

Annual Financial Report

RNS Number : 0349A
Ocado Group PLC
14 March 2013

ANNUAL FINANCIAL REPORT
OCADO GROUP PLC
14 March 2013

Ocado Group plc Annual Financial Report 2012

Ocado Group plc ("Ocado") has today submitted to the Financial Services Authority's national storage mechanism its annual report and accounts for the 53 weeks ended 2 December 2012 (as required by Listing Rules 9.6.1 and 9.6.3).

The annual report and accounts for the 53 weeks ended 2 December 2012 is available to view on Ocado's website: www.ocadogroup.com (in compliance with Disclosure and Transparency Rule 6.3.5(3)).

Ocado's annual report and accounts for the 53 weeks ended 2 December 2012 will also be available for viewing at the Financial Services Authority's national storage mechanism at www.morningstar.co.uk/uk/NSM.

This announcement follows Ocado's announcement on 7 February 2013 of its preliminary results for the same period. A condensed set of Ocado's financial statements (unaudited) 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 the Company's preliminary results announcement. That information together with the information set out below is the information provided in satisfaction of the requirements of Disclosure 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 2 December 2012. 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 2 December 2012. This announcement and the preliminary results announcement are available to view on Ocado's website: www.ocadogroup.com.

Principal risks and uncertainties

The risks and uncertainties described below represent those which the Directors consider to be the most significant to delivering the Group's strategy. However, these principal risks and uncertainties do not comprise all of the risks associated with the Group and are not set out in any order of priority. Additional risks and uncertainties currently not known to the Directors and/or which the Directors believe to be less material, may also have a material adverse effect on the Group's business, financial condition or future prospects. The relevant mitigating factors are also described below. Further information on the financial risks that the Group faces and how they are managed is provided on pages 98 to 100.

Strategy	Risk Factors	Mitigating factors
Developing our offer to customers to retain our market leading position in terms of service, range and price	Reputation of the Ocado brand is a key reason why customers chose to purchase their groceries from us.	Clearly stated brand values with an emphasis on quality and service to the customer supported by a well-trained and motivated workforce.
	Waitrose relationship is important to overall brand perception and a significant part of the product range consists of Waitrose own brand products.	We have worked successfully with Waitrose for thirteen years. The current Sourcing Agreement will continue this relationship until at least 2017.
	Strong relationships with our suppliers ensure competitively priced and high quality products.	Buying team continues to grow, now working with over 800 suppliers. Ocado own-label range is competitively priced, growing at 70% per annum and now accounting for over 17% of own-label sales.
	Continuous monitoring of the quality of our products.	Food technology team monitors our products and operations to ensure high quality standards.
	Online retail is impacted by changes in regulations relating to both the internet and retail sectors.	Monitor regulatory developments and to ensure that all existing regulations are complied with. Monitoring of operational performance to minimise its environmental impact.
Growing customer numbers and spend	Continuing trend in UK food retailing of moving from the traditional grocery market to the online grocery market.	Continue to improve the online shopping experience compared to the traditional grocery market by enhancing service, increasing range and competitive pricing

Strategy	Risk Factors	Mitigating factors
	Entrance of new competitors in the online grocery market or heavy investment in existing online operations by traditional grocery retailers.	Develop new functionality and improved usability to differentiate the Ocado proposition from competitors. Monitor developing technologies to identify potential new trends
Developing market leading intellectual property and technology	International development of the online grocery market is in its infancy	Maintain contact with a number of food retailers across the world, monitoring the adoption of online grocery models
	Pace and direction of technological advances is difficult to predict	Specialised team tasked with improving current processes and monitoring latest technological developments
Optimising operations - to operate at the highest service levels with the lowest possible cost	Reliance on employees and key management for the operation of its business and further expansion.	Remuneration and incentives are monitored to ensure they remain competitive. There is a management succession plan for all key roles. The business has had good relations with its workforce to date, further strengthened by the Ocado Council.
	Until CFC2 reaches a material level of operation, the Group is dependent on the continued operation of CFC1 in order to satisfy most customer orders.	In early 2012, the Group achieved the insurance industry recognised "Highly Protected" status for CFC1. Documented disaster recovery procedures in key areas which are aimed at minimising certain possible disruptions to the business. The Group also has insurance policies in place which cover business interruption.
	Equipment and information technology failures in CFC1 in particular impact on efficiency and service levels.	Dedicated engineering teams onsite with daily maintenance programs support the continued operation of equipment and IT protocols for deploying software upgrades or changes to systems.
	Efficient and uninterrupted operation of the internet and its own IT and	IT systems are structured to provide reliability and security. The Webshop is regularly tested by third parties for potential vulnerabilities. Disaster

Strategy	Risk Factors	Mitigating factors
	communications systems.	recovery plans are in place to maintain the integrity of the Group's IT infrastructure and IT systems.
	Breach of health and safety laws in the Group's operations could lead to injury to employees, negative publicity and reputational damage.	Specialist team sets the standards for health and safety and works with the rest of the business to implement, maintain and monitor these standards.
Building capacity to satisfy increased demand and drive scale benefits	Achieve ramp-up plan for operations at CFC2.	Detailed plans for the management and operation of CFC2 which are subjected to regular review. CFC2 includes redesigned processes which are planned to deliver significant efficiency improvements.
	Achieve plan for further expansion of scale of CFC1 and the Non-Food Distribution Centre.	CFC1 upgrade plans developed by dedicated logistics and engineering team and execution monitored by senior management.
	Our expansion plans are reliant on being able to arrange and maintain sufficient financing.	<p>Mixture of debt and lease finance to ensure sufficient available funds in place to finance its operations.</p> <p>Board monitors rolling forecasts of liquidity requirements for a range of growth scenarios to ensure it has sufficient cash to meet operational needs.</p> <p>In November 2012, the Group amended and extended by 18 months until 6 July 2015 its £100 million credit facility. At that time, it issued new equity of £35.8 million through a share placing to help strengthen the Company's balance sheet and support the continued growth of the Group.</p>
	Scale benefits will also be achieved from overhead efficiency.	Plans in place for tight cost controls and slower rate of cost growth in central teams.

A number of risks have been removed from the list of principal risks and uncertainties since the half yearly report for the 24 weeks ended 13 May 2012, including the expansion of CFC1, intellectual property protection and risks relating to treasury (such as foreign exchange fluctuations). The Group's circumstances and priorities have since changed and as such the Directors no longer view these as principal risks or uncertainties for the Group.

Directors' Responsibility Statement

Ocado's annual report and accounts for the 53 weeks ended 2 December 2012 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 and Transparency Rule 6.3.5. It is not connected to the extracted and unaudited information presented in the preliminary results announcement.

Each of the Directors, who held office at the date of the approval of this annual report, confirms, to the best of their 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 and loss of the Group; and
- the Directors' report 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 and are listed on the Ocado Group's corporate website: www.ocadogroup.com. The Directors of Ocado Group plc as at the date of this announcement are as follows:

Lord Grade;
David Grigson;
Tim Steiner;
Jason Gissing;
Neill Abrams;
Duncan Tatton-Brown;
Mark Richardson;
Ruth Anderson;
Robert Gorrie;
Jörn Rausing;
Alex Mahon;
Sir Stuart Rose; and
Douglas McCallum.

Enquiries

For further information contact:

Ocado Group plc
Company Secretary
Titan Court
3 Bishops Square
Hatfield Business Park
Hatfield, Hertfordshire AL10 9NE

Investor Relations
David Hardiman-Evans on +44
1707 228 000 or
investor.relations@ocado.com

Fax: +44 (0)1707 227 997
email:
company.secretary@ocado.com

This information is provided by RNS
The company news service from the London Stock Exchange

END

ACSGGUMWWUPWGWC