AO WORLD PLC

INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2018

Continued revenue growth against challenging backdrop and on track with strategic plan

AO World plc ("the Group" or "AO"), a leading European online electrical retailer, today announces its unaudited interim financial results for the six months ended 30 September 2018.

Financial Highlights[1]

- Continued revenue growth with total revenue for the period increasing by 9.9% to £404.2m (2017: £368.0m) against a continuingly tough macro trading environment in UK and Europe and a declining UK MDA market[2]:
    - AO website sales[3] for the UK[4] up 4.2% to £294.3m (2017: £282.5m) with growth coming from newer categories[5]. Total UK revenue up 5.7% to £334.8m (2017: £316.8m).
    - Europe[6] revenue for the period increased by 35.0% to €78.4m (2017: €58.1m) (in GBP up 35.7% 2018: £69.4m; 2017: £51.2m) with Q2 sales growth rates impacted by changes to our German driver operating model[7].
- Group Adjusted EBITDA losses reduced to £5.4m (2017: £6.3m).
    - UK Adjusted EBITDA[8] of £6.9m (2017: £7.4m) impacted by lower than anticipated MDA sales and the expected dilutive gross margin percentage impact of growth in our newer categories.
    - Europe Adjusted EBITDA losses reduce to €13.8m (2017: €15.6m) as a result of improvements in product margin and leverage in logistics and overheads (in GBP 2018: £12.3m loss; 2017: £13.7m loss).
- Group operating losses reduced to £11.7m (2017: £12.0m loss) including exceptional costs of £1.4m incurred in relation to the proposed acquisition of Mobile Phones Direct Ltd ("MPD").
- As at 30 September 2018 Group net cash was £36.6m (2017: £72.3m, 31 March 2018: £52.9m); net funds[9] £23.9m (2017; £56.7m, 31 March 2018: £38.3m) with an increase in working capital driven by increased accrued income. As at 30 September 2018, the Group continues to have significant liquidity headroom of £94.3million.
- Basic loss per share of 2.19p (2017: 1.90p), which includes foreign exchange gains from inter-group funding. Reversing such foreign exchange gains gives adjusted loss per share of 2.52p (2017: 2.23p loss). [10]

Strategic and Operational Highlights

- Market share at least maintained in our core UK MDA category with share taken in our newer categories in the UK and in all categories and territories in Europe.[2]
- Our customer number now exceeds 5 million in the UK and approaching 6 million across all territories.[11]
- Customer satisfaction remains exceptional with Net Promoter Score[12] of c.80 in all territories reflecting continued high levels of customer satisfaction; repeat purchase metrics remain healthy.
- Strengthening of competencies progressing to plan:
    - Dedicated B2B team formalised to leverage AO's capabilities with housebuilders, housing associations and the insurance market.

- Hi-tech plastics recycling site expected to be operational early FY20 and plans for our 2nd recycling plant are underway.
- Focus on our third party logistics business as we commence trials to deliver non-electrical products and leverage the green van fleet.
- Developing our finance offering to be appropriate to all categories and territories.

- Initial results from new brand campaign, "Delivering Tomorrow", encouraging with brand awareness metrics increasing.
- Proposed acquisition of Mobile Phones Direct Limited conditional on shareholder and regulatory approval will further diversify our product offer and improve our customer proposition through the offer of network contract sales in our Mobile Category.

Steve Caunce, AO Chief Executive Officer, said:

"This has been a half of continued delivery against our long-term strategy, thanks to a strong offer for customers.

While our core UK and Germany MDA markets have been challenging, with the UK MDA market becoming tougher than expected, we take encouragement that we are at least maintaining market share in this core category in the UK and growing significantly in Germany.

Elsewhere, our continued focus on growing our range of online electricals and adding new complementary ranges proved successful in the first six months of the year, with newer categories such as Audio Visual and Computing performing particularly well.

Similarly, we are excited about further strengthening our customer offer through the acquisition of the UK's leading online-only mobile phone retailer, Mobile Phones Direct.

Customers continue to love AO, as demonstrated through the satisfaction metrics which remain very strong, and awareness of the AO brand has further improved through the recent launch of our 'Delivering Tomorrow' campaign.

While we faced some operational challenges with our driver model in Germany which had an effect on our second quarter we expect to return to our targeted growth levels in Germany over the next few months.

Our peak trading period began on 9 November with the launch of our biggest ever Black Friday and I remain confident of achieving long-term sustainable growth across the Group. We expect full year results to fall within the range of Board expectations, albeit more second half weighted than previously anticipated."

Webcast details

A results presentation hosted by Geoff Cooper, Steve Caunce and Mark Higgins for analysts and investors will be held today, 20 November 2018 at 9:00am (GMT) at Numis Securities Limited, 10 Paternoster Square, London EC4M 7LT. Please register your attendance in advance with Tulchan Communications using the contact details below.

A webcast of the presentation will be available to watch live and later in the day at www.ao-world.com/investor-centre[13] where the results presentation slides can also be viewed or the presentation can be heard live by dialling in on +44 20 3713 5011 using access code 492-915-541.

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About AO

AO World plc, headquartered in Bolton and listed on the London Stock Exchange, is an online electrical retailer, with a clear purpose: to have the happiest customers by relentlessly striving for a better way.

We create value by providing electrical products and related services to our customers, offering a huge range, a price-match promise and market-leading customer service. We are now leveraging our skills and expertise to develop existing competencies and create new opportunities.

We sell major and small domestic appliances and consumer electronics in the UK, Germany and the Netherlands and deliver them via our in-house logistics business and carefully selected third parties. We also provide ancillary services such as the installation of new and collection of old products and offer product protection plans and customer finance. AO also has a majority equity stake in AO Recycling, a WEEE[14] processing facility, allowing AO to ensure its customers' waste is dealt with responsibly in the UK.

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[1]The highlights are for the 6 month period ended 30 September 2018 and the comparative 2017 period. Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.
[2]Source: GfK market data to September 2018
[3]This includes AO.com and the UK AO-branded eBay shop.
[4]UK is defined by the Group as entities operating within the United Kingdom. (It excludes AO Deutschland Limited which is a company registered in England but operates in Germany and therefore is included in the Europe segment).
[5] Newer categories refers to categories other than Major Domestic Appliances ("MDA") and includes Small Domestic Appliances ("SDA") Audio-visual ("A/V"), computing, mobile phones, gaming consoles, smart home and cameras
[6]Europe is defined by the Group as entities operating within the European Union but excluding the UK and for the six months ended 30 September 2017 also includes costs in other European territories.
[7]For further details on the changes to the operating model see the revenue section in the Financial Review.
[8]Adjusted EBITDA is defined by the Group as profit/(loss) before tax, depreciation, amortisation, profit on disposal of fixed assets net finance income, "adjustments" and exceptional items. Adjustments is defined by the Group as (i) set-up costs relating to overseas expansion namely strategic post go-live costs incurred in connection with our European expansion strategy of nil (2017: £0.1m), (ii) share-based payment charges of £1.4m (2017: £1.9.m) attributable to the exceptional LTIP awards, and (iii) Exceptional professional fees of £1.4m (2017:£nil) relating to the proposed acquisition of Mobile Phones Direct Limited, which the Board considers one off in nature.
[9]Net funds are defined by the Group as cash as per the consolidated statement of financial position less borrowings less overdrafts.
[10]Please refer to the loss per share paragraph on page 24 of this announcement for further information.
[11] A customer is defined as an individual who has purchased from ao.com, ao.de or ao.nl.
[12]NPS is defined by the Group as Net Promoter Score which is an industry measure of customer loyalty and satisfaction.
[13]The content of the AO.com website should not be considered to form a part of or be incorporated into this announcement.
[14] WEEE means waste electrical and electronic equipment.

Alternative performance measures

One of the Group's key performance indictors is Adjusted EBITDA and each segment is measured by the Chief Operating Decision Maker on this basis. The use of this measure is also evidenced by executive management bonus targets and Long Term Incentive Schemes being measured in relation to adjusted EBITDA, amongst other factors. As such, these measures are important and should be considered alongside the IFRS measures.

Adjusted EBITDA is calculated by adding back those items of income and expense defined at footnote 8 above which, because of the nature and expected infrequency of events giving rise to them, merit separate presentation to allow shareholders to better understand the financial performance of the Group in the period.

The adjustments are as follows:

- Long Term Incentive Plan ("LTIP") awards were made to a number of senior staff under the Employee Reward Plan (ERP) in July 2016. The Board considers that the magnitude and timing of these awards are one-off in nature and so add-back any charge in arriving at Adjusted EBITDA. AO Sharesave scheme charges and LTIP charges relating to the LTIP awards which are not considered to be one-off in nature are included in trading numbers.
- Europe set-up costs for the prior year comparable period are costs incurred in connection with our European expansion strategy prior to the "go-live" of that territory, namely the launch of AO.de and AO.nl and our continuing research into other further countries along with strategic post "go-live" costs.
- On 9 November 2018, the company announced the proposed acquisition of Mobile Phones Direct Limited, for a cash-free debt-free enterprise value of £32.5million. Costs accrued in relation to the acquisition as at 30 September 2018 were £1.4m. Due to the magnitude of the costs, and the fact that the acquisition is one off in nature, the costs have been added back in arriving at Adjusted EBITDA.

Cautionary statement

This announcement contains certain forward-looking statements (including beliefs or opinions) with respect to the operations, performance and financial condition of the Group. These statements are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. By their nature, future events and circumstances can cause results and developments to differ materially from those anticipated. Except as is required by the Listing Rules, Disclosure Guidance and Transparency Rules and applicable laws, no undertaking is given to update the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise. Nothing in this document should be construed as a profit forecast or an invitation to deal in the securities of the Company. This announcement has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to AO World plc and its subsidiary undertakings when viewed as a whole.

PERFORMANCE AT A GLANCE

Summary Results[1]

6 months ended (£m)	30 September 2018			30 September 2017			*Better/(worse)*		
	UK	Europe[2]	Total	UK	Europe	Total	*UK*	*Europe*	*Total*
Income Statement									
AO website sales	294.3	69.2	363.5	282.5	51.1	333.6	*4.2%*	*35.6%*	*9.0%*
Third-party website sales	25.8	0.1	25.9	21.3	0.1	21.4	*21.2%*	*33.5%*	*20.9%*
Other Sales	14.7	0.1	14.8	13.0	-	13.0	*12.7%*	*n/a*	*13.1%*
Revenue	334.8	69.4	404.2	316.8	51.2	368.0	*5.7%*	*35.7%*	*9.9%*
Adjusted EBITDA/(loss)[3]	6.9	(12.3)	(5.4)	7.4	(13.7)	(6.3)	*(7.0%)*	*10.5%*	*14.7%*
Adjusted EBITDA margin[4]	2.1%	(17.7%)	(1.3%)	2.3%	(26.8%)	(1.7%)	*(0.3ppts)*	*9.1ppts*	*0.4ppts*
Adjusted operating profit/(loss)[5]	3.9	(12.8)	(8.9)	4.5	(14.5)	(10.0)	*(12.8%)*	*11.4%*	*11.3%*
Adjustments[6]									
Share-based payment charge attributable to exceptional LTIP awards[7]	(1.4)	-	(1.4)	(1.9)	-	(1.9)	*23.5%*	*n/a*	*23.5%*
Exceptional professional fees[8]	(1.4)	-	(1.4)	-	-	-	*n/a*	*n/a*	*n/a*
Europe set-up costs[9]	-	-	-	(0.1)	-	(0.1)	*(n/a)*	*n/a*	*(n/a)*
Operating profit/(loss)	1.1	(12.8)	(11.7)	2.5	(14.5)	(12.0)	*(56.0%)*	*11.4%*	*2.0%*
(Loss) per share[10]									
Basic Loss per share (pence)			(2.19)			(1.90)			*(15.3%)*
Diluted Loss per share (pence)			(2.18)			(1.90)			*(14.7%)*
Cash flow									
Cash (used)/generated from operating activities	(11.2)	(0.9)	(12.1)	(0.4)	(0.3)	(0.7)	*n/a*	*n/a*	*n/a*
Period end net funds/(debt) position[11]	29.3	(5.4)	23.9	61.4	(4.7)	56.7	*(52.2%)*	*(15.3%)*	*(57.8%)*

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[1]The highlights are for the 6 month period ended 30 September 2018 and the comparative 2017 period. Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

[2]Europe is defined by the Group as entities operating within the European Union but excluding the UK and, for the 2017 comparable period, also includes costs in other European territories.

[3]Adjusted EBITDA is defined by the Group as profit/(loss) before tax, depreciation, amortisation, profit on disposal of fixed assets, net finance income, “adjustments” and exceptional items.

[4]Adjusted EBITDA margin is defined by the Group as Adjusted EBITDA divided by revenue.

[5]Adjusted operating profit/(loss) is defined by the Group as profit/(loss) before tax, net finance income, “adjustments” and exceptional items but after depreciation, amortisation and profit on disposal of fixed assets.

[6]Adjustments is defined by the Group as (i) set-up costs relating to overseas expansion namely strategic post go-live costs incurred in connection with our European expansion strategy of £nil (2017: £0.1m), (ii) share-based payment charges of £1.4m (2017: £1.9m) attributable to exceptional LTIP awards which the Board considers one-off in nature, and (iii) exceptional professional fees of 1.4m (2017: £nil)

[7]Share based payment charges attributable to exceptional LTIP awards which the Board consider one-off in nature.

[8] Exceptional professional fees relating to the proposed acquisition of Mobile Phones Direct Limited, which the Board consider to be one-off in nature.

[9]Relates to Europe set-up costs incurred by Group entities in the UK and Europe.

[10]Please refer to the loss per share paragraph on page 24 of this announcement for further information.

[11]Net funds/ (debt) are defined as cash as per the consolidated statement of financial position less borrowings.

CEO REVIEW

Despite the weaker trading environment, we remain on track with each of our strategic objectives: Customers, Competencies and Countries, with culture and brand underpinning each.

Customers (UK)

With our Purpose – "to have the happiest customers by relentlessly striving to find a better way" – embedded across the Group, our customer proposition remains paramount to our success and we continue to focus on this across all our business units. Our core retail proposition remains strong; unbeatable prices, huge range, wide availability, smart and innovative web content and amazing service.

Our Net Promoter Score (an industry measure of customer loyalty and satisfaction) has again been maintained at its consistently high level of c.80 across all territories and our UK Trustpilot score was an excellent 9.2 at the period end. Over 5 million customers have now shopped with us providing us with a fantastic asset to leverage for future growth.

During the period we added an additional transhipping outbase to our UK logistics infrastructure in Telford and a further two since the period end, one in Coventry and the other in Luton. This takes the number of outbases to 17 and we have identified a further two sites which we plan to be operational prior to the end of our financial year. This will help ensure resilience in our delivery network and maintain our market leading product availability for customers, whilst reducing stem mileage and improving efficiencies in our logistics division.

We have further invested in our people as we strengthen our teams to support future growth in our competencies.

We are also able to deliver, install and remove products in one visit to a customer thanks to our premium installation service which is available with any of the built-in products sold by ao.com. During the period we have continued to grow and develop our Premium Installation Team via our AO Academy (in conjunction with City & Guilds) and maximise similar opportunities such as Smart Home installation via our dynamic in-house capability

Our logistics division continues to develop a number of efficiency initiatives. Our in-house fleet intelligence system dynamically choses the most efficient method for delivery and we continue to develop our routing techniques. We also now offer dynamic time slots which improves choice for our customers whilst also maintaining our in-house efficiencies. Our improved routing capabilities have also allowed us to expand our Premium Installation service.

We were delighted to announce the proposed acquisition of Mobile Phones Direct Limited ("MPD") earlier this month which, following shareholder and regulatory approval, will make AO the UK's second largest indirect mobile connector. The acquisition of MPD will further develop our Customer strategic objective by extending our mobile phone offering by introducing network contracts and sims and giving customers access to the four UK mobile network operators, EE, O2, Three and Vodafone. The addition of MPD diversifies our range of online electricals and thereby increases our addressable market size. Further details including the background to and benefits of the acquisition are set out on the circular posted to shareholders on 9 November 2018.

Competencies (UK)

This objective not only includes the categories we offer as an electrical retailer but also how we can leverage our competencies into new opportunities and expand into our supply chain.

Despite the tough market back-drop, we have at least maintained market share in our core UK MDA category with share taken in our newer categories in the UK and in all categories and territories in Europe. We are particularly pleased with our performance in our newer categories A/V and SDA which have driven sales growth during the reporting period albeit with an expected dilutive effect on gross margin percentage. The growth in these categories illustrates that customers now recognise AO as a multi-category retailer and provides us with a significant growth opportunity as we increase our addressable market size.

Our success in delivering the difficult white goods category via our two-man delivery model has been based on our core skills, infrastructure and culture. Leveraging this expertise, we are trialling furniture delivery on behalf of third party retailers using our green van fleet.

Trade customers have been buying from the ao.com website for some time, including schools, offices, large landlords and house builders. Our newly formalised AO B2B division is focused on delivering a better way for businesses to buy appliances online. During the period, it has grown our customer and client base across multiple industries. We have agreed in principle a trial with a major home builder and have won preferred supplier status for a number of large organisations.

During the period, we have continued to develop our recycling capability, confirming our commitment to building a second fridge recycling facility in the South East of England, anticipated to open in the year ending 2020. Once built, the capacity of both plants will mean that AO has the ability to process around 40% of all the fridges collected in the UK. We also plan to build a plastics refinement facility, which will give us the capability to sort plastics from our two fridge plants, making it easier for this plastic to be re-used and creating an additional sustainable revenue stream.

Countries

We have continued to drive our European operations in a controlled manner. In the second quarter we were required to make some changes to our driver operating model in Germany which limited our delivery capacities over the last few months and which we are still working through but we do not anticipate these changes to have a material long-term effect (for further details see the revenue section in the financial review).

This meant that trading in the second quarter was less than the growth rates in recent periods but we expect these to return to targeted levels. Notwithstanding this, we are pleased with the significant growth we are seeing overall and have continued to make improvements across our Europe businesses with NPS scores at c.80 throughout the period.

We have added new outbases in Stuttgart and Leipzig to our logistics infrastructure and look forward to opening a further in Dortmund before the end of the financial year. Premium installations have, since the period end, been launched in the Netherlands and in Germany and sales through the AO branded shop on Amazon.de and through PAYBACK (a marketing platform which allows customers to collect points from partners and exchange these for vouchers to spend at AO.de) are growing well.

In line with our strategy there has been little traditional marketing activity with sales driven by a combination of further exposure of our brand on marketplaces, digital marketing, and repeat purchases.

Brand

In July, we launched our new brand campaign “Delivering Tomorrow”. Created following a significant amount of research into the factors that are important to customers when shopping the electricals category, our aim was to find a compelling way to tell AO’s unique story, to build awareness and consideration of the AO brand as well as our verticals. Early results are encouraging; the creative has been well received and we have experienced increases in brand awareness metrics which we hope in the long-term will drive additional sales.

FINANCIAL REVIEW

Revenue

For the 6 months ended 30 September 2018 total Group revenue increased by 9.9% to £404.2m (2017: £368.0m).

Year ended (£m)	**30 September 2018**			**30 September 2017**			**31 March 2018**		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
AO website sales	294.3	69.2	363.5	282.5	51.1	333.6	606.6	115.6	722.3
Third-party website sales[1]	25.8	0.1	25.9	21.3	0.1	21.4	46.5	0.2	46.7
Other sales[2]	14.7	0.1	14.8	13.0	0.0	13.0	27.7	0.1	27.8
Total revenue	**334.8**	**69.4**	**404.2**	**316.8**	**51.2**	**368.0**	**680.8**	**115.9**	**796.8**

In the UK, revenue growth was driven by sales from our newer Categories and traffic growth has come from multiple channels including AO branded shops in eBay and Amazon.

Sales from our German website, AO.de, and our Netherlands website, AO.nl, were £69.2m (2017: £51.1m). The growth has been driven by further exposure to market places and digital marketing as well as customer recommendations and repeat purchases, with little investment in traditional marketing, in line with our strategy. Growth rates were muted for a period during the second quarter whilst we worked through the German driver operational changes to comply with legislation. This involved implementing changes to our driver shift patterns by extending maximum driver working times to span a five day period rather than the existing four day model. The change initially gave us some capacity constraints, thereby impacting revenue and increasing our cost to deliver. We continue to work through the impact of these changes but do not expect them to have a material long-term effect and we continue to expect to achieve a break-even positive run rate in FY21.[3]

Across the Group AO branded website sales accounted for 89.9% of total Group revenue (2017: 90.7%) reflecting an increased focus on ancillary competencies.

"AO website sales" and, for the UK, "Third-party website sales" includes revenue earned from the sale of physical products and also ancillary services such as delivery, the installation of products, unpack, inspect, together with commission earned from the promotion of Domestic and General's product protection plans and, in the UK, customer finance. Revenue from such ancillary service sales in the period achieved growth materially in line with product sales representing 7.6% of total sales at £30.9m (2017: 7.9% £29.0m).

[1] Third-party website sales includes sales through our Boots and Next "white –label" sites and also product replacement sales to certain insurance companies or claims-handling agents.
[2] Other sales includes third party logistics and recycling services.
[3] By "run rate" we mean achieving a positive Adjusted EBITDA for the Europe segment in at least one month of the financial year ending 31 March 2021, as we set out in our Capital Markets Day in February 2017).

Gross margin

6 months ended (£m) [1]	**30 September 2018**			**30 September 2017**			**Better/(worse)**		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
Gross profit/(loss)	70.8	0.3	71.1	70.5	(2.2)	68.3	*0.5%*	*114.0%*	*4.2%*
Gross margin	**21.2%**	**0.4%**	**17.6%**	**22.2%**	**(4.2%)**	**18.6%**	***(1.1)ppts***	***4.7ppts***	***(1.0)ppts***

[1]Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Gross profit for the Group grew by 4.2% to £71.1m (2017: £68.3m) with gross margin percentage decreasing by 1.0ppts to 17.6% for the reporting period (2017: 18.6%).

In the UK gross margin percentage decreased to 21.2% (2017: 22.2%) due to a higher proportion of sales from our newer categories which have a dilutive gross margin percentage impact.

In Europe, we are hugely encouraged to report a positive gross profit of £0.3m (and a margin of 0.4%) (2017: £2.2m loss and a margin of -4.2%) despite the challenging MDA market and changes to our logistics model in Germany. This has been driven by a combination of leveraging our logistics costs and an improvement in product margin.

Selling, General & Administrative Expenses ("SG&A")

6 months ended	30 September 2018			30 September 2017			Better/(worse) %		
(£m) [1]	UK	Europe	Total	UK	Europe	Total	*UK*	*Europe*	*Total*
Advertising and marketing	12.4	3.2	15.6	17.4	2.4	19.8	*28.7%*	*(34.0)%*	*21.1%*
% of revenue	*3.7%*	*4.6%*	*3.9%*	*5.5%*	*4.7%*	*5.4%*	*1.8ppts*	*0.1ppts*	*1.5ppts*
Warehousing	16.0	2.4	18.4	15.1	2.1	17.2	*(5.4)%*	*(17.2)%*	*(6.9)%*
% of revenue	*4.8%*	*3.5%*	*4.6%*	*4.8%*	*4.1%*	*4.7%*	*0.0ppts*	*0.6ppts*	*0.1ppts*
Other admin	39.1	7.7	46.8	34.1	8.0	42.1	*(14.5)%*	*3.2%*	*(11.0)%*
% of revenue	*11.6%*	*11.2%*	*11.6%*	*10.8%*	*15.7%*	*11.4%*	*(0.9)ppts*	*4.6ppts*	*(0.1)ppts*
Adjustments[2]	2.9	-	2.9	2.0	-	2.0	*(41.0)%*	*n/a*	*(41.0)%*
% of revenue	*0.9%*	-	*0.9%*	*0.6%*	-	*0.6%*	*(0.2)ppts*	*n/a*	*(0.2)ppts*
Administrative expenses	**70.2**	**13.4**	**83.6**	**68.6**	**12.5**	**81.1**	***(2.3)%***	***(6.9)%***	***(3.0)%***
% of revenue	21.0%	19.3%	20.7%	21.7%	24.5%	22.0%	*0.7ppts*	*5.2ppts*	*1.4ppts*

[1] Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

[2] Adjustments is defined by the Group as (i) set-up costs relating to overseas expansion namely strategic post go-live costs incurred in connection with our European expansion strategy of £nil (2017: £0.1m), (ii) share-based payment charges of £1.4m (2017: £1.9m) attributable to the exceptional LTIP awards which the Board considers one-off in nature, and (iii) exceptional professional fees relating to the acquisition of Mobile Phones Direct Limited of £1.4m (2017: £nil)

Total SG&A costs across the Group as a percentage of revenue was slightly down year on year decreasing from 22.0% to 20.7%.

In the UK, advertising and marketing costs reduced by 1.8ppts with the first half of the previous year impacted by the sponsorship of Britain's Got Talent. The first half of the current year has reduced to more normal levels as expected although it has been impacted by the costs relating to the launch of the new brand creative "Delivering Tomorrow" in the second quarter. Expectations are that expenditure will reduce in the second half of our financial year. Warehousing costs have remained flat at 4.8% of revenue with investment in a new outbase at Bridgend during the comparable period in the prior year. Other admin costs as a percentage of revenue have increased by 0.9ppts as we strengthen our teams to support future growth in our competencies and have seen increases in pension costs and wage inflation.

In Europe, advertising and marketing costs were relatively flat as a percentage of revenue with minimal traditional marketing expenditure. Warehousing as a percentage of revenue reduced slightly as we continue to build scale. Other admin costs reduced by 4.6ppts on the prior year as we continue to see the benefit from the leveraging of scale in both territories.

Operating loss and Adjusted EBITDA

Our operating loss for the period was £11.7m, with losses decreasing by £0.3m from £12.0m in the prior period including the £1.4m of MPD acquisition costs recognised in the period

However, when reviewing profitability, the Board of Directors use an adjusted measure of EBITDA in order to give a meaningful year on year comparison and it is a performance criteria for the purposes of both the Executive management's annual bonus and LTIP awards and, more recently, the single incentive award. Whilst we recognise that the measure is an alternative (non Generally Accepted Account Practice ("non-GAAP")) performance measure which is also not defined within IFRS, this measure is important and should be considered alongside the IFRS measures.

Group Adjusted EBITDA losses were £5.4m (2017: £6.3m) after allowing for £12.3m of Europe Adjusted EBITDA losses (2017: £13.7m loss).

UK Adjusted EBITDA for the 6 months to 30 September 2018 was £6.9m (2017: £7.4m) representing a decrease of 7.0% against the prior year. The decrease is primarily due to a reduction in gross margin percentage predominantly driven by category mix.

The table below reconciles operating profit to Adjusted EBITDA:

6 months ended [1]	**30 September 2018**			**30 September 2017**			***Better/(Worse)***		
(£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
Operating profit/(loss)	**1.1**	**(12.8)**	**(11.7)**	**2.5**	**(14.5)**	**(12.0)**	***(56.0%)***	***11.4%***	***2.0%***
Add adjustments:									
Share-based payment charge attributable to exceptional LTIP award[2]	1.4	-	1.4	1.9	-	1.9	*23.5%*	*n/a*	*23.5%*
Europe set-up costs[3]	-	-	-	0.1	-	0.1	*n/a*	*n/a*	*n/a*
Exceptional professional fees[4]	1.4	-	1.4	-	-	-	*n/a*	*n/a*	*n/a*
Adjusted operating profit/(loss)	**3.9**	**(12.8)**	**(8.9)**	**4.5**	**(14.5)**	**(10.0)**	***(12.8%)***	***11.4%***	***11.3%***
Add: Depreciation and amortisation	2.9	0.6	3.5	2.9	0.7	3.6	*2.3%*	*18.6%*	*4.0%*
Less: Profit on disposal	-	-	-	-	-	-	*n/a*	-	*n/a*
Adjusted EBITDA	**6.9**	**(12.3)**	**(5.4)**	**7.4**	**(13.7)**	**(6.3)**	***(7.0%)***	***10.5%***	***14.7%***
Adjusted EBITDA as % of revenue	2.1%	(17.7%)	(1.3%)	2.3%	(26.8%)	(1.7%)	*(0.3)ppts*	*9.1ppts*	*0.4ppts*

[1]Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.
[2]Certain LTIP awards of a significant magnitude were made to a number of senior staff under the 2016 Employee Reward Plan in July 2016. The Board considers that the magnitude and timing of these awards are one-off in nature and so add -back any charge
[3]Europe set-up costs are costs incurred in connection with our European expansion strategy prior to the "go-live" of that territory, namely the launch of AO.de and AO.nl and our continuing research into other further countries.
[4]Exceptional professional costs were incurred in the period to 30 September 2018 of £1.4m relating to the proposed acquisition of Mobile Phones Direct Limited.

The tax charge is recognised based on management's best estimate of the weighted-average annual corporation tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period. The Group's tax credit for the period is £0.4m (2017: £0.9m) as a result of the expected effective tax rate for the year of 4.21% (2017: 8.96%). The effective tax rate of 4.21% is lower than the UK corporation tax rate for the period of 19%; this is due to the utilisation of unrecognised brought forward losses within AO Recycling Limited, share based payment charges, non-qualifying depreciation and a non-taxable foreign exchange gain arising on intercompany balances. The Group continues not to recognise a deferred tax asset on the cumulative losses carried forward of £5.3m (2017: £3.8m).

Retained loss and loss per share

Retained loss for the period was £10.1m (2017: £8.7m).

Basic loss per share was 2.19p (2017: 1.90p) and diluted earnings per share was 2.18p (2017: 1.90p).

Basic loss per share is reconciled to adjusted basic loss per share (after excluding the impact of foreign exchange differences) of 2.52p loss (2017: 2.23p) as follows.

(£m)	6 months ended 30 September 2018	6 months ended 30 September 2017
Loss		
Loss attributable to owners of the parent company	(10.1)	(8.7)
Foreign exchange gains on intra-group loans	(1.5)	(1.5)
Adjusted earnings attributable to owners of the parent company	(11.6)	(10.2)
Number of shares		
Basic and adjusted weighted average number of ordinary shares	458,788,480	458,788,480
Loss per share (in pence)		
Basic loss per share	(2.19)	(1.90)
Adjusted basic loss per share	(2.52)	(2.23)

The foreign exchange gain has arisen as a result of the significant movement in the exchange rate between Sterling and the Euro in the period and prior period. This has impacted the value of intra-group loans held in GBP in the European entities giving rise to the £1.5m (2017: £1.5m) gain referenced above.

Cash resources and cash flow

At 30 September 2018, the Group's net funds position was £23.9m (2017: £56.7m), as net cash (i.e. cash less overdrafts) decreased to £36.6m (September 2017: £72.3m, March 2018: £52.9m). During the six months to September 2018, the Group had a net cash outflow of £14.9m primarily as a result of the trading losses incurred in Europe over the period and an outflow of working capital. Total borrowings (comprising asset finance and borrowings) decreased to £12.7m from £14.6m at 31 March 2018, due to repayments under finance lease and borrowing obligations. Surplus cash balances are held with UK-based banks, in line with the Group Treasury Policy.

As previously reported, the Group has put in place a revolving credit facility ("RCF") of £60m with Lloyds Bank, Barclays Bank plc and HSBC Bank plc in order to fund UK working capital movements in future. The RCF is for UK general corporate purposes. At 30 September 2018 the amount available against the £60m facility was £57.7m (2017: £28.6m of £30m) with the balance drawn being against letters of credit and short term guarantees. Since the period end we have also been granted an additional Term Loan Facility of £24million which will be used to fund, and which is conditional upon completion of, the MPD acquisition.

As at 30 September 2018, the Group continues to have significant liquidity headroom of £94.3million.

Working Capital

6 months ended [1]	**30 September 2018**			**30 September 2017**		
(£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Inventories	40.9	12.6	53.5	42.7	13.2	55.9
As % of Cost of Goods Sold	*15.5%*	*18.3%*	*16.1%*	*17.3%*	*24.9%*	*18.7%*
Trade and other receivables	101.2	14.4	115.6	86.0	8.1	94.1
As a % of revenue	*30.2%*	*20.8%*	*28.6%*	*27.2%*	*15.8%*	*25.6%*
Trade and other payables	(147.5)	(15.1)	(162.6)	(152.0)	(15.8)	(167.8)
As a % of Cost of Goods Sold	*55.9%*	*21.9%*	*48.8%*	*61.7%*	*29.7%*	*56.0%*
Net working capital	**(5.4)**	**11.9**	**6.5**	**(23.3)**	**5.5**	**(17.8)**
Change in net working capital	17.9	6.4	24.3	(10.9)	3.3	(7.6)

[1]Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

At 30 September 2018, the Group had net current liabilities of £14.5m (2017: £5.1m assets) principally due to the cash outflow from the operating losses in the period and repayment of borrowings. As at 30 September 2018 UK inventories were £40.9m (2017: £42.7m) and UK average stock days remained at 35 days (2017: 35 days). Our stock days may increase in the short to medium term as we look to mitigate any friction in the supply chain that Brexit may yield to ensure availability to customers.

UK trade and other receivables (both non-current and current) were £101.2m as at 30 September 2018 (2017: £86.0m) mainly reflecting an increase in accrued income in respect of commissions due on product protection plans due to the growth trajectory of the retail business and also an increase in trade receivables. UK trade and other payables at £147.5m have reduced in line with the prior period (2017: £152.0m), reflecting a tightening of credit.

Net working capital increased from £5.5m to £11.9m in Europe reflecting the mix of terms of payment providers and a build of rebates as volume increases.

Capital Expenditure

Total capital expenditure for the six month period was £1.2m (2017: £2.2m), largely attributable to the continued investment in our recycling facility.

Steve Caunce	**Mark Higgins**
CEO	CFO

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 30 September 2018

	Note	6 months ended 30 September 2018 £m	6 months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Revenue	2	**404.2**	**368.0**	**796.8**
Cost of sales		(333.1)	(299.7)	(655.0)
Gross profit		**71.1**	**68.3**	**141.8**
Administrative expenses		(83.6)	(81.1)	(159.8)
Other operating income		0.8	0.8	1.8
Operating loss		**(11.7)**	**(12.0)**	**(16.2)**
Finance income	4	2.1	2.9	4.8
Finance costs	5	(0.7)	(0.5)	(2.1)
Loss before tax		**(10.3)**	**(9.6)**	**(13.5)**
Taxation credit		0.4	0.9	0.2
Loss for the period		**(9.9)**	**(8.7)**	**(13.3)**
Loss for the period attributable to:				
Owners of the parent company		(10.1)	(8.7)	(13.4)
Non-controlling interest		0.2	-	0.1
		(9.9)	**(8.7)**	**(13.3)**
Loss per share (pence)				
Basic loss per share	8	(2.19)	(1.90)	(2.93)
Diluted loss per share	8	(2.18)	(1.90)	(2.92)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 September 2018

	6 months ended 30 September 2018 £m	6 months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Loss for the period	(9.9)	(8.7)	(13.3)
Items that may be subsequently recycled to Income Statement			
Exchange differences on translation of foreign operations	(1.5)	(1.4)	(1.0)
Total comprehensive loss for the period	**(11.4)**	**(10.1)**	**(14.3)**
Loss for the period attributable to:			
Owners of the parent company	(11.6)	(10.1)	(14.4)
Non-controlling interest	0.2	-	0.1
Total comprehensive loss for the period	**(11.4)**	**(10.1)**	**(14.3)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2018

	Note	At 30 September 2018 £m	At 30 September 2017 £m	At 31 March 2018 £m
Non-current assets				
Goodwill		13.5	13.5	13.5
Other intangible assets		0.9	1.4	1.2
Property, plant and equipment		26.3	28.6	28.0
Trade and other receivables	6	52.8	45.2	47.9
Derivative financial asset	11	1.9	1.3	2.2
Deferred tax asset		2.2	2.5	1.7
		97.6	**92.5**	**94.5**
Current assets				
Inventories		53.5	55.9	53.2
Trade and other receivables	6	62.8	48.9	54.8
Derivative financial asset	11	0.3	-	0.2
Corporation tax receivable		-	-	0.2
Cash and cash equivalents	9	41.1	72.3	56.0
		157.7	**177.1**	**164.4**
Total assets		**255.3**	**269.6**	**258.9**
Current liabilities				
Bank overdraft		(4.5)	-	(3.1)
Trade and other payables	7	(162.6)	(167.8)	(156.0)
Borrowings	9	(4.0)	(4.0)	(4.2)
Derivative financial liability	11	(0.9)	-	(0.4)
Provisions		(0.1)	(0.2)	-
Corporation tax		(0.1)	-	-
		(172.2)	**(172.0)**	**(163.7)**
Net current (liabilities)/current assets		**(14.5)**	**5.1**	**0.7**
Non-current liabilities				
Borrowings	9	(8.7)	(11.6)	(10.4)
Derivative financial liability	11	(2.6)	(3.6)	(3.4)
Provisions		(1.6)	(1.5)	(1.8)
Total liabilities		**(185.1)**	**(188.7)**	**(179.3)**
Net assets		**70.2**	**80.9**	**79.6**
Equity attributable to owners of the parent				
Share capital		1.1	1.2	1.1
Share premium account		103.7	103.7	103.7
Other reserves		5.5	2.0	5.3
Retained losses		(38.9)	(24.3)	(28.9)
Total		**71.4**	**82.6**	**81.2**
Non-controlling interest		**(1.2)**	**(1.7)**	**(1.6)**
Total equity		**70.2**	**80.9**	**79.6**

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
At 30 September 2018

			Other reserves								
	Share capital	Share premium account	Merger reserve	Capital redemption reserve	Share-based payment reserve	Translation reserve	Other reserve	Retained losses	**Total**	Non-controlling interest	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Balance at 1 April 2018	1.1	103.7	4.4	0.5	9.1	(6.6)	(2.1)	(28.9)	**81.2**	(1.6)	**79.6**
(Loss)/profit for the period	-	-	-	-	-	-	-	(10.1)	**(10.1)**	0.2	**(9.9)**
Acquisition of minority interest	-	-	-	-	-	-	(0.4)	-	**(0.4)**	0.3	**(0.1)**
Issue of share capital (net of expenses)	-	-	-	-	-	-	-	-	**-**	-	**-**
Foreign currency gains arising on consolidation	-	-	-	-	-	(1.5)	-	-	**(1.5)**	-	**(1.5)**
Share-based payments charge net of tax	-	-	-	-	2.1	-	-	-	**2.1**	-	**2.1**
Balance at 30 September 2018	**1.1**	**103.7**	**4.4**	**0.5**	**11.2**	**(8.1)**	**(2.5)**	**(39.0)**	**71.4**	(1.2)	**70.2**

			Other reserves								
	Share capital	Share premium account	Merger reserve	Capital redemption reserve	Share-based payment reserve	Translation reserve	Other reserve	Retained losses	**Total**	Non-controlling interest	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Balance at 1 April 2017	1.1	55.7	4.4	0.5	3.8	(5.6)	(2.1)	(15.6)	**42.2**	(1.7)	**40.5**
Loss for the period	-	-	-	-	-	-	-	(8.7)	**(8.7)**	-	**(8.7)**
Issue of share capital (net of expenses)	0.1	48.0	-	-	-	-	-	-	**48.1**	-	**48.1**
Foreign currency gains arising on consolidation	-	-	-	-	-	(1.5)	-	-	**(1.5)**	-	**(1.5)**
Share-based payments charge net of tax	-	-	-	-	2.5	-	-	-	**2.5**	-	**2.5**
Balance at 30 September 2017	**1.2**	**103.7**	**4.4**	**0.5**	**6.3**	**(7.1)**	**(2.1)**	**(24.3)**	**82.6**	(1.7)	**80.9**

			Other reserves								
	Share capital	Share premium account	Merger reserve	Capital redemption reserve	Share-based payment reserve	Translation reserve	Other reserve	Retained losses	**Total**	Non-controlling interest	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Balance at 1 April 2017	**1.1**	**55.7**	**4.4**	**0.5**	**3.8**	**(5.6)**	**(2.1)**	**(15.6)**	42.2	(1.7)	40.5
(Loss)/profit for the year	-	-	-	-	-	-	-	(13.4)	**(13.4)**	0.1	**(13.3)**
Share-based payments charge net of tax	-	-	-	-	5.4	-	-	-	**5.4**	-	**5.4**
Foreign currency gains arising on consolidation	-	-	-	-	-	(1.0)	-	-	**(1.0)**	-	**(1.0)**
Issue of shares net of expenses	-	48.0	-	-	-	-	-	-	**48.0**	-	**48.0**
Movement between reserves	-	-	-	-	(0.1)	-	-	0.1	**-**	-	**-**
Balance at 31 March 2018	**1.1**	**103.7**	**4.4**	**0.5**	**9.1**	**(6.6)**	**(2.1)**	**(28.9)**	**81.2**	**(1.6)**	**79.6**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 months ended 30 September 2018

	6 months ended 30 September 2018 £m	6 months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Cash flows from operating activities			
Loss for the period	(9.9)	(8.7)	(13.3)
Adjustments for:			
Depreciation and amortisation	3.5	3.6	7.6
Finance income	(2.1)	(2.9)	(4.8)
Finance costs	0.7	0.5	2.1
Profit on disposal of property, plant and equipment	-	-	(0.1)
Taxation credit	(0.4)	(0.9)	(0.2)
Share-based payment charge	2.1	2.5	5.5
Increase in provisions	(0.1)	0.1	0.3
Net operating cash flows before movement in working capital	**(6.2)**	**(5.8)**	**(2.9)**
Increase in inventories	(0.2)	(11.0)	(8.4)
Increase in trade and other receivables	(15.3)	(12.9)	(21.5)
Increase in trade and other payables	9.5	28.7	17.1
Net movement in working capital	**(6.0)**	**4.8**	**(12.8)**
Taxation recovered	0.2	0.3	0.3
Net cash (used in)/ from operating activities	**(12.0)**	**(0.7)**	**(15.4)**
Cash flows from investing activities			
Acquisition of minority interest	(0.4)	-	-
Proceeds from sale of property, plant and equipment	-	-	0.1
Acquisition of property, plant and equipment	(1.2)	(2.0)	(4.8)
Acquisition of intangible assets	-	(0.1)	(0.5)
Net cash used in investing activities	**(1.6)**	**(2.1)**	**(5.2)**
Cash flows from financing activities			
Movement in bank overdraft	1.4	-	3.1
Interest paid	(0.5)	(0.5)	(1.0)
New borrowings	-	-	1.1
Repayment of borrowings	(0.6)	(0.4)	(0.9)
Repayment of finance lease liabilities	(1.6)	(1.6)	(3.2)
Proceeds from share issue	-	50.0	50.0
Costs relating to share issue	-	(1.9)	(1.9)
Net cash (used in) / from financing activities	**(1.3)**	**45.6**	**47.2**
Net (decrease)/ increase in cash	**(14.9)**	**42.8**	**26.6**
Cash and cash equivalents at beginning of period	**56.0**	**29.4**	**29.4**
Exchange gains on cash & cash equivalents	-	0.1	-
Cash and cash equivalents at end of period	**41.1**	**72.3**	**56.0**

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The interim financial information was approved by the Board on 20 November 2018. The financial information for the 6 months ended 30 September 2018 has been reviewed by the Group's external auditor. Their report is included within this announcement. The financial information for the year ended 31 March 2018 is based on information in the audited financial statements for that period which are available online at http://ao.com/corporate/investor-centre.

The comparative figures for the year ended 31 March 2018 are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2018 has been delivered to the Registrar of Companies. The auditors have reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

Basis of preparation and accounting policies

The annual financial statements of AO World plc are prepared in accordance with IFRSs as adopted by the European Union. The unaudited condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of interim financial information as applied in the Group's latest annual audited financial statements.

Standards issued but not yet effective

As of the date of authorisation of these condensed consolidated interim financial statements, the following standards were in issue but not yet effective:

IFRS 16

IFRS 16 'Leases' will be applicable to the Group for the financial year ending 31 March 2020 and will significantly affect the presentation of the Group financial statements, with the Group recognising a right-of use asset and a lease liability for all leases currently accounted for as operating leases, with the exception of leases for short periods (less than 12 months) and those for items of low value. IFRS 16 is also expected to have a material impact on key components within the Consolidated Income Statement as operating lease rental charges will be replaced with depreciation and finance costs.

IFRS 16 allows for two different transition approaches, fully retrospective and modified retrospective. Both approaches will impact the income statement, balance sheet and disclosure when adopted including the opening balance sheet, although the amounts will differ depending on the approach taken. There will be no impact on cash flows, although the presentation of the Cash Flow will change significantly, with an increase in cash flows from operating activities being offset by an increase in cash flows from financing activities.

The Group is in the process of gathering the required lease information and establishing the relevant processes and accounting policies.

Given the complexities of IFRS 16 and the material sensitivity to key assumptions, such as discount rates, it is not yet practicable to fully quantify the effect of IFRS 16 on the financial statements of the Group.

Going concern

The Directors have, at the time of approving the interim financial information, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period not less than 12 months. This takes into consideration potential impacts of Brexit (including a reduction in sales growth, a reduction in margin and effects on stock levels) together with a reduction in trade payables (due to further tightening of credit insurers), the available cash resources, the forecasted cash flow of the Group and the availability of a £60m Revolving Credit Facility and, assuming the acquisition of MPD completes, the integration of MPD and the £24m term loan facility. Thus they continue to adopt the going concern basis of accounting in preparing the interim financial information.

Significant accounting policies

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared by the Group by applying the same accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements as at 31 March 2018.

IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' have been adopted by the Group in the period with no significant impact on the consolidated results or financial position of the Group.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and are reviewed on an on-going basis. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available.

The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgements. These relate to the revenue recognition and recoverability of product protection plans and commercial income as set out below.

Revenue recognition & recoverability of income from product protection plans

Revenue recognised in respect of commissions receivable over the lifetime of the plan for the sale of product protection plans is recognised at fair value, when the Group obtains the right to consideration as a result of performance of its contractual obligations (acting as an agent for a third-party). Revenue in any one year therefore represents the fair value of the commission due on the plans sold, which management estimates reliably based upon a number of assumptions including the length of the plans, the commission rates payable and the historical rate of customer attrition. Reliance on historical data assumes that current and future experience will follow past trends. The Directors consider that the quantity and quality of data available provides an appropriate basis for making these estimates. Commission receivable depends for certain transactions on customer behaviour after the point of sale. Assumptions are therefore required, particularly in relation to levels of customer default within the contract period, expected levels of customer spend, and customer behaviour beyond the initial contract period. Such assumptions are based on extensive historical evidence, and provision is made for the risk of potential changes in customer behaviour, but they are nonetheless inherently uncertain. Changes in estimates recognised as an increase or decrease to revenue may be made, where for example more reliable information is available, and any such changes are required to be recognised in the income statement. The commission receivable balance at 30 September 2018 was £67.5m (2017: £57.8m). The discount rate used to unwind the commission receivable is 4.9% (2017: 4.3%).

Commercial income

Commercial income comes from two major sources: volume rebates and strategic marketing investment funding.

Volume rebates are deducted from cost of sales in line with the sale of the product to which the rebate is attributable. Calculation of the volume rebate for the final month of the financial year includes judgements for expected rebate values. Volume rebates receivable at 30 September 2018 are £16.5m (2017: £16.9m). At 31 October 2018 the balance outstanding was £2.5m (2017: £6.8m).

Strategic marketing investment funding is recognised in revenue and cost of sales. Where incremental third-party costs are incurred as a result of marketing support, revenue is offset against these costs. The remainder of the strategic marketing fund is recognised in revenue as it represents part of the ordinary activities of the business.

Calculation of the revenue recognised requires judgements to be made which include forecasting expected total marketing funding and third-party expected marketing spend. At 30 September 2018 £1.8m remains as an outstanding receivable (2017: £1.2m). As at 30 September 2018 the Directors do not believe that there is a material risk regarding the judgements made for the purposes of calculating both volume rebates and the strategic marketing fund. At 31 October 2018 the outstanding balance was £0.4m (2017: £0.1m).

2. Revenue

The Group's revenue is derived from contracts with customers. During the period, IFRS15 'Revenue from Contracts with Customers' was adopted. This has had no impact on the recognition of revenue in the financial statements.

As required by IFRS15, the Group has disaggregated its revenue, and the table below shows the split of revenue between geographical market (the Group's primary segment), the source of revenue and major products

Primary geographical markets and source of revenue

(£m)	**30 September 2018**			**30 September 2017**			**31 March 2018**		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
AO website sales	294.3	69.2	363.5	282.5	51.1	333.6	606.6	115.6	722.3
Third-party website sales	25.8	0.1	25.9	21.3	0.1	21.4	46.5	0.2	46.6
Other sales*	14.7	0.1	14.8	13.0	0.0	13.0	27.7	0.1	27.8
Total revenue	**334.8**	**69.4**	**404.2**	**316.8**	**51.2**	**368.0**	**680.8**	**115.9**	**796.8**

*Other sales includes third party logistics and recycling services.

Major product/services lines

(£m)	**30 September 2018**			**30 September 2017**			**31 March 2018**		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Product revenue:									
MDA	228.6	61.7	290.3	228.9	47.7	276.6	466.8	107.1	573.8
Newer categories	60.7	6.6	67.3	46.1	2.6	48.7	125.8	7.1	132.9
Services:									
Service revenue	30.8	1.1	31.9	28.8	0.8	29.6	60.6	1.7	62.3
Third party logistics	7.9	-	7.9	8.3	-	8.3	16.9	-	16.9
Recycling	6.8	-	6.8	4.8	-	4.8	10.8	-	10.8
Total revenue	**334.8**	**69.4**	**404.2**	**316.8**	**51.2**	**368.0**	**680.8**	**115.9**	**796.8**

Service revenue relates to ancillary services including delivery, connection and disconnections, product protection plan commission and finance commission, all of which are related to the initial sale of the product, together with strategic marketing income.

All revenue is recognised at the point of sale as for all revenue, the Group's performance obligations have been satisfied at that time.

3. Segmental analysis

The Group has two reportable segments, online retailing of domestic appliances to customers in the UK and online retailing of domestic appliances to customers in Europe (excluding the UK).

Operating segments are determined by the internal reporting regularly provided to the Group's Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors and they have determined that the primary segmental reporting format of the Group is geographical by customer location, based on the Group's management and internal reporting structure.

Transactions between segments are undertaken on an arms-length basis using appropriate transfer pricing policies.

The following is an analysis of the Group's revenue and results by reportable segments.

(£m)			**6 months ended 30 September 2018**			**6 months ended 30 September 2017**			**Year ended 31 March 2018**
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
AO website sales	294.3	69.2	363.5	282.5	51.1	333.6	606.6	115.7	722.3
Third-party website sales	25.8	0.1	25.9	21.3	0.1	21.4	46.5	0.2	46.7
Other sales	14.7	0.1	14.8	13.0	-	13.0	27.7	0.1	27.8
Total revenue	**334.8**	**69.4**	**404.2**	**316.8**	**51.2**	**368.0**	**680.8**	**116.0**	**796.8**
Cost of sales	(264.0)	(69.1)	(333.1)	(246.3)	(53.4)	(299.7)	(536.2)	(118.8)	(655.0)
Gross profit/(loss)	**70.8**	**0.3**	**71.1**	**70.5**	**(2.2)**	**68.3**	**144.6**	**(2.8)**	**141.8**
Administrative expenses	(70.2)	(13.4)	(83.6)	(68.6)	(12.5)	(81.1)	(134.3)	(25.5)	(159.8)
Other operating income	0.5	0.3	0.8	0.6	0.2	0.8	1.3	0.5	1.8
Operating profit/(loss)	**1.1**	**(12.8)**	**(11.7)**	**2.5**	**(14.5)**	**(12.0)**	**11.6**	**(27.8)**	**(16.2)**
Finance income	0.8	1.3	2.1	1.6	1.3	2.9	4.0	0.8	4.8
Finance costs	(0.7)	-	(0.7)	(0.5)	-	(0.5)	(2.0)	(0.1)	(2.1)
Profit/(loss) before tax	**1.2**	**(11.5)**	**(10.3)**	**3.6**	**(13.2)**	**(9.6)**	**13.6**	**(27.1)**	**(13.5)**
Tax credit/(charge)	0.4	-	0.4	0.9	-	0.9	0.4	(0.2)	0.2
Profit/(loss) after tax	**1.6**	**(11.5)**	**(9.9)**	**4.5**	**(13.2)**	**(8.7)**	**14.0**	**(27.3)**	**(13.3)**

As set out on page 4, one of the Group's key performance indicators is Adjusted EBITDA. When reviewing profitability, the Directors use an adjusted measure of EBITDA in order to give a meaningful year on year comparison and it is a performance criteria for the purposes of the bonuses and certain LTIP awards.

Whilst we recognise that the measure is an alternative (Non Generally Accepted Accounting Principle ("Non GAAP")) performance measure which is not defined within IFRS, the measure is important and should be considered alongside IFRS measures.

The table below sets out the reconciliation of operating profit to Adjusted EBITDA:

Adjusted EBITDA:	**30 September 2018**			**30 September 2017**			**31 March 2018**		
Operating profit/(loss)	1.1	(12.8)	(11.7)	2.5	(14.5)	(12.0)	11.6	(27.8)	(16.2)
Depreciation	2.6	0.6	3.2	2.3	0.6	2.9	4.9	1.7	6.6
Amortisation	0.3	-	0.3	0.6	0.1	0.7	0.9	0.1	1.0
Profit on disposal of non-current asset	-	-	-	-	-	-	-	(0.1)	(0.1)
EBITDA	**4.0**	**(12.3)**	**(8.2)**	**5.4**	**(13.7)**	**(8.3)**	**17.4**	**(26.1)**	**(8.7)**
Share-based payment charge attributable to exceptional LTIP awards	1.4	-	1.4	1.9	-	1.9	3.5	-	3.5
Europe set-up costs	-	-	-	0.1	-	0.1	0.3	-	0.3
Executive restructuring costs	-	-	-	-	-	-	1.4	0.1	1.5
Exceptional professional fees	1.4	-	1.4	-	-	-	-	-	-
Adjusted EBITDA	**6.9**	**(12.3)**	**(5.4)**	**7.4**	**(13.7)**	**(6.3)**	**22.6**	**(26.0)**	**(3.4)**

4. Finance income

(£m)	**6 months ended 30 September 2018**	**6 months ended 30 September 2017**	**Year ended 31 March 2018**
Foreign exchange gains on intra-group loans	1.5	1.5	1.1
Movement in valuation of put and call option	-	-	1.8
Unwind of discounting on long term receivables	0.6	1.4	1.9
	2.1	2.9	4.8

5. Finance costs

(£m)	**6 months ended 30 September 2018**	**6 months ended 30 September 2017**	**Year ended 31 March 2018**
Interest on obligations under finance leases	0.2	0.2	0.5
Other finance costs	0.3	0.1	0.1
Movement in valuation of put and call option	-	-	1.1
Unwind of discount on put option	0.2	0.2	-
Finance costs in relation to debt facility	-	-	0.4
	0.7	0.5	2.1

6. Trade and other receivables

(£m)	6 months ended 30 September 2018	6 months ended 30 September 2017	Year ended 31 March 2018
Trade receivables	12.4	7.7	8.7
Other receivables:			
- Accrued income	67.6	58.1	61.9
- Prepayments and other	35.6	28.3	32.2
	115.6	94.1	102.8

The trade and other receivables are classified as:

(£m)	6 months ended 30 September 2018	6 months ended 30 September 2017	Year ended 31 March 2018
Non-current assets – Accrued income	52.8	45.2	47.9
Current assets	62.8	48.9	54.8
	115.6	94.1	102.7

Accrued income

A reconciliation of opening and closing balances for accrued income can be found in the table below:

	6 months ended 30 September 2018	6 months ended 30 September 2017	Year ended 31 March 2018
Balance brought forward	61.9	51.4	51.4
Commission earned, cash received and revisions to estimates	5.2	5.5	8.8
Unwind of discounting on long term receivables	0.6	1.4	1.9
Other accrued income	(0.1)	(0.2)	(0.2)
Balance carried forward	**67.6**	**58.1**	**61.9**

Accrued income principally represents the expected future commission payments in respect of product protection plans. The Group recognises revenue in relation to these plans when it obtains the right to consideration as a result of performance of its contractual obligations (acting as an agent for a 3rd party). Revenue in any one year therefore represents the fair value of the commission due on the plans sold. To calculate the fair value of the revenue and hence the accrued income the Group uses historical empirical data accumulated over 11 years based on over 1.4m plans sold to date of which 0.6m plans are active.

The fair value calculation takes into consideration the following level 3 unobservable data:
– length of individual plans with a range of c6-16 years included in the calculation;
– historical rate of customer attrition; and
– contractually agreed margins based on actual historical margins earned.

Given the wide range of attrition rates and margins applicable to the plans, the data relating to these areas has not been quantified above.

Expected future commission payments in respect of product protection plans are discounted at 4.9% (2017: 4.3%).

There has been no change in the overall fair value methodology in the period from that adopted in the accounts for the year ended 31 March 2018. Whilst management have significant amounts of data from which the valuation is determined, the level 3 unobservable data could be subject to change particularly with regard to customer behaviour which could impact cancellation rates and the mix of products which could impact margin. The sensitivity analysis below has been conducted to assess the impact on the accrued income balance and the income statement if a reasonably possible alternative was used (in line with disclosures at 31 March 2018).

Sensitivity	**Impact on Accrued Income (£m)**
Cancellation rate increases by 5%	(2.5)
Cancellation rate decreases by 5%	2.5
Margin decreases by 5%	(3.3)
Margin increases by 5%	3.3

7. Trade and other payables

(£m)	**6 months ended 30 September 2018**	**6 months ended 30 September 2017**	**Year ended 31 March 2018**
Trade payables	120.7	119.5	118.4
Other payables:			
- Accruals	25.1	30.7	20.7
- Deferred income	7.3	8.9	6.9
- Other	9.5	8.7	10.0
	162.6	167.8	156.0

8. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

(£m)	**6 months ended 30 September 2018**	**6 months ended 30 September 2017**	**Year ended 31 March 2018**
(Loss)/earnings for the purposes of basic and diluted loss per share being (loss)/profit for the period	(10.1)	(8.7)	(13.4)
Number of shares			
Basic weighted average number of ordinary shares in issue	458,788,480	458,788,480	458,788,480
Potentially dilutive share options and shares	2,262,453	-	1,855,206
Weighted average number of diluted ordinary shares	461,050,933	458,788,480	460,673,686
Loss per share (pence)			
Basic loss per share	(2.19)	(1.90)	(2.93)
Diluted loss per share	(2.18)	(1.90)	(2.92)

The adjusted loss per share for the period was 2.52p (2017: 2.23p loss) (see page 12).

9. Net Funds and movement in financial liabilities

(£m)	6 months ended 30 September 2018	6 months ended 30 September 2017	Year ended 31 March 2018
Cash and cash equivalents	41.1	72.3	56.0
Bank overdraft	(4.5)	-	(3.1)
Borrowings – Repayable within one year	(4.0)	(4.0)	(4.2)
Borrowings – Repayable after one year	(8.7)	(11.6)	(10.4)
Net funds	**23.9**	**56.7**	**38.3**

Movement in financial liabilities in the period ending 30th September 2018 was as follows:

	Loans and borrowings £m	Finance lease liabilities £m
Balance at 1 April 2018	4.6	10.1
Changes from financing cash flows		
Repayment of borrowings	(0.6)	-
Repayment of finance lease liabilities	-	(1.6)
Total changes from financing cash flows	(0.6)	(1.6)
Other changes		
New finance leases		-0.1
Total other changes	-	0.1
Balance at 30 September 2018	**4.0**	**8.7**

At 30 September 2018, AO Limited and its two subsidiaries, AO Retail Limited and Expert Logistics Limited, had access to a Revolving Credit Facility.

At 30 September 2018 the amount available was £57.7m (2017: £28.6m) with the amounts drawn being in relation to letters of credit and short term guarantees.

10. Share-based payments

On 19 July 2018, the Company adopted the AO 2018 Incentive Plan (the 'Plan') in which the Directors and key members of staff participate. The Plan combines an annual bonus element and a conditional share award based on various financial and non-financial performance criteria as well as the continuing employment of the individuals. The bonus and number of conditional share awards will initially be calculated based on the performance criteria for the year ending 31 March 2019.

The total charge in the Income Statement in relation to all LTIPs was £1.8m (2017: £2.3m) and SAYE Schemes was £0.3m (2017: £0.2m). The exceptional LTIP charge included in the above is £1.4m (2017: £1.9m).

11. Financial instruments

As detailed in the Group's most recent annual financial statements, our principal financial instruments consist of a call and put option, trade and other receivables, accrued income, cash and cash equivalents, trade and other payables and borrowings. As indicated in Note 1, there have been no changes to the accounting policies for financial instruments, from those disclosed in the Company's Annual Report at 31 March 2018.

There have been no changes to the categorisation or fair value hierarchy of our financial instruments. The fair values of cash and cash equivalents, trade and other receivables, accrued income, and trade and other payables and borrowings are all deemed to approximate their carrying values and these can be identified on the face of the Statement of Financial Position and accompanying notes.

During the period, the Group exercised the first option over shares in AO Recycling Limited. As a result, the Company has acquired a further 7.2% of the issued share capital of AO Recycling Limited, taking its holding to 67.2%. The movement in the put and call option in the period is as follows:

	Call Option **£m**	**Put Option** **£m**
At 1 April 2018	2.4	(3.8)
Exercise of option	(0.2)	0.4
Unwind of discount	-	(0.2)
At 30 September 2018	2.2	(3.5)

There has been no change in the valuation methodology from that adopted at 31 March 2018 which utilised the Monte Carlo model for the call option and the gross liability method for the put option. The latter equates to an estimate of the amount payable over the life of the option based on discounted future cashflows.

12. Post balance sheet event

On 9 November 2018 the Company announced the proposed acquisition of 100% of the issued share capital of Mobile Phones Direct Limited, an online-only retailer of mobile phones in the UK (the "Acquisition"). The Acquisition is subject to, inter alia, the approval of AO World plc shareholders at a general meeting convened for 29 November 2018 and FCA approval of the change of control of Mobile Phones Direct Limited. Total consideration of approximately £38.1m (plus interest) is to be satisfied by approximately £20.9m (plus interest) in cash and 13,095,104 new ordinary shares in AO World plc, with the cash element of the consideration to be funded exclusively from a new Term Loan Facility of £24m provided by the Group's incumbent lenders. The loan will be repayable in June 2021.

Subject to the approvals listed above being granted, the Acquisition is expected to complete by 31 March 2019. Further details of MPD, its activities and benefits of the acquisition can be found in a circular to AO World plc shareholders dated 9 November 2018.

13. Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected or historical results. The Directors do not consider that the principal risks and uncertainties have changed materially since the publication of the Annual Report for the year ended 31 March 2018 although we now have a greater understanding of the risks that Brexit may bring to our businesses and we are cognisant of the additional risks that the acquisition of Mobile Phones Direct ("MPD") may bring to the enlarged Group, should it complete. Further information surrounding risks associated with Brexit and the inclusion of MPD within the Group are set out below.

The principal risks as set out in the Annual Report are summarised below and further information on these together with information as to how the Group seeks to mitigate these risks is set out on pages 40-46 inclusive and 74 of the Annual Report and Accounts 2018 which can be found at www.ao-world.com:

- Risks relating to our failure to maintain our culture as we grow and dependence on members of the Group Executive and Leadership Teams.
- Risks relating to our European expansion.
- Risks relating to brand recognition and damage.
- Risk relating to IT systems resilience and agility.
- Risks relating to legal and/or regulatory changes, particularly with regard to the increased scrutiny of the gig economy which may drive changes to laws surrounding employment status.
- Risks of interruption to physical infrastructure.
- Risk relating to Brexit and the UK electricals market.
- Risks relating to our key commercial relationships
- Risks in relation to significant accounting matters including revenue recognition, debtor recoverability and the status of product protection plans and commercial income arrangements.

Brexit

The directors are particularly mindful of the uncertainty in the UK economy following the outcome of the EU Referendum (Brexit) and the implications this may have for the Group for both our UK businesses and our Europe businesses.

- ***Effects on the UK businesses***

  Uncertainty in the economy has and may continue to reduce consumer confidence and affect demand, particularly for the more "considered" (as opposed to "distressed") purchase and may also have an effect on the housing market, to which our MDA sales bear some correlation. Further whilst all our product purchases are bought in local currency (minimising the effects of the weakening of the pound against the Euro and Dollar), the increase in our suppliers' supply chain costs have in many cases been passed on to the Group and this may continue. We need to remain competitive on price and, if our competitors do not pass price increases on (either because they have longer term trade deals or decide to absorb some of the price increases themselves) this may hamper our profitability in the short-term. In addition, friction in the supply chain arising from increased border control could affect our availability proposition or drive the need for us to maintain increased stock levels to keep such effects on our availability proposition as minimal as possible. The Board is also cognisant of the likely effect a hard Brexit could have on the free movement of people and therefore the cost of labour particularly in our logistics and recycling businesses.

- ***Effects on our Europe businesses***

Our German business is operated through an English corporate and we are investigating the effect that Brexit may have on this structure. Our current expectation is that (having taken professional advice) the structure may remain "as is" but in an alternative scenario we may need to transfer the business to a German corporate entity (a "GMBH"), which could impact our ability to offset German losses against UK profit for tax purposes.

Further, should Brexit further weaken the Pound against the Euro our investment in the Europe segment would become more expensive to fund.

The Board continues to monitor the risks and uncertainties associated with Brexit and the potential impact these may have on the Group's results and financial position in both the short and longer term.

Proposed Acquisition of MPD

The Acquisition of MPD may give rise to certain risks which, if they occur, may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group, MPD and, following Completion, the Enlarged Group. The principal risks are set out on pages 16-23 of the Circular to shareholders dated 9 November 2018 which can be found at https://www.ao-world.com/wp-content/uploads/2018/11/MPD-Class-1-Acquisition-Circular-9Nov18.pdf. Of those risks set out in the circular, the Board believes the following risks are material and would be included within the Enlarged Group's principal risks:

(a) The failure to retain key management and staff of MPD following completion could adversely impact the success of the Acquisition.
(b) MPD is, and following Completion the Enlarged Group will be, dependent on relationships with network operators, which are generally terminable on short notice, and will be exposed to the distribution strategies and other actions of network operators.
(c) The success of the Enlarged Group depends in part on the market for mobile phones and the market for network contracts.
(d) There is the threat of new participants entering the online marketplace for the sale of mobile phones or the provision of network services, or competitive behaviour from existing participants, including mobile network operators and manufacturers.
(e) Changes to current regulatory requirements or practices including in relation to the sale of mobile phones with network contracts, and the renewal and handset upgrade processes could adversely affect the Enlarged Group's business, financial condition, results of operations and prospects.

Following completion of the proposed acquisition, the Group's risk management processes and internal controls framework will be rolled out to MPD.

14. Responsibility statement

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU
- The interim management report includes a fair review of the information required by:

(a)DTR 4.2.7R of the *Disclosure Guidance and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b)DTR 4.2.8R of the *Disclosure Guidance and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Steve Caunce
CEO
20 November 2018

Mark Higgins
CFO
20 November 2018

INDEPENDENT REVIEW REPORT TO AO WORLD PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises a Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1 annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Mick Davies
For and on behalf of KPMG LLP
Chartered Accountants
1 St. Peter's Square
Manchester
M2 3AE
19 November 2018