2	67.2	12.6	93.0
Disposals	(0.3)	(11.9)	(4.1)	(16.3)
At 30 November 2014	55.2	352.1	47.4	454.7
Additions	**25.5**	**54.3**	**18.4**	**98.2**
Disposals	**—**	**(3.1)**	**(10.6)**	**(13.7)**
At 29 November 2015	**80.7**	**403.3**	**55.2**	**539.2**
Accumulated Depreciation				
At 1 December 2013	(16.7)	(119.0)	(18.0)	(153.7)
Charge for the period	(1.8)	(30.0)	(8.2)	(40.0)
Impairment	(0.3)	(0.8)	—	(1.1)
Disposals	0.3	11.0	4.0	15.3
At 30 November 2014	(18.5)	(138.8)	(22.2)	(179.5)
Charge for the period	**(1.9)**	**(33.4)**	**(9.8)**	**(45.1)**
Impairment	**(0.1)**	**(0.9)**	**—**	**(1.0)**
Disposals	**—**	**3.1**	**10.6**	**13.7**
At 29 November 2015	**(20.5)**	**(170.0)**	**(21.4)**	**(211.9)**
Net Book Value				
At 30 November 2014	36.7	213.3	25.2	275.2
At 29 November 2015	**60.2**	**233.3**	**33.8**	**327.3**

Included within property, plant and equipment is capital work-in-progress for land and buildings of £31.9 million (2014: £15.4 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £57.5 million (2014: £20.1 million).

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 30 November 2014				
Cost	30.3	203.7	46.5	280.5
Accumulated depreciation and impairment	(16.3)	(73.9)	(21.6)	(111.8)
Net book value	14.0	129.8	24.9	168.7
At 29 November 2015				
Cost	**30.3**	**207.0**	**54.5**	**291.8**
Accumulated depreciation and impairment	**(17.9)**	**(92.7)**	**(20.8)**	**(131.4)**
Net Book Value	**12.4**	**114.3**	**33.7**	**160.4**

Property, plant and equipment with a net book value of £18.8 million (2014: £13.3 million) has been pledged as security for the secured loans (Note 4.1).

Notes to the Consolidated Financial Statements (continued)

3.3 Financial Assets

Accounting Policies

Financial Assets

Financial assets comprise available-for-sale financial assets and prepaid fees in relation to financing activities.

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 intends to dispose of it within 12 months of the end of the reporting period. Management considers 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 draw down and utilisation of the underlying facility. Amortisation will commence when the underlying facility is 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 Income Statement.

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 income statement. Dividends are recognised in the income statement when the right to receive payment is established.

	29 November 2015 £m	30 November 2014 £m
Unlisted equity investment — cost and net book value	0.4	0.4

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 year. The non-current portion of prepaid finance costs relate to amounts capitalised during the year which will not be amortised to the Income Statement within the next twelve months. As the facility has not been utilised there has been no amortisation in the year.

	29 November 2015 £m	30 November 2014 £m
Prepaid financing fees	2.5	—

3.4 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.

3.4 Investment in Joint Ventures (continued)

Investment in Joint Ventures

The Group has a 50% equity interest valued at £62.0 million (2014: £67.8 million) in MHE JV Co, a joint venture company, 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 £8.1 million from MHE JVCo (2014: £nil). In the prior year the Group injected a £6.5 million capital contribution into MHE JV Co to finance the acquisition of CFC2 fixed assets.

The Group's share of profit after tax for the year is detailed as follows:

	29 November 2015 £m	30 November 2014 £m
Group share of revenue	**3.1**	2.7
Group share of expenses, inclusive of tax	**(0.8)**	(0.3)
Group Share of Profit after Tax	**2.3**	2.4

At the period end the Group's share of the net assets of MHE JVCo were valued at £62.0 million (2014: £67.8 million) which is arrived at by taking into account the £2.3 million Group share of profit after tax and £8.1 million dividend paid by MHE JVCo to the Group.

For the 52 weeks ended 29 November 2015 the entity, MHE JVCo Limited, has recognised net interest income of £6.2 million (2014: £5.4 million). Costs incurred by MHE JVCo include depreciation of £1.2 million (2014: £0.6 million) and a tax charge of £0.4 million (2014: £nil). Material amounts held on its balance sheet as at 29 November 2015 include of finance lease receivables of £119.4 million (2014: £130.8 million), £8.9 million of property, plant and equipment (2014: £4.8 million), £0.5 million of cash and cash equivalents (2014: £2.7 million), and £5.6 million of trade and other payables (2014: £3.5 million), contributing towards net assets of £124.4 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 132.

3.5 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 investments in new subsidiaries during the 52 weeks to 29 November 2015. In the prior year Speciality Stores Limited, a Group subsidiary, acquired 100% of the issued share capital of Paws & Purrs Ltd, obtaining control of the entity for consideration of £15,000, resulting in goodwill of £10,000.

3.6 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 weighted average 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 have 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.

Notes to the Consolidated Financial Statements (continued)

3.6 Working Capital (continued)

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 Balance sheet.

Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

Provision for Impairment of Trade Receivables

A provision for impairment of trade receivables is established when there is objective evidence that the 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 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 bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short-term deposits with a maturity of three months or less at the date of acquisition. Cash at bank and in hand and short-term deposits are shown under current assets on the 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.

3.7 Inventories

	29 November 2015 £m	30 November 2014 £m
Goods for resale	**29.4**	27.1
Consumables	**0.5**	0.5
	29.9	27.6

Write-back of inventories recognised as a credit amounted to £0.2 million (2014: expense of £0.2 million) in the consolidated income statement.

3.8 Trade and Other Receivables

	29 November 2015 £m	30 November 2014* £m
Trade receivables	**31.0**	12.6
Less: provision for impairment of trade receivables	**(1.7)**	(3.0)
Net trade receivables	**29.3**	9.6
Other receivables	**4.8**	7.3
Prepayments	**10.7**	6.6
Accrued income	**16.0**	19.6
	60.8	43.1

* Accrued income with a value of £14.4 million as at 30 November 2014 has been reclassified from other receivables to accrued income.

Included within trade receivables is a balance of £5.6 million (2014: £0.8 million) owed by MHE JV Co.

Included in trade receivables is £4.3 million (2014: £5.0 million) due from suppliers in relation to commercial and media income. As at 22 January 2016 £3.8 million has been received. Included in accrued income is £9.5 million (2014; £8.9 million) to be invoiced to suppliers in relation to supplier funded promotional activity and £5.5 million (2014: £7.9 million) to be invoiced to suppliers in relation to volume-related rebate amounts. As at 22 January 2016 £12.9 million of accrued income has been invoiced.

3.8 Trade and Other Receivables (continued)

The ageing analysis of trade and other receivables (excluding prepayments), including the provision for impairment, is set out below:

	29 November 2015		30 November 2014	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	43.8	—	30.9	(2.0)
Past due 0–3 months	8.0	(1.7)	6.7	(0.3)
Past due 3–6 months	—	—	1.3	(0.2)
Past due over 6 months	—	—	0.6	(0.5)
	51.8	(1.7)	39.5	(3.0)

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 Income statement.

Trade receivables that are past due but not impaired amount to £6.3 million (2014: £7.6 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:

	29 November 2015 £m	30 November 2014 £m
Past due 0–3 months	6.3	6.4
Past due 3–6 months	—	1.1
Past due over 6 months	—	0.1
	6.3	7.6

3.9 Cash and Cash Equivalents

	29 November 2015 £m	30 November 2014 £m
Cash at bank and in hand	45.8	76.3

£4.7 million (2014: £2.3 million) of the Group's cash and cash equivalents are held by the Group's captive insurance company to maintain its solvency requirements. A further £0.1 million (2014: £nil) 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.

3.10 Trade and Other Payables

	29 November 2015 £m	30 November 2014 £m
Trade payables	63.6	61.3
Taxation and social security	5.8	4.8
Accruals and other payables	74.8	46.6
Deferred income	20.2	23.8
	164.4	136.5

Deferred income represents the value of delivery income received under the Ocado Smart Pass scheme allocated to future periods, upfront licence fees from the Morrisons strategic operating agreement, lease incentives, and media income from suppliers which relate to future periods.

3.11 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 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.

Notes to the Consolidated Financial Statements (continued)

3.11 Provisions (continued)

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 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 the prior year, 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.

Provisions

	Insurance Claims £m	Dilapidations £m	Employee Incentive Schemes £m	Total £m
As at 1 December 2013	0.8	2.9	—	3.7
Charged/(credited) to the income statement				
— additional provision	0.3	0.4	1.6	2.3
— unused amounts reversed	—	(0.1)	—	(0.1)
Used during the period	(0.2)	(0.1)	—	(0.3)
As at 30 November 2014	0.9	3.1	1.6	5.6
Charged/(credited) to the income statement				
— additional provision	**0.9**	**0.9**	**2.1**	**3.9**
— unused amounts reversed	**(0.4)**	**—**	**—**	**(0.4)**
Used during the period	**—**	**(0.1)**	**—**	**(0.1)**
Unwind of discount	**—**	**0.1**	**—**	**0.1**
As at 29 November 2015	**1.4**	**4.0**	**3.7**	**9.1**

Analysis of total provisions as at 30 November 2014

	Insurance Claims £m	Dilapidations £m	Employee Incentive Schemes £m	Total £m
Current	0.2	0.2	—	0.4
Non-current	0.7	2.9	1.6	5.2
	0.9	3.1	1.6	5.6

3.11 Provisions (continued)

Analysis of total provisions as at 29 November 2015

	Insurance Claims £m	Dilapidations £m	Employee Incentive Schemes £m	Total £m
Current	0.5	0.2	2.1	2.8
Non-current	0.9	3.8	1.6	6.3
	1.4	4.0	3.7	9.1

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 £0.5 million claims will be settled within 12 months of the balance sheet date, the exact timing of utilisation of the provision is uncertain.

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 CFC1 lease expires in 2032, the CFCF2 lease expires in 2038, head office leases expire between 2016 and 2019, 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 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 upon allotment, which is included in the above employer's NIC provision.

To calculate the employer's NIC provision, the applicable employers 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 (g)).

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 2016 and 2019.

Notes to the Consolidated Financial Statements (continued)

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 property leases, 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 income statement on the effective interest rate basis.

Operating Leases

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the 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.

4.2 Borrowings and Finance Leases

	Notes	29 November 2015 £m	30 November 2014 £m
Current Liabilities			
Borrowings	4.2	1.6	4.4
Obligations under finance leases	4.3	26.5	26.5
		28.1	30.9
Non-Current Liabilities			
Borrowings	4.2	7.7	2.3
Obligations under finance leases	4.3	137.0	142.5
		144.7	144.8
Total Borrowings and Finance Leases		172.8	175.7

4.2 Borrowings and Finance Leases (continued)

Borrowings

	Less than one year £m	Between one year and two years £m	Between two years and five years £m	Total £m
As at 30 November 2014				
Secured loans	4.4	1.8	0.5	6.7
Total Borrowings	4.4	1.8	0.5	6.7
As at 29 November 2015				
Secured loans	**1.6**	**1.5**	**6.2**	**9.3**
Total Borrowings	**1.6**	**1.5**	**6.2**	**9.3**

The secured loans outstanding at period end can be analysed as follows:

Principal amount £m	Inception	Secured over	Current interest rate	Instalment frequency	Final payment due	**Carrying amount as at 29 November 2015 £m**	Carrying amount as at 30 November 2014 £m
8.0	May—07	Property, plant and equipment	Clearing bank base rate + 3.0%	Quarterly	Feb—15	—	0.8
1.5	Dec—06	Freehold property	LIBOR + 2.75%	Quarterly	Feb—15	—	0.4
1.5	Feb—09	Freehold property	LIBOR + 2.75%	Quarterly	Feb—15	—	0.6
2.8	Dec—09	Freehold property	LIBOR + 2.75%	Quarterly	Dec—15	—	1.5
2.6	Jul—12	Freehold property	LIBOR + 2.75%	Quarterly	Jul—15	—	1.9
2.5	Jul—12	Property, plant and equipment	9.12% †	Monthly	Jul—17	**1.1**	1.5
8.2	Sept—15	Freehold Property	LIBOR + 1.5%	Quarterly	Sept—18	**8.2**	—
						9.3	6.7
Disclosed as:							
Current						**1.6**	4.4
Non-current						**7.7**	2.3
						9.3	6.7

‡ Calculated as the effective interest rate, the calculation of which includes an optional balloon payment at the end of the term.

In the prior year a three-year £100 million revolving credit facility was entered into with Barclays, HSBC, RBS and Santander. In the current year the Group amended and extended this unsecured RCF. The facility was increased to £210 million and extended by two years to 1 July 2019. As at 29 November 2015 the facility remains unutilised. The facility contains typical restrictions concerning dividend payments and additional debt and leases.

4.3 Obligations Under Finance Leases

	29 November 2015 £m	30 November 2014 £m
Obligations under finance leases due:		
Within one year	**26.5**	26.5
Between one and two years	**23.8**	22.4
Between two and five years	**62.1**	56.0
After five years	**51.1**	64.1
Total obligations under finance leases	**163.5**	169.0

External obligations under finance leases are £44.0 million (2014: £38.2 million) excluding £119.5 million (2014: £130.8 million) payable to MHE JV Co, a joint venture company.

Notes to the Consolidated Financial Statements (continued)

4.3 Obligations Under Finance Leases (continued)

	29 November 2015 £m	30 November 2014 £m
Minimum lease payments due:		
Within one year	**34.8**	34.9
Between one and two years	**30.3**	29.3
Between two and five years	**75.0**	70.4
After five years	**55.3**	71.0
	195.4	205.6
Less: future finance charges	**(31.9)**	(36.6)
Present value of finance lease liabilities	**163.5**	169.0
Disclosed as:		
Current	**26.5**	26.5
Non-current	**137.0**	142.5
	163.5	169.0

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 Debt

Net debt

	Notes	29 November 2015 £m	30 November 2014 £m
Current Assets			
Cash and cash equivalents	3.9	**45.8**	76.3
Current Liabilities			
Borrowings	4.1	**(1.6)**	(4.4)
Obligations under finance leases	4.1	**(26.5)**	(26.5)
		(28.1)	(30.9)
Non-Current Liabilities			
Borrowings	4.1	**(7.7)**	(2.3)
Obligations under finance leases	4.1	**(137.0)**	(142.5)
		(144.7)	(144.8)
Total Net Debt		**(127.0)**	(99.4)

Net debt is £7.5 million (2014: net cash £31.4 million), excluding finance lease obligations of £119.5 million (2014: £130.8 million) payable to MHE JVCo, a joint venture company. £4.8 million (2014: £2.3 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 3.9.

Reconciliation of Net Cash Flow to Movement in Net Debt

	29 November 2015 £m	30 November 2014 £m
Net increase/(decrease) in cash and cash equivalents	**(30.5)**	(34.2)
Net (increase)/decrease in debt and lease financing	**24.3**	33.4
Non-cash movements:		
— Assets acquired under finance lease	**(21.4)**	(47.7)
Movement in Net Debt in the Period	**(27.6)**	(48.5)
Opening net debt	**(99.4)**	(50.9)
Closing Net Debt	**(127.0)**	(99.4)

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.

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.

Finance Income and Costs

	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Interest on cash balances	**0.2**	0.4
Finance Income	**0.2**	0.4
Borrowing costs		
— Obligations under finance leases	**(8.8)**	(8.7)
— Borrowings	**(0.6)**	(0.9)
Fair value movement in derivative	**(0.2)**	0.1
Fair value movement on provisions	**(0.1)**	—
Finance Costs	**(9.7)**	(9.5)
Net Finance Costs	**(9.5)**	(9.1)

The fair value movement in derivative financial instruments arose from fair value adjustments on the Group’s cash flow hedges.

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 29 November 2015 the Group’s derivative financial instruments consist of commodity swap contracts which are designated as cash flow hedges of highly probable transactions. At 30 November 2014 the Group’s derivative financial instruments consisted of forward foreign exchange contracts.

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.

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 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.

	29 November 2015 £m	30 November 2014 £m
Derivative Liability		
Commodity swap contracts	**(0.7)**	—
Forward foreign exchange contracts (cash flow hedges)	**—**	(0.2)
	(0.7)	(0.2)

Notes to the Consolidated Financial Statements (continued)

4.6 Derivative Financial Instruments (continued)

Commodity Swap Contracts

The notional principal amounts of the outstanding commodity swap contracts at 29 November 2015 were £3.2 million (2014: £nil). The hedged highly probable forecast transactions are expected to occur at various dates during the next twelve months. Cumulative gains and losses of £1.1 million have been recognised in the hedging reserve within other comprehensive income of which £0.7 million is the balance at year end. These losses are recognised in the income statement in periods during which the hedged forecast transaction affects the income statement.

Forward Foreign Exchange Contracts

There were no outstanding forward foreign exchange contracts at 29 November 2015. The notional principal amounts of the outstanding forward foreign exchange contracts at 30 November 2014 were €3.8 million. The corresponding amount in sterling as at 30 November 2014 was 2014: £3.2 million.

There are no cumulative gains and losses recognised in the hedging reserve within other comprehensive income (2014: £0.4 million of losses). These gains were recognised in the income statement in periods during which the hedged forecast transaction affected the income statement, which for property, plant and equipment is over the useful life of the asset (3 to 10 years).

4.7 Financial Instruments

Accounting Policies

Financial assets and financial liabilities are recognised on the 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 determines the classification of its 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.

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.

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 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 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 income statement on equity investments are not reversed.

4.7 Financial Instruments (continued)

Fair Value of Financial Instruments

Financial instruments carried at fair value in the 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);
- Inputs for the assets or liabilities that are not based on observable market data (level 3).

The Group's derivative assets and liabilities are all classified as level 2.

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:

		29 November 2015		30 November 2014	
	Notes	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Financial Assets					
Cash and cash equivalents	3.9	**45.8**	**45.8**	76.3	76.3
Trade receivables	3.8	**29.3**	**29.3**	9.6	9.6
Other receivables (incl. accrued income, excl. prepayments)	3.8	**20.8**	**20.8**	26.9	26.9
Non-current financial assets	3.3	**2.8**	**2.8**	0.4	0.4
Total financial assets		**98.7**	**98.7**	113.2	113.2
Financial Liabilities					
Trade payables	3.10	**(63.6)**	**(63.6)**	(61.3)	(61.3)
Accruals and other payables	3.10	**(74.8)**	**(74.8)**	(46.6)	(46.6)
Borrowings	4.2	**(9.3)**	**(9.3)**	(6.7)	(6.7)
Finance lease obligations	4.3	**(163.5)**	**(163.5)**	(169.0)	(169.0)
Derivative liabilities	4.6	**(0.7)**	**(0.7)**	(0.2)	(0.2)
Total financial liabilities		**(311.9)**	**(311.9)**	(283.8)	(283.8)

The derivative liabilities relate to forward commodity and foreign exchange contracts.

The Group's only available-for-sale financial asset consists of an unlisted equity investment of which the fair value cannot be reliably determined, and which is therefore measured at cost. There has been no movement in this investment during the period.

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.

The interest rate used to discount borrowings is based on a LIBOR plus margin measure blended for the type of security offered and was calculated as 3.0% (2014: 3.0%).

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 30 November 2014						
Financial Assets as per the Balance Sheet						
Cash and cash equivalents	3.9	—	76.3	—	—	76.3
Trade and other receivables (excluding prepayments)	3.8	—	36.5	—	—	36.5
Financial assets	3.3	0.4	—	—	—	0.4
Total		0.4	112.8	—	—	113.2
Financial Liabilities as per the Balance Sheet						
Trade payables	3.10	—	—	(61.3)	—	(61.3)
Accruals	3.10	—	—	(46.6)	—	(46.6)
Borrowings	4.2	—	—	(6.7)	—	(6.7)
Obligations under finance leases	4.3	—	—	(169.0)	—	(169.0)
Derivative liabilities	4.6	—	—	—	(0.2)	(0.2)
Total		—	—	(283.6)	(0.2)	(283.8)

Notes to the Consolidated Financial Statements (continued)

4.7 Financial Instruments (continued)

	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 29 November 2015						
Financial Assets as per the Balance Sheet						
Cash and cash equivalents	3.9	—	45.8	—	—	45.8
Trade and other receivables (excluding prepayments)	3.8	—	50.1	—	—	50.1
Financial assets	3.3	2.8	—	—	—	2.8
Total		2.8	95.9	—	—	98.7
Financial Liabilities as per the Balance Sheet						
Trade payables	3.10	—	—	(63.6)	—	(63.6)
Accruals and other payables	3.10	—	—	(74.8)	—	(74.8)
Borrowings	4.2	—	—	(9.3)	—	(9.3)
Obligations under finance leases	4.3	—	—	(163.5)	—	(163.5)
Derivative liabilities	4.6	—	—	—	(0.7)	(0.7)
Total		—	—	(311.2)	(0.7)	(311.9)

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	29 November 2015 £m	30 November 2014 £m
At the beginning of the period		(3.0)	(0.5)
Provision for impairment of receivables		(0.9)	(2.5)
Uncollectable amounts written off		1.6	(0.5)
Recovery of amounts previously provided		0.6	0.5
At the end of the period	3.8	(1.7)	(3.0)

The Group has adequate cash resources to manage the short-term working capital needs of the business. In the prior year a 3-year £100 million revolving facility was entered into with Barclays, HSBC, RBS and Santander. In the current year the facility was extended by a further two years and the amount of the facility was increased to £210 million. As at 29 November 2015 the facility remained unutilised. The Group regularly reviews its financing arrangements. For further details of the review please refer to the Group's Viability Statement on page 39.

4.8 Financial Risk Management (continued)

The Group monitors its liquidity requirements to ensure it has sufficient cash to meet operational needs. For further details see Note 4.11.

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	3.10	(61.3)	(61.3)	(61.3)	—	—	—
Accruals	3.10	(46.6)	(46.6)	(46.6)	—	—	—
Borrowings	4.2	(6.7)	(6.9)	(4.5)	(1.9)	(0.5)	—
Obligations under finance leases	4.3	(169.0)	(205.6)	(34.9)	(29.3)	(70.4)	(71.0)
Derivative liabilities	4.6	(0.2)	(0.2)	(0.2)	—	—	—
30 November 2014		(283.8)	(320.6)	(147.5)	(31.2)	(70.9)	(71.0)

	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	3.10	**(63.6)**	**(63.6)**	**(63.6)**	—	—	—
Accruals and other payables	3.10	**(74.8)**	**(74.8)**	**(74.8)**	—	—	—
Borrowings	4.2	**(9.3)**	**(9.7)**	**(1.8)**	**(1.7)**	**(6.2)**	—
Obligations under finance leases	4.3	**(163.5)**	**(195.4)**	**(34.8)**	**(30.3)**	**(75.0)**	**(55.3)**
Derivative liabilities	4.6	**(0.7)**	**(0.7)**	**(0.7)**	—	—	—
29 November 2015		**(311.9)**	**(344.2)**	**(175.7)**	**(32.0)**	**(81.2)**	**(55.3)**

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:

	29 November 2015 £m	30 November 2014 £m
Cash and cash equivalents - EUR	**0.4**	0.7
Cash and cash equivalents - PLN	**0.4**	0.3
Trade payables at period end - EUR	**(0.2)**	(0.4)
Trade payables at period end - PLN	**(0.1)**	—
Trade payables at period end - USD	**(0.2)**	(0.1)
Derivative (liability)/asset (forward foreign exchange contracts) - EUR	—	(0.2)
	0.3	0.3

The table below shows the Group's sensitivity to changes in foreign exchange rates on its financial instruments denominated in foreign currencies.

	29 November 2015		30 November 2014	
	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	**(0.1)**	—	(0.1)	0.3
10% depreciation of the above foreign currencies	**0.1**	—	0.1	(0.3)

Notes to the Consolidated Financial Statements (continued)

4.8 Financial Risk Management (continued)

A movement of the euro, as indicated, against sterling at 29 November 2015 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:

	29 November 2015 £m	30 November 2014 £m
Fixed Rate Instruments		
Financial assets	**41.6**	50.8
Financial liabilities	**(163.4)**	(169.0)
Variable Rate Instruments		
Financial assets	**4.2**	25.5
Financial liabilities	**(9.2)**	(6.7)

Sensitivity Analysis

An increase of 100 basis points (1.0%) in interest rates would increase 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.

	29 November 2015 £m	30 November 2014 £m
Equity		
Gain	**—**	—
Income		
Gain	**—**	0.1

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 29 November 2015, the number of ordinary shares available for issue under the Block Listing Facilities was 14,620,308 (2014: 19,094,500). These ordinary shares will only be issued and allotted when the shares under the relevant share incentive plan have been awarded 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 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 1 December 2013	617.7	12.4	251.5
Issues of ordinary shares	0.5	—	0.1
Allotted in respect of Joint Share Ownership Scheme	—	—	0.2
Allotted in respect of share option schemes	2.7	0.1	3.3
At 30 November 2014	620.9	12.5	255.1
Issues of ordinary shares	**0.6**	**—**	**0.5**
Reacquisition of interest in treasury shares	**—**	**—**	**(0.8)**
Allotted in respect of share option schemes	**3.9**	**0.1**	**3.9**
At 29 November 2015	**625.4**	**12.6**	**258.7**

4.9 Share Capital and Reserves (continued)

Included in the total number of ordinary shares outstanding above are 34,770,981 (2014: 34,810,561) 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 Joint Share Ownership scheme 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 profit per share calculation in Note 2.9 as basic profit 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 1 December 2013		(52.4)	(116.2)	(0.1)
Movement on derivative financial instrument	4.9(b)	—	—	(0.2)
Disposal of treasury shares	4.9(a)	0.6	—	—
At 30 November 2014		(51.8)	(116.2)	(0.3)
Movement on derivative financial instrument	4.9(b)	—	—	**(0.5)**
Disposal of treasury shares	4.9(a)	**0.1**	—	—
Reacquisition of interests in treasury shares	4.9(a)	**0.8**	—	—
At 29 November 2015		**(50.9)**	**(116.2)**	**(0.8)**

(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; unvested interests of leavers which have been reacquired by the Group's employee benefit trust during the period are not accounted for as 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 29 November 2015 has been presented as if the Company had always been the parent company of the Group.

Notes to the Consolidated Financial Statements (continued)

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 Income statement for the period. For more details please refer to Note 3.11 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 and the Cash LTIP (see Note 3.11 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 a cash-settled incentive scheme, the Cash LTIP.

The total expense for the period relating to employee share-based payment plans was £9.8 million (2014: £6.0 million), of which £7.7 million (2014: £4.4 million) related to equity-settled share-based payment transactions and £2.1 million (2014: £1.6 million) as a provision for the payment of employers' NIC upon allotment of HMRC unapproved equity-settled share schemes and for the Cash LTIP (see Note 3.11 Provisions for further details).

(a) ESOS

The Group's ESOS is an equity-settled share option scheme approved by HMRC. Options have also be granted under the terms of HMRC's schedule, which is not approved. The ESOS was established by Ocado in 2001.

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).

4.10 Share Options and Other Equity Instruments (continued)

At each respective balance sheet date the outstanding options were as follows:

	Year of Issue	29 November 2015	Exercise Price (£)	30 November 2014	Exercise Price (£)	Exercise Period
Approved						
	2005	—	1.00	85,333	1.00	31/05/08–29/11/15
	2005	—	1.15	4,782	1.15	31/05/08–30/05/15
	2006	2,298	1.40	8,086	1.40	31/05/09–30/05/16
	2006	4,920	1.50	5,960	1.50	30/11/09–29/11/16
	2007	59,901	1.50	107,527	1.50	31/05/10–29/11/17
	2008	24,134	1.35	26,570	1.35	31/05/11–30/05/18
	2008	28,123	1.20	52,358	1.20	30/11/11–29/11/18
	2009	34,121	1.20	49,039	1.20	31/05/12–30/05/19
	2009	140,097	1.35	201,311	1.35	02/11/12–29/11/19
	2010	191,579	1.65	230,958	1.65	30/06/13–29/06/20
	2011	78,221	1.89	125,269	1.89	19/07/14–18/07/21
	2011	200,629	2.55	265,581	2.55	14/02/14–13/02/21
	2012	186,535	0.85	372,278	0.85	27/06/15–26/06/22
	2012	297,763	1.03	681,389	1.03	21/02/15–13/02/22
	2012	571,661	1.05	817,864	1.05	09/03/15–08/03/22
	2013	532,640	1.28	661,462	1.28	05/03/16–04/03/23
	2013	156,894	3.02	210,343	3.02	08/07/16–07/07/23
	2014	53,553	5.10	65,585	5.10	05/02/14–04/02/24
	2014	415,951	4.84	453,353	4.84	17/03/14–16/03/24
	2014	—	3.36	1,278	3.36	01/08/14–31/07/24
	2015	459,138	3.77	—	—	13/03/15–12/03/25
	2015	22,980	4.46	—	—	01/07/15–30/06/25
	2015	45,448	4.39	—	—	10/07/15–09/07/25
Total Approved Options		3,506,586		4,426,326		
Non-Approved						
	2005	—	1.15	354,150	1.15	16/05/08–29/11/15
	2007	50,833	1.50	50,833	1.50	31/05/10–30/05/17
	2009	122,600	1.20	122,600	1.20	31/05/12–30/05/19
	2012	124,126	1.05	135,166	1.05	09/03/15–08/03/22
	2014	12,030	3.27	13,512	3.27	08/08/14–07/08/24
	2014	29,962	3.36	29,962	3.36	01/08/14–31/07/24
	2014	24,516	4.84	25,756	4.84	17/03/14–16/03/24
	2015	30,901	3.77	—	—	13/03/15–12/03/25
	2015	18,622	4.46	—	—	01/07/15–30/06/25
	2015	19,649	4.39	—	—	10/07/15–09/07/25
Total Unapproved Options		433,239		731,979		
Total		3,939,825		5,158,305		

Notes to the Consolidated Financial Statements (continued)

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:

	Year of Issue	29 November 2015 Number of Share Options	29 November 2015 Exercise Price (£)	30 November 2014 Number of Share Options	30 November 2014 Exercise Price (£)	Exercise Period
	2005	—	1.15	31,116	1.15	31/05/08 – 30/05/15
	2009	139,600	1.20	139,600	1.20	31/05/12 – 30/05/19
Total options subject to performance criteria		139,600		170,716		

Details of the movement in the number of share options outstanding during each period are as follows:

	29 November 2015 Number of Share Options	29 November 2015 Weighted Average Exercise Price (£)	30 November 2014 Number of Share Options	30 November 2014 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	5,158,305	1.73	5,932,790	1.42
Granted during the period	638,176	3.88	603,779	4.75
Forfeited during the period	(366,445)	2.29	(522,409)	1.66
Exercised during the period	(1,490,211)	1.18	(855,855)	1.73
Outstanding at the end of the period	3,939,825	2.24	5,158,305	1.73
Exercisable at the end of the period	2,117,541	1.32	1,690,357	1.55

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 £3.89 (2014: £4.64).

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:

	29 November 2015	30 November 2014
Weighted average share price	£3.88	£4.75
Weighted average exercise price	£3.88	£4.75
Expected volatility	0.40	0.40
Weighted expected life — years	3.00	3.00
Weighted average risk-free interest rate	0.8%	1.2%
Expected dividend yield	0.0%	0.0%

Given the immaturity of the Company's share history, the expected volatility was determined by considering the historic performance of the shares of a basket of companies similar to and including the Company. 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.

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:

	29 November 2015			30 November 2014		
	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	186,535	6.6	0.85	372,278	7.6
	1.00	—	—	1.00	85,333	0.9
	1.03	297,763	6.2	1.03	681,389	7.2
	1.05	695,787	6.3	1.05	953,030	7.3
	1.15	—	—	1.15	358,932	0.5
	1.20	184,844	3.4	1.20	223,997	4.4
	1.28	532,640	7.3	1.28	661,462	8.3
	1.35	164,231	3.8	1.35	227,881	4.8
	1.40	2,298	0.5	1.40	8,086	1.5
	1.50	115,654	1.5	1.50	164,320	2.6
	1.65	191,579	4.6	1.65	230,958	5.6
	1.89	78,221	5.6	1.89	125,269	6.6
	2.55	200,629	5.2	2.55	265,581	6.2
	3.02	156,894	7.6	3.02	210,343	8.6
	3.27	12,030	8.7	3.27	13,512	9.7
	3.36	29,962	8.7	3.36	31,240	9.7
	3.77	490,039	9.3	—	—	—
	4.39	65,097	9.6	—	—	—
	4.46	41,602	9.6	—	—	—
	4.84	440,467	8.3	4.84	479,109	9.3
	5.10	53,553	8.2	5.10	65,585	9.2
Outstanding at the end of the period		3,939,825			5,158,305	

(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 Appleby Trust (Jersey) Limited, the Employee Benefit Trust Trustee, held at the Balance sheet date separate beneficial interests in 34,770,981 (2014: 34,810,561) ordinary shares which represents 5.6% (2014: 5.6%) of the issued share capital of the Company. Of these ordinary shares, 1,994,071 (2014: 1,453,254) 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.

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—11	£1.73	115%	1 (2012)	Jun—12	£1.96	115%	1 (2013)	Jan—13	£1.70	230% — 265%
2 (2012)	Jan—12	£1.91	127%	2 (2013)	Jun—13	£2.15	127%	2 (2014)	Jan—14	£1.80	244% — 280%
3 (2013)	Jan—13	£2.08	139%	3 (2014)	Jun—14	£2.36	139%	—	—	—	—
4 (2014)	Jan—14	£2.28	152%	4 (2015)	Jun—15	£2.59	152%	—	—	—	—

Notes to the Consolidated Financial Statements (continued)

4.10 Share Options and Other Equity Instruments (continued)

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.

Details of the movement in the number of Interests in Shares during each period are as follows:

	29 November 2015		30 November 2014	
	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	**33,357,307**	**2.00**	33,795,922	1.99
Granted during the period	**—**	**—**	—	—
Forfeited during the period	**(540,817)**	**2.29**	—	—
Exercised during the period	**(39,580)**	**2.32**	(438,615)	2.02
Outstanding at the end of the period	**32,776,910**	**1.99**	33,357,307	2.00
Exercisable at the end of the period	**32,776,910**	**1.99**	33,503,642	1.98

4.10 Share Options and Other Equity Instruments (continued)

(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, these options are now held over ordinary shares in Ocado Group plc.

At each respective balance sheet date the outstanding options were as follows:

	29 November 2015		30 November 2014		
	Number of Share Options	Exercise Price (£)	Number of Share Options	Exercise Price (£)	Exercise Period
Jan – 04	435,300	1.03	435,300	1.03	03/01/04 – 03/01/18
Outstanding at the end of the period	435,300		435,300		

Details of the movement in the number of non-employee share options outstanding during each period are as follows:

	29 November 2015		30 November 2014	
	Number of Share Options	Weighted Average Exercise Price (£)	Number of Share Options	Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	435,300	1.03	1,322,000	0.95
Granted during the period	—	—	—	—
Forfeited during the period	—	—	—	—
Exercised during the period	—	—	(886,700)	0.90
Outstanding at the end of the period	435,300	1.03	435,300	1.03
Exercisable at the end of the period	435,300	1.03	435,300	1.03

The weighted average remaining contractual lives for outstanding non-employee share options are as follows:

	29 November 2015			30 November 2014		
	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	2.1	1.03	435,300	3.1
Outstanding at the end of the period		435,300			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 a price which is determined at launch date; 90% of the market value in the case of the Group's Sharesave Schemes SAYE2, SAYE3 and SAYE4.

At 29 November 2015 employees of the Company's subsidiaries held 2,273 (2014: 1,528) contracts in respect of options over 3,549,479 (2014: 3,789,044) shares. Details of the movement in the number of Sharesave options outstanding during each period are as follows:

	29 November 2015		30 November 2014	
	Number of Share Options	Weighted Average Exercise Price (£)	Number of Share Options	Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	3,789,044	1.67	5,031,578	1.61
Granted during the period	2,621,201	3.24	—	—
Forfeited during in the period	(458,162)	3.02	(286,625)	2.37
Exercised during the period	(2,402,604)	0.91	(955,909)	1.16
Outstanding at the end of the period	3,549,479	3.16	3,789,044	1.67
Exercisable at the end of the period	18,607	2.82	22,347	1.39

Notes to the Consolidated Financial Statements (continued)

4.10 Share Options and Other Equity Instruments (continued)

(e) Long Term Incentive Plan

In 2013, the Group introduced an equity-settled long term incentive plan ("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 the 2013 LTIP, the single performance condition is the Group's earnings before interest, tax and exceptional items ("EBIT") for the financial year ending November 2015 and for the 2014 LTIP, the performance conditions are the Group's revenue and profit/(loss) per share for the financial year ending November 2016. For the 2015 LTIP, there are four equally weighted performance conditions, which are operational efficiency and capital efficiency metrics related to the retails business and the platform business, the Group's retail business revenue and Group's retail business profit per share for the financial year ending December 2017.

The number of awards issued, adjusted to reflect the achievement of the performance conditions, will then vest during 2016 for the 2013 LTIP, 2017 for the 2014 LTIP and 2018 for the 2015 LTIP. 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 this LTIP as at 29 November 2015 and changes during the year is presented below:

	Number of Share Awards 29 November 2015	Number of Share A wards 30 November 2014
Outstanding at the beginning of the period	**5,087,848**	4,948,576
Granted during the period	**988,773**	672,808
Forfeited during the period	**—**	(533,536)
Outstanding at the End of the Period	**6,076,621**	5,087,848

There were no awards exercisable as at 29 November 2015 nor at 30 November 2014.

The Group recognised an expense of £6.1 million (2014: £3.8 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.

(f) Chairman's Share Matching Award

In 2013, the Group introduced the equity-settled Chairman's Share Matching Award, under which a one-off award of restricted shares were awarded to the Chairman, Lord Rose, on assuming the role of Chairman.

The award condition is based on a personal investment of a minimum of 400,000 shares and continued membership of the Board. This will vest three years from when the award was approved by the Remuneration Committee. There is no performance criteria to which vesting is subject.

These shares are restricted from being sold while he is on the Board and the shares are not allowed to be sold until the first anniversary of his ceasing to be a member of the Board.

A summary of the status of this Chairman's Share Matching Award as at 29 November 2015 and changes during the year is presented below:

	Number of Share Awards 29 November 2015	Number of Share Awards 30 November 2014
Outstanding at the beginning of the period	**452,284**	452,284
Granted during the period	**—**	—
Outstanding at the end of the period	**452,284**	452,284

The Group recognised an expense of £0.4 million (2014: £0.4 million) related to this award in the Consolidated income statement during the year.

(g) Growth Incentive Plan

During the prior period, 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.

4.10 Share Options and Other Equity Instruments (continued)

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 historic 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 historic 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 29 November 2015 and changes during the year is presented below:

	Number of Share Awards
Outstanding at 1 December 2013	—
Granted during the year	6,000,000
Outstanding at 30 November 2014	6,000,000
Granted during the year	—
Outstanding at 29 November 2015	**6,000,000**

There were no awards exercisable as at 29 November 2015 (30 November 2014: None).

The Group recognised an expense of £1.3 million (2014: £0.9 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.

(h) Share Incentive Plan

During the prior year, 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 the 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 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.

Notes to the Consolidated Financial Statements (continued)

4.10 Share Options and Other Equity Instruments (continued)

A summary of the status of the SIP as at 29 November 2015 and changes during the year is presented below:

	Partnership Shares	Matching Shares	Free Shares	Number of Share Awards Total
Outstanding at 1 December 2013	—	—	—	—
Awarded during the period	53,410	7,283	400,258	460,951
Forfeited during the period	—	(94)	(17,115)	(17,209)
Released during the period	(696)	—	(54)	(750)
Outstanding at 30 November 2014	52,714	7,189	383,089	442,992
Unrestricted at 30 November 2014	52,714	—	—	52,714

	Partnership Shares	**Matching Shares**	**Free Shares**	**Number of Share Awards Total**
Outstanding at 30 November 2014	**52,714**	**7,189**	**383,089**	**442,992**
Awarded during the period	**139,790**	**19,968**	**452,018**	**611,776**
Forfeited during the period	**—**	**(2,661)**	**(88,642)**	**(91,303)**
Released during the period	**(19,346)**	**(46)**	**(2,459)**	**(21,851)**
Outstanding at 29 November 2015	**173,158**	**24,450**	**744,006**	**941,614**
Unrestricted at 29 November 2015	**173,158**	**—**	**654**	**173,812**

In the year, the Group recognised an expense of £0.3 million (2014: £0.1 million) related to these awards. The expectation of meeting the holding period was taken into account when calculating this expense.

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 debt. Net debt is calculated as total debt (obligations under finance leases and borrowings as shown in the Balance sheet), less cash and cash equivalents. The Group's net assets at the end of the period were £241.9 million (2014: £218.2 million) and it had net debt of £127.0 million (2014: £99.4 million).

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 reforecasting, 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 prior period, the Group entered into a new unsecured three-year Revolving Credit Facility (RCF) with Barclays, HSBC, RBS and Santander. During the current period the facility was extended by a further two years, the amount was increased from £100 million to £210 million and certain covenants were loosened. 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 5.4.

Given the Group's commitment to expand the business and the investment required to complete CFC3 and future CFCs, the declaration and payment of a dividend is not part of the short-term capital management strategy of the Group.

4.11 Capital Management (continued)

At the Balance sheet date, the Group's undrawn facilities and cash and cash equivalents were as follows:

	Notes	29 November 2015 £m	30 November 2014 £m
Total facilities available		**409.6**	288.7
Facilities drawn down†	4.2	**(172.8)**	(175.7)
Undrawn facilities at end of period		**236.8**	113.0
Cash and cash equivalents gross of drawn overdraft facility	3.9	**45.8**	76.3
		282.6	189.3

† In the prior period, there were £1.1 million of capitalised transaction costs relating to the £100 million revolving credit facility entered into with Barclays, HSBC, RBS and Santander. In the current period transaction costs of £2.5 million relating to the facility amendment are capitalised.

Notes to the Consolidated Financial Statements (continued)

Section 5 – Other notes

5.1 Subsidiaries

The subsidiary undertakings and significant undertakings of the Company as at period end are set out below. A schedule of interests in all undertakings is filed with the annual return.

Name	Principal Activity	Proportion of Share Capital Held (direct/indirect)	Country of Incorporation
Ocado Holdings Limited	Holding company	100%	England and Wales
Ocado Retail Limited (formerly Ocado Limited)	Retail	100%	England and Wales
Ocado Information Technology Limited	Intellectual property	100%	Republic of Ireland
Ocado Polska Sp. Z.o.o.	Technology	100%	Poland
Ocado Innovation Limited (formerly Ocado Technology Limited)	Technology	100%	England and Wales
Ocado Operating Limited	Logistics and Distribution	100%	England and Wales
Ocado Central Services Limited	Business Services	100%	England and Wales
Ocado Innovation Holdings Limited	Non-trading company	100%	England and Wales
Jalapeno Partners Limited	Non-trading company	100%	England and Wales
Last Mile Technology Limited	Non-trading company	100%	England and Wales
Speciality Stores Limited (formerly Specialty Stores Limited)	Trading company	100%	England and Wales
Marie Claire Beauty Limited (formerly Newco Beauty Limited)	Retail	100%	England and Wales
Paws & Purrs Limited	Retail	100%	England and Wales
MHE JVCo Limited	Trading company	50%	England and Wales
Paneltex Limited	Manufacturing	25%	England and Wales

In accordance with Section 410(2)(a) of the Companies Act, a full list of the then subsidiaries was annexed to the 2014 annual return and submitted to Companies House. In accordance with the exemption under Section 479A of the Companies Act the standalone financial statements for a subsidiary, Paws & Purrs Limited, are not to be audited for the year ended 29 November 2015, 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.

5.2 Commitments

Capital Commitments

Contracts placed for future capital expenditure but not provided for in the financial statements are as follows:

	29 November 2015 £m	30 November 2014 £m
Land and buildings	**3.4**	2.9
Property, plant and equipment	**18.9**	20.0
Total capital expenditure committed at the end of the period	**22.3**	22.9

Of the total capital expenditure committed at the current period end, £14.4 million relates to new CFCs, £1.5 million to existing CFCs, £1.5 million to fleet costs and £1.2 million relates to technology related 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 29 November 2015 the ageing profile of future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	29 November 2015 £m	30 November 2014 £m
Due within one year	**14.2**	12.0
Due after one year but less than five	**44.8**	34.6
Due after five years	**136.7**	123.7
Total commitment	**195.7**	170.3

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:

	29 November 2015 £m	30 November 2014 £m
Salaries and other short-term employee benefits	**3.2**	3.0
Salaries and other short-term employee benefits in respect of Directors retired during the year	**—**	0.2
Share-based payments	**5.6**	3.7
	8.8	6.9

Further information on the remuneration of Directors and Directors' interests in ordinary shares of the Company are disclosed in the Directors' Remuneration Report on pages 80 to 117.

Other related party transactions with key management personnel made during the period related to the purchase of professional services and amounted to £6,000 (2014: £15,000). 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 (2014: None).

There were no other material transactions or balances between the Group and its key management personnel or members of their close family.

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 3.3.

	29 November 2015 £m	30 November 2014 £m
Purchase of goods		
— Plant and machinery	**0.1**	—
— Consumables	**0.5**	0.4
	0.6	0.4

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 £12.2million (2014: £7.2 million). At period end, the Group owed Paneltex £31,000 (2014: £19,000).

Notes to the Consolidated Financial Statements (continued)

5.4 Related Party Transactions (continued)

Joint Venture

The following transactions were carried out with MHE JV Co, a joint venture company, incorporated in the UK, in which the Group holds a 50% interest:

	29 November 2015 £m	30 November 2014 £m
Capital contributions made to MHE JVCo	**—**	6.5
Dividend received from MHE JVCo	**8.1**	—
Reimbursement of supplier invoices paid on behalf of MHE JVCo	**6.1**	34.9
Lease of assets from MHE JVCo	**3.0**	31.0
Capital element of finance lease instalments paid to MHE JVCo	**14.3**	15.7
Interest element of finance lease instalments accrued or paid to MHE JVCo	**6.2**	5.4

During the period the Group paid lease instalments (including interest) of £20.5 million (2014: £21.1 million) to MHE JVCo.

Of the £20.5 million, £10.6 million (2014: £8.9 million) was recovered directly from Morrisons in the form of Other Income and a further £8.1 million (2014: £nil) was received from MHE JVCo by way of a dividend. The remaining £1.8 million (2014: £12.2 million) represents capital expenditure requirements of MHE JVCo for which no additional funding was required from Ocado. The net result is the termination of £14.3 million of MHE JVCo debt during the period (2014: £15.7 million) with no corresponding net cash outflow.

In the current period, the Group made no capital contributions to MHE JVCo (2014: £6.5 million).

Included within trade and other receivables is a balance of £5.6 million owed by MHE JVCo (2014: £3.5 million). £1.0 million of this relates to a finance lease accrual which is included within other receivables (2014: £2.7 million). £4.6 million (2014: £0.8 million) relates to capital recharges.

Included within trade and other payables is a balance of £1.0 million owed to MHE JVCo (2014: £0.8 million).

Included within obligations under finance leases is a balance of £119.5 million owed to MHE JVCo (2014: £130.8 million).

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 29 November 2015.

Independent Auditors' Report

to the members of Ocado Group plc

Report on the company financial statements

Our opinion

In our opinion, Ocado Group plc's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 29 November 2015 and of its cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and accounts (the "Annual Report"), comprise:

- the Company Balance Sheet as at 29 November 2015;
- the Company Statement of Cash Flows for the period then ended;
- the Company Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report (continued)

to the members of Ocado Group plc

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 78 and 79, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of Ocado Group plc for the 52 week period ended 29 November 2015.

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
2 February 2016

Company Balance Sheet

as at 29 November 2015

	Notes	29 November 2015 £m	30 November 2014 £m
Non-Current Assets			
Investments	3.1	**498.5**	488.7
		498.5	488.7
Current Assets			
Other receivables	3.3	**240.4**	203.2
Cash and cash equivalents	3.4	**18.9**	53.4
		259.3	256.6
Total Assets		**757.8**	745.3
Current Liabilities			
Trade and other payables	3.5	**(0.2)**	(1.2)
Provisions	3.6	**(2.1)**	(1.6)
		(2.3)	(2.8)
Net Current Assets		**257.0**	253.8
Non-Current Liabilities			
Provisions	3.6	**(1.6)**	—
		(1.6)	—
Net Assets		**753.9**	742.5
Equity			
Share capital	4.1	**12.6**	12.5
Share premium	4.1	**259.0**	254.6
Retained earnings		**482.3**	475.4
Total Equity		**753.9**	742.5

The notes on pages 180 to 189 form part of these financial statements.

The Company financial statements on pages 177 to 189 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)
2 February 2016

Company Statement of Cash Flows

for the 52 weeks ended 29 November 2015

	Notes	**52 Weeks Ended 29 November 2015 £m**	52 Weeks Ended 30 November 2014 £m
Cash Flow From Operating Activities			
Loss before income tax		**(0.8)**	(0.3)
Adjustments for:			
— Finance income		**(0.2)**	(0.4)
Changes in working capital:			
— Movement in other receivables		**(37.4)**	(47.7)
— Movement in trade and other payables		**(0.8)**	0.6
Net Cash Outflow From Operating Activities		**(39.2)**	(47.8)
Cash Flow From Investing Activities			
Interest received		**0.2**	0.4
Net Cash From Investing Activities		**0.2**	0.4
Cash Flow From Financing Activities			
Proceeds from issue of ordinary share capital net of transaction costs		**4.5**	3.2
Net Cash From Financing Activities		**4.5**	3.2
Net Decrease in Cash and Cash Equivalents		**(34.5)**	(44.2)
Cash and cash equivalents at beginning of period		**53.4**	97.6
Cash and Cash Equivalents at End of Period	3.4	**18.9**	53.4

Company Statement of Changes in Equity

for the 52 weeks ended 29 November 2015

	Notes	Share Capital £m	Share Premium £m	Retained Earnings £m	Total Equity £m
Balance at 1 December 2013		12.4	251.5	471.3	735.2
Loss for the period		—	—	(0.3)	(0.3)
Total Comprehensive Income for the Period Ended 30 November 2014		—	—	(0.3)	(0.3)
Transactions with owners:					
— Issue of ordinary shares	4.1	0.1	3.1	—	3.2
— Share-based payments charge		—	—	4.4	4.4
Total Transactions with Owners		0.1	3.1	4.4	7.6
Balance at 30 November 2014		12.5	254.6	475.4	742.5
Loss for the period		—	—	(0.8)	(0.8)
Total Comprehensive Income for the Period Ended 29 November 2015		**—**	**—**	**(0.8)**	**(0.8)**
Transactions with owners:					
— Issue of ordinary shares	4.1	0.1	4.4	—	4.5
— Share-based payments charge		—	—	7.7	7.7
Total Transactions with Owners		**0.1**	**4.4**	**7.7**	**12.2**
Balance at 29 November 2015		**12.6**	**259.0**	**482.3**	**753.9**

Notes to the Company Financial Statements

Section 1 - Basis of Preparation

General Information

Ocado Group plc is incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Hertfordshire, AL10 9NE. The financial period represents the 52 weeks ended 29 November 2015 (prior period 52 weeks ended 30 November 2014).

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. The loss for the period is £0.8 million (2014: loss £0.3 million).

Standards, Amendments and Interpretations Adopted by the Company in 2014/15 or Issued that are Effective

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 1 December 2014 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:

		Effective Date
IFRS 10	Consolidated Financial Statement*	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities*	1 January 2014
IAS 19	Employee Benefits	1 July 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 32	Financial Instruments: Presentation	1 January 2014
IAS 36	Impairment of Assets	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement	1 January 2014

* The amendments for investment entities which are effective in IFRS 10, IFRS 12 and IAS 27, above, are not relevant for the Group. Amendments regarding the application of the consolidation exception for IFRS 10 and IFRS 12 are effective from 1 January 2016, and amendments regarding the reinstatement of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements are effective from 1 January 2016, and are included in the table below.

Standards, amendments and interpretations issued that are not effective, and which have not been early 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 1 December 2014 and have not been adopted early:

		Effective Date
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2016
IFRS 11	Joint Arrangements	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IAS 1	Presentation of Financial Statements	1 January 2016
IAS 16	Property, Plant and Equipment	1 January 2016
IAS 27	Separate Financial Statements	1 January 2016
IAS 28	Investments in Associates and Joint Ventures	1 January 2016
IAS 38	Intangible Assets	1 January 2016
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 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. The Group is currently reviewing the impact of IFRS 16.

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 or substantively enacted by the Balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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. The estimates and assumptions relevant to the Consolidated financial statements are embedded with the relevant notes to the Consolidated financial statements.

Notes to the Company Financial Statements (continued)

Section 2 — Results for the Year

2.1 Profit 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 Loss

During the period, the Company obtained audit services from its auditors, PricewaterhouseCoopers LLP, to the amount of £0.06 million (2014: £0.06 million).

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 4.2.

Section 3 – Assets and Liabilities

3.1 Investments

Accounting Policies

Investments in Group companies are valued at cost less accumulated impairment.

Investments

	29 November 2015 £m	30 November 2014* £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	20.9	11.1
Carrying Value at end of Period	**498.5**	488.7

* The presentation of the carrying value between cost and contributions to subsidiaries at 30 November 2014 has been corrected. There is no impact to the carrying value of investments as at 30 November 2014.

Investments represent investments in Group companies, Ocado Holdings Limited and Ocado Innovation Limited. For more information regarding the Company's investments see Note 5.1.

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" in 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.

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

	29 November 2015 £m	30 November 2014 £m
Accrued income	—	0.2
Amounts due from subsidiary undertakings	240.4	203.0
	240.4	203.2

3.4 Cash and Cash Equivalents

	29 November 2015 £m	30 November 2014 £m
Cash at bank and in hand	18.9	53.4

3.5 Trade and Other Payables

	29 November 2015 £m	30 November 2014 £m
Other payables	0.2	0.4
Amounts due to subsidiary undertakings	—	0.8
	0.2	1.2

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 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 Option Scheme (“ESOS”). For more details on these schemes, refer to note 4.10 to the consolidated financial statements.

In the prior year, 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 1 December 2013	—
Charged to the income statement	
— additional provision	1.6
— unused amounts reversed	—
Used during the period	—
As at 30 November 2014	1.6
Charged to the income statement	
— additional provision	2.1
— unused amounts reversed	—
Used during the period	—
As at 29 November 2015	3.7

Notes to the Company Financial Statements (continued)

3.6 Provisions (continued)

Analysis of Total Provisions as at 30 November 2014

	Employee Incentive Schemes £m
Current	—
Non-current	1.6
	1.6

Analysis of Total Provisions as at 29 November 2015

	Employee Incentive Schemes £m
Current	**2.1**
Non-current	**1.6**
	3.7

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 employer's NIC on the value of the cash award upon 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 (g) in 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 2016 and 2019.

Section 4 – Capital Structure and Financing Costs

4.1 Share Capital and Premium

Accounting Policies

Equity instruments issued by the Group 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 34,770,981 (2014: 34,810,561) ordinary shares held by the Group's employee benefit trust (see Note 4.10(b) in 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 profit per share calculation in Note 2.9 of the Consolidated financial statements, as basic profit per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

At 29 November 2015, the number of ordinary shares available for issue under the Block Listing Facilities was 14,620,308 (2014: 19,094,500). 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:

	Notes	Ordinary Shares Number (m)	Ordinary Shares £m	Share Premium £m
At 1 December 2013		617.7	12.4	251.5
Issues of ordinary shares		0.5	—	0.1
Allotted in respect of share option schemes		2.7	0.1	3.0
At 30 November 2014		620.9	12.5	254.6
Issues of ordinary shares		**0.6**	**—**	**0.5**
Allotted in respect of share option schemes	4.2	**3.9**	**0.1**	**3.9**
At 29 November 2015		**625.4**	**12.6**	**259.0**

4.2 Share-Based Payments

For more information on the Group's share schemes, see Note 4.10 to the consolidated financial statements.

4.3 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 determines the classification of its 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.

Notes to the Company Financial Statements (continued)

4.3 Financial Instruments (continued)

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.

	Notes	29 November 2015 Carrying Value £'000	29 November 2015 Fair Value £'000	30 November 2014 Carrying Value £'000	30 November 2014 Fair Value £'000
Financial Assets					
Investments	3.1	**498.5**	**498.5**	488.7	488.7
Cash and cash equivalents	3.4	**18.9**	**18.9**	53.4	53.4
Other receivables	3.3	**240.4**	**240.4**	203.2	203.2
Total financial assets		**757.8**	**757.8**	745.3	745.3
Financial Liabilities					
Trade and other payables	3.5	**(0.2)**	**(0.2)**	(1.2)	(1.2)
Total financial liabilities		**(0.2)**	**(0.2)**	(1.2)	(1.2)

4.4 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 4.3, 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 provides 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:

	Notes	29 November 2015 Gross £'000	29 November 2015 Impairment £'000	30 November 2014 Gross £'000	30 November 2014 Impairment £'000
Not past due		**240.4**	—	203.2	—
Past due 0–3 months		—	—	—	—
Past due 3–6 months		—	—	—	—
Past due over 6 months		—	—	—	—
	3.3	**240.4**	—	203.2	—

There were no unimpaired balances at the period end where the Company had renegotiated the terms. Management has not provided for irrecoverable debts against any of its other receivable balances.

4.5 Liquidity Risk

To manage the working capital needs of the business, the Group entered into a three-year £100 million revolving credit facility with Barclays, HSBC, RBS and Santander in the prior period. During the current period the facility was extended by two years to 2019 and the amount was increased to £210 million. As at 29 November 2015 the facility remains unutilised. 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. For further details on the Group's capital management strategy see Note 4.11 in 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	(1.2)	(1.2)	(1.2)	—	—	—
30 November 2014		(1.2)	(1.2)	(1.2)	—	—	—

4.5 Liquidity Risk (continued)

	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	(0.2)	(0.2)	(0.2)	—	—	—
29 November 2015		(0.2)	(0.2)	(0.2)	—	—	—

4.6 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 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:

	29 November 2015 £m	30 November 2014 £m
Fixed Rate Instruments		
Financial assets	17.9	33.2
Variable Rate Instruments		
Financial assets	1.0	20.2

Sensitivity Analysis

An increase of 100 basis points (1.0%) in interest rates would increase 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.

	29 November 2015 £m	30 November 2014 £m
Equity		
Gain	—	—
Income		
Gain	—	0.2

Notes to the Company Financial Statements (continued)

4.7 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 30 November 2014					
Financial Assets					
Investments	3.1	488.7	—	—	488.7
Cash and cash equivalents	3.4	—	53.4	—	53.4
Other receivables	3.3	—	203.2	—	203.2
Total		488.7	256.6	—	745.3
Financial Liabilities					
Trade and other payables	3.5	—	—	(1.2)	(1.2)
Total		—	—	(1.2)	(1.2)

	Notes	Available-For-Sale £m	Loans and Receivables £m	Other Financial Liabilities at Amortised Cost £m	Total £m
As at 29 November 2015					
Financial Assets					
Investments	3.1	**498.5**	**—**	**—**	**498.5**
Cash and cash equivalents	3.4	**—**	**18.9**	**—**	**18.9**
Other receivables	3.3	**—**	**240.4**	**—**	**240.4**
Total		**498.5**	**259.3**	**—**	**757.8**
Financial Liabilities					
Trade and other payables	3.5	**—**	**—**	**(0.2)**	**(0.2)**
Total		**—**	**—**	**(0.2)**	**(0.2)**

4.8 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 in the Consolidated financial statements.

Section 5 — Other Notes

5.1 Subsidiaries

The subsidiary undertakings and significant undertakings of the Company as at period end are set out below. A schedule of interests in all undertakings is filed with the annual return.

	Principal Activity	Proportion of Share Capital Held	Country of Incorporation
Ocado Holdings Limited	Holding company	100%	England and Wales
Ocado Retail Limited (formerly Ocado Limited)	Retail	100%	England and Wales
Ocado Information Technology Limited	Intellectual property	100%	Republic of Ireland
Ocado Polska Sp. Z.o.o.	Technology	100%	Poland
Ocado Innovation Limited (formerly Ocado Technology Limited)	Technology	100%	England and Wales
Ocado Operating Limited	Logistics and Distribution	100%	England and Wales
Ocado Central Services Limited	Business Services	100%	England and Wales
Ocado Innovation Holdings Limited	Non-trading company	100%	England and Wales
Jalapeno Partners Limited	Non-trading company	100%	England and Wales
Last Mile Technology Limited	Non-trading company	100%	England and Wales
Speciality Stores Limited (formerly Specialty Stores Limited)	Trading company	100%	England and Wales
Marie Claire Beauty Limited (formerly Newco Beauty Limited)	Retail	100%	England and Wales
Paws & Purrs Limited	Retail	100%	England and Wales
MHE JVCo Limited	Trading company	50%	England and Wales
Paneltex Limited	Manufacturing	25%	England and Wales

In accordance with Section 410(2)(a) of the Companies Act, a full list of the then subsidiaries was annexed to the 2014 annual return and submitted to Companies House. In accordance with the exemption under Section 479A of the Companies Act the standalone financial statements for a subsidiary, Paws & Purrs Limited, are not to be audited for the year ended 29 November 2015, but are included in the Group's consolidated financial statements in the period.

5.1 Subsidiaries (continued)

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.

5.2 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 in the Consolidated financial statements on pages 80 to 117.

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

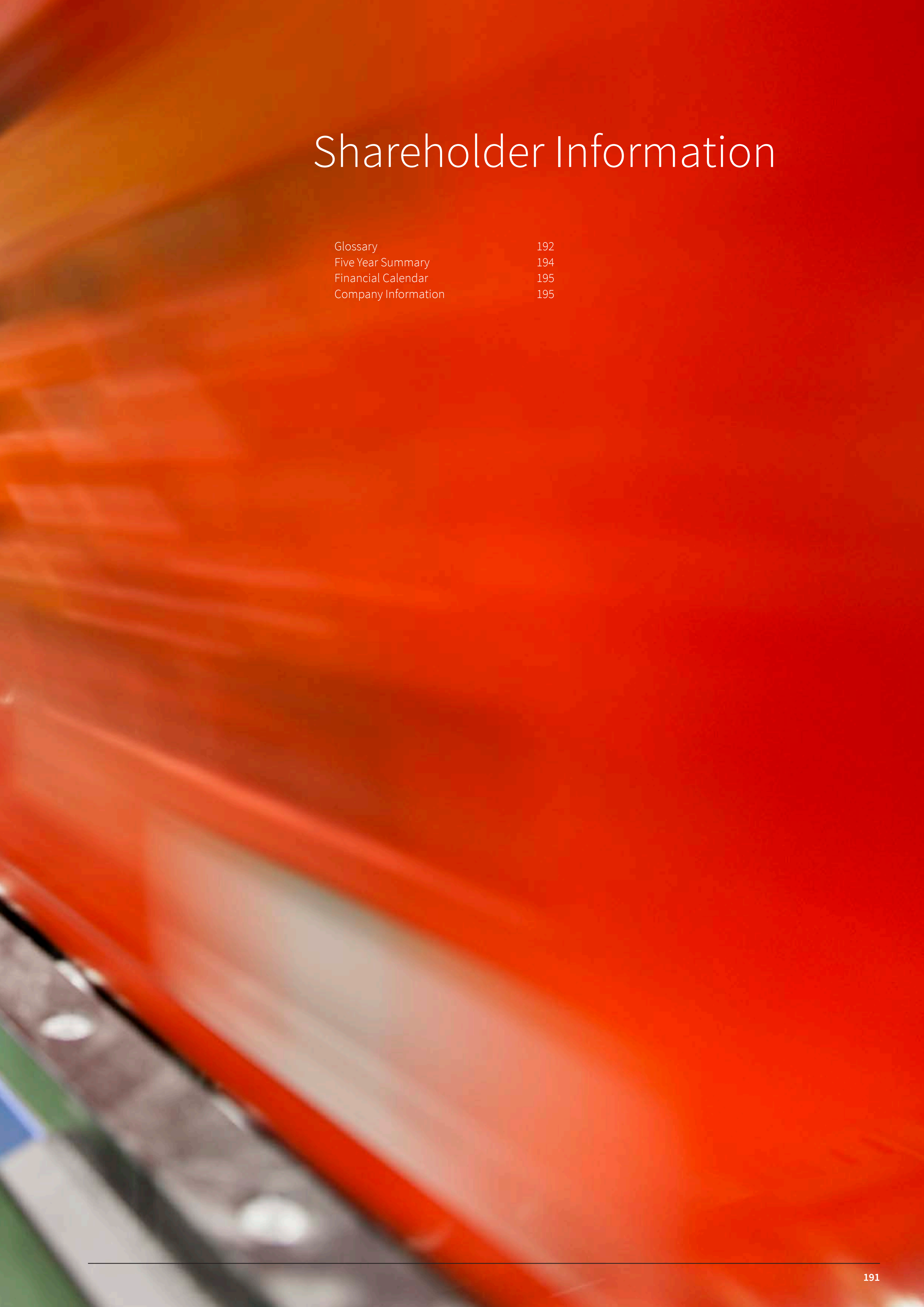
The Company enters into loans with its subsidiaries. Interest income of £10,000 was earned on these loans at market-related interest rates during the period (2014: £6,000).

Transactions with Subsidiaries	52 Weeks Ended 29 November 2015 £m	52 Weeks Ended 30 November 2014 £m
Group share-based payments	9.8	6.1
Increase in loans made to subsidiary undertakings	37.2	47.8
(Decrease)/Increase in amounts due to subsidiary undertakings	(0.6)	0.8

Year-end Balances Arising from Transactions with Subsidiaries	29 November 2015 £m	30 November 2014 £m
Receivables:		
Loans and receivables due from subsidiaries	240.4	203.2
Payables:		
Loans and receivables due to subsidiaries	0.2	0.8

5.3 Post balance sheet events

There were no events after the balance sheet date which require adjustment to or disclosure in these financial statements.



Shareholder Information

Glossary

2014 ESOS — means the Ocado 2014 Executive Share Option Scheme.

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 4 May 2016 at 11 am at Peterborough Court, 133 Fleet Street, London, EC4A 2BB.

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.

Board — means the board of directors of the Company or its subsidiaries from time to time as the context may require.

Chairman's Share Matching Award — means a one-off award of shares to Lord Rose, made in May 2013.

Cash LTIP — means the Company's cash-based Long Term Incentive Plan for senior employees.

Code — means the UK Corporate Governance Code published by the FRC in September 2014, as amended from time to time.

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 Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Hertfordshire, AL10 9NE.

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 (under testing) and CFC4 in Erith (under construction).

Deloitte — means Deloitte LLP.

Directors — means the directors of the Company whose names are set out on pages 50 and 51, or the directors of the Company's subsidiaries from time to time as the context may require.

Directors' Remuneration Policy — means the remuneration policy which was approved by shareholders at the 2014 annual general meeting and is set out on pages 84 to 98.

Disclosure and Transparency Rules — means the disclosure rules 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.

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 Appleby 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, Neill Abrams, Duncan Tatton-Brown and Mark Richardson.

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.

GHG — means greenhouse gas(es).

GIP — means the Growth Incentive Plan.

Gross Sales (Group) — means sales (net of returns), including charges for delivery, before deducting relevant vouchers, offers and value added tax. Gross sales also includes income received pursuant to the Morrisons agreement. Relevant vouchers and offers include money-off coupons, conditional spend vouchers and multi-buy offers, such as buy three for the price of two.

Gross Sales (Retail) — means sales of the Group's retail operation being Ocado.com, fetch.co.uk and sizzle.co.uk

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).

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 England and Wales 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.

KPMG — means KPMG LLP.

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 England and Wales with registered number 8576462, whose registered office is at Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Hertfordshire, AL10 9NE. MHE JVCo is jointly owned by a Group subsidiary and Morrisons.

Morrisons — means Wm Morrison Supermarkets PLC, a company incorporated in England and Wales 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 comprised principally of bank interest and other interest. Finance costs are comprised of interest on bank loans and overdrafts, interest on finance leases and interest on other financing arrangements.

NFDC — means the Non-Food Distribution Centre in Welwyn Garden City, a dedicated highly automated warehouse used for the operation of the business.

Non-Executive Directors — means the non-executive Directors of the Company designated as such on pages 50 and 51.

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.

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.

PwC — means PricewaterhouseCoopers LLP, the Group's statutory auditors or the Group's advisers in respect of non-audit services.

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 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.

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. SAYE1 means the first invitations made under the scheme in 2010, SAYE2 means the second invitations made under the scheme in 2012, SAYE3 means the third invitations made under the scheme in 2013 and SAYE4 means the fourth invitations made under the scheme in 2015.

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.

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.

Waitrose — means Waitrose Limited, a company incorporated in England and Wales 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 website www.ocado.com, www.fetch.co.uk and www.sizzle.co.uk.

Five Year Summary

	52 Weeks to 29 November 2015 £m	52 Weeks to 30 November 2014 £m	52 Weeks to 1 December 2013 £m	53 Weeks to 25 November 2012 £m	52 Weeks to 27 November 2011 £m
Trading Weeks	**52**	52	52	53	51
Gross Sales	**1,204.4**	1,026.5	852.4	731.9	642.8
Revenue	**1,107.6**	948.9	792.1	678.6	598.3
Gross Profit	**375.1**	312.9	247.5	207.3	184.7
EBITDA	**81.5**	71.6	45.8	34.5	27.9
Adjusted operating profit/(loss)[1]	**19.1**	14.2	1.0	5.4	1.1

1. Adjusted to exclude exceptional items and share of result from joint venture

	52 Weeks to 29 November 2015	52 Weeks to 30 November 2014	52 Weeks to 1 December 2013	53 Weeks to 25 November 2012	52 Weeks to 27 November 2011
Average orders per week	**195,000**	167,000	143,000	123,000	110,000
Average orders size (£)	**109.95**	112.25	113.53	112.13	112.15
CFC Efficiency (UPH)[1]	**155**	145	135	121	111
DPV/week	**166**	163	160	152	145
Product waste (%)	**0.7**	0.8	1.0	0.7	0.7
Items delivered exactly as ordered	**99.3**	99.3	99.0	98.0	98.3
Deliveries on time or early (%)	**95.3**	95.3	95.2	92.7	92.3

1. Mature CFC operations (CFC is considered mature if it had been open 12 months by the start of the half year reporting period)

Financial Calendar

15 March 2016	Q1 Trading Statement
4 May 2016	Annual General Meeting
28 June 2016	Half Year Results Announcement
13 September 2016	Q3 Results Announcement
8 December 2016	Q4 Trading Statement
31 January 2017	Final Results Announcement

Company Information

Registered office: Titan Court
3 Bishops Square
Hatfield Business Park
Hatfield
Hertfordshire
AL10 9NE

Company number: 07098618

Independent auditors: PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
10 Bricket Road
St Albans
Hertfordshire
AL1 3JX

Registrars: Capita Asset Services
The Registry
34 Beckenham Road
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Kent
BR3 4ZF


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