

RNS Number : 9842D  
Ocado Group PLC  
06 February 2018

ANNUAL FINANCIAL REPORT  
OCADO GROUP PLC  
6 February 2018

**Ocado Group plc  
Annual Financial Report 2017**

Ocado Group plc ("Ocado") has today submitted to the Financial Conduct Authority's national storage mechanism its annual report and accounts for the 53 weeks ended 3 December 2017 (as required by Listing Rules 9.6.1 and 9.6.3).

The annual report and accounts for the 53 weeks ended 3 December 2017 is available to view on Ocado's website: [www.ocadogroup.com](http://www.ocadogroup.com) (in compliance with Disclosure Guidance and Transparency Rule 6.3.5(3)).

Ocado's annual report and accounts for the 53 weeks ended 3 December 2017 will also be available for viewing at the Financial Conduct Authority's national storage mechanism at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM).

This announcement follows Ocado's announcement this morning of its preliminary results for the same period. A condensed set of Ocado's financial statements and information on important events that have occurred during the year and their impact on the financial statements and related party information were included in Ocado's preliminary results announcement. That information together with the information set out below is the information provided in satisfaction of the requirements of Disclosure Guidance and Transparency Rule 6.3.5. The description of principal risks and uncertainties below is extracted in unedited full text from the annual report and accounts for the 53 weeks ended 3 December 2017. Reading this announcement and/or the preliminary results announcement should not be a substitute for reading the full annual report and accounts for the 53 weeks ended 3 December 2017. This announcement and the preliminary results announcement are available to view on Ocado's website: [www.ocadogroup.com](http://www.ocadogroup.com).

**Principal risks and uncertainties**

We have identified 13 principal risks and uncertainties facing Ocado. These are considered by the Board to be material to the development, performance, position or future prospects of Ocado. These risks, mitigations and changes during the year are summarised in the table below. They are not set out in priority order. Further information on risk is set out on pages 38 to 41 of the annual report and accounts for the 53 weeks ended 3 December 2017.

Strategic Objective	Risks	Mitigation Action/ Control	Change During The Year
DRIVING GROWTH	Risk of decline in high service levels	<ul style="list-style-type: none"> <li>Weekly monitoring of the key indicators against published targets</li> <li>A number of planned initiatives are intended to improve operational performance</li> </ul>	çè
	Failure to develop retail proposition to appeal to broader customer base and sustain growth rates <sup>1</sup>	<ul style="list-style-type: none"> <li>Continuation of LPP basket matching price comparison and competitive pricing</li> <li>Growth of the Ocado own-label range alongside continued provision of the Waitrose range</li> <li>Growth of branded ranges and expansion of supplier base</li> <li>Alternative sourcing scenarios considered in the event that the Waitrose sourcing relationship is not renewed when it expires in 2020</li> <li>Continuation of investment and optimisation of the marketing channels to acquire new customers</li> <li>Continued improvement of webshop and apps</li> </ul>	çè
	Failure to develop sufficient	<ul style="list-style-type: none"> <li>Increasing hiring of technology</li> </ul>	çè

management and technology capability or bandwidth to deliver on all our strategic priorities	<ul style="list-style-type: none"> <li>· staff, including senior positions</li> <li>· Regular review of IT prioritisation process</li> <li>· Review of technology structures and processes to position the Group for delivering a larger number of complex projects</li> <li>· Increased hiring of managers and subject matter experts in retail, operational and central support areas</li> </ul>
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Risk of not signing multiple Ocado Solutions deals in the medium term and not being able to execute effectively <sup>2</sup>	<ul style="list-style-type: none"> <li>· Investment in our platform which enables Ocado Solutions is also required for Ocado's expanding Retail business. Initial deployment is in Andover and Erith CFCs</li> <li>· Impact of not signing multiple Ocado Solutions deals in the medium term is restricted to the lost opportunity to increase our earnings from our Solutions business</li> <li>· 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</li> <li>· Resources and capabilities will be scaled and reallocated to help meet Ocado Solutions project</li> </ul>	<p>n</p> <p>A number of Ocado Solutions deals have been signed, leading to the challenge of implementing multiple international projects</p>
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deadlines. See  
above risk

	Risk of negative implications caused by final Brexit terms such as increase in import costs or difficulty in hiring employees	<ul style="list-style-type: none"> <li>Regular monitoring of government reporting on Brexit negotiations to understand impact on the business including our ability to hire employees from the EU, an assessment of trade tariffs on imported goods and impact of disharmonisation of UK and EU regulatory standards in a range of areas</li> <li>Collaborating with trade organisations to follow developments and express our concerns to government</li> </ul>	çè
MAXIMISING EFFICIENCY	A risk of delays in the implementation of new capacity for both Ocado and Morrisons	<ul style="list-style-type: none"> <li>Dedicating resources to the modularisation of technology and logistics systems to enable faster replication</li> <li>New capacity in development at Andover CFC and Erith CFC</li> <li>Regular Executive Board steering and full Board reporting of new technology projects</li> </ul>	çè
UTILISING PROPRIETARY KNOWLEDGE	Technological innovation supersedes our own and offers improved methods of food distribution to consumers	<ul style="list-style-type: none"> <li>Engagement with a wide number of international grocers to understand market needs</li> <li>Experienced teams in place who understand</li> </ul>	çè

		<ul style="list-style-type: none"> <li>the current solutions and are aware of global alternatives used in other industries</li> <li>Benefit to our UK business from examining the retail businesses of international grocers</li> </ul>	
	Protecting our IP	<ul style="list-style-type: none"> <li>Ongoing effort to identify patentable inventions and to apply for patents, with an increased number of patent applications</li> <li>Ongoing review of our patent portfolio and discussion of other IP issues by the Ocado Innovation Committee</li> <li>Where necessary we take steps to protect our IP from unauthorised use</li> </ul>	çè
	Infringing a third party's IP	<ul style="list-style-type: none"> <li>Conducting "freedom to operate" searches on selected technologies in selected jurisdictions</li> <li>Where appropriate, obtaining specialist or legal advice including to help ensure our ability to use our IP is not restricted by infringement claims</li> </ul>	çè
OPERATIONAL	A risk of a food safety or product safety incident	<ul style="list-style-type: none"> <li>Experienced legal, food and product technology</li> </ul>	çè

	<ul style="list-style-type: none"> <li>professionals monitor compliance against policies and procedures</li> <li>· Supplier approval and certification process</li> <li>· Food and product safety policies and quality management with appropriate operational procedures</li> </ul>	
<hr/> A risk of changes in regulations impacting our retail business model or the viability of Ocado Solutions deals	<ul style="list-style-type: none"> <li>· Regular monitoring of regulatory developments to ensure that changes are identified</li> <li>· Monitoring operational performance to minimise environmental impact</li> <li>· Some due diligence carried out at appropriate stages in the Ocado Solutions process</li> </ul>	<hr/> çè
<hr/> Risk of major cyber-attack or data loss	<ul style="list-style-type: none"> <li>· IT systems are structured to operate reliably and securely</li> <li>· The security of our IT systems is regularly tested by third parties; security monitoring capabilities have been expanded</li> <li>· No customer payment card data is held in Ocado's databases</li> <li>· Access to customer personal data is restricted to those who need this information</li> </ul>	<hr/> çè

		as part of their job	
		· GDPR compliance programme is being carried out	
	Business interruption	<ul style="list-style-type: none"> <li>· IT systems are structured to operate reliably and securely</li> <li>· Dedicated engineering teams on site with daily maintenance programmes to support the continued operation of equipment</li> <li>· Disaster recovery testing and business continuity plans continue to be progressed and updated</li> <li>· High level of protection for CFCs and equipment, combined with business interruption insurance to transfer residual risks</li> </ul>	çè

Key: é Risk has increased ê Risk has decreased çè No change n Not applicable

1. The risk described in the 2016 annual report as a "Failure to maintain competitive pricing position" has been deleted and included as a sub-set of the risk concerning "Failure to develop retail proposition to appeal to broader customer base and sustain growth rates".

2. The risk described in the 2016 Annual Report as "Risk of not signing multiple Ocado Solutions deals in the medium term" has been expanded to include the risk of not being able to execute the deals effectively.

For further information on the financial risks, see pages 161 to 163 of the notes to the financial statements.

### Directors' Responsibility Statement

Ocado's annual report and accounts for the 53 weeks ended 3 December 2017 contains the following statements regarding responsibility for the financial statements and the annual report in compliance with DTR 4.1.12. This responsibility statement is repeated here (below) solely for the purposes of complying with Disclosure Guidance and Transparency Rule 6.3.5. It is not connected to the extracted information presented in the preliminary results announcement or this announcement.

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 116 and

117 of this Annual Report but not including Alex Mahon) 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 111) 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.

The Directors of Ocado Group plc are listed in the annual report and accounts for the 53 weeks ended 3 December 2017 and are listed on the Ocado Group's corporate website: [www.ocadogroup.com](http://www.ocadogroup.com). The Directors of Ocado Group plc as at the date of this announcement are as follows:

Stuart Rose;  
Tim Steiner;  
Neill Abrams;  
Duncan Tatton-Brown;  
Mark Richardson;  
Ruth Anderson;  
Jörn Rausing;  
Douglas McCallum;  
Andrew Harrison; and  
Emma Lloyd.

## **Enquiries**

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Ocado Group plc LEI: 213800LO8F61YB8MBC74

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