THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR IMMEDIATE RELEASE

AO WORLD PLC

INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2019

On track with our plans for sustainable growth

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 2019 ("HY20").

John Roberts, AO Founder and Chief Executive Officer, said:

"These results were achieved during a period of significant change for the business where we were focused on laying the foundation for disciplined, long-term growth. There are encouraging green shoots of profitable growth across our UK business, including within our core MDA offer and we will continue to invest to drive this further.

"Our relentless focus to accelerate profitability in Europe continues and as part of this, we have today announced the closure of our Netherlands operation. This will enable us to concentrate on the transformation of our German business, where we have increased confidence in, and visibility of, the three core drivers of the business model that will put us on the path to profitability.

"We have also kept a clear focus on cash generation, and we expect to be cash generative at a group level as we enter the new financial year.

"Our ecosystem of complementary products and services continues to strengthen, providing us with the belief that these can be leveraged to underpin future growth and profitability in the UK. Overall, I am pleased with the operational progress that we have made in this period and would like to thank AOers across the business for their continued commitment."

Financial Highlights[1]

- Continued revenue growth with total revenue for the period increasing by 16.3% to £470.1m (2018: £404.2m) (up 3.2% on a like for like basis excluding revenues from AO Mobile[2]):
    - Total UK[3] revenue up 20.3% to £402.7m (2018: £334.8m) (up 4.5% on a like for like basis excluding revenues from our acquired mobile phones business)
    - Europe[4] revenue for the period decreased by 3.4% to €75.7m (2018: €78.4m) (in GBP 2019: £67.4m; 2018: £69.4m) as we re-aligned our European operating model with our UK policy
- Pre-IFRS 16 Group Adjusted EBITDA[5] losses increased to £6.2m (2018: £5.4m); profit growth in the UK impacted by European performance
    - UK Pre-IFRS16 Adjusted EBITDA of £7.8m (2018: £6.9m)
    - Europe Pre-IFRS16 Adjusted EBITDA losses increase to €15.9m (2018: €13.8 m) with the impact of the actions highlighted above implemented towards the end of reporting period (in GBP 2019: £14.0m loss; 2018: £12.2m loss).
- Statutory Group operating losses flat at £10.6m (2018: £10.6m loss)
- As at 30 September 2019:
    - Group cash was £23.4m (31 March 2019: £28.9m, 30 September 2018: £36.6m)

- Net debt[6] was £12.0m (31 March 2019: net debt £9.0m; 30 September 2018: net funds £23.9m)
- The Group continues to have significant liquidity headroom of £80.1m at the balance sheet date including available funds and undrawn RCF

- Basic loss per share of 1.01p (2018: 2.31p), which includes foreign exchange gains from inter-group funding. Reversing such foreign exchange gains gives an adjusted loss per share of 1.98p (2018: 2.63p loss).[7]

Strategic and Operational Highlights

- UK and German NPS[8] scores maintained at over 80

UK Growth

- UK product revenue grew by 6.8% during HY20
- UK MDA sales up 5.5% against the comparable prior year period in a market that declined at 3.7%[9] over the same period
- Launched AO Finance to offer customers additional purchasing flexibility
- Developed an AO branded mobile proposition ahead of planned timescale, building on the foundations of MobilePhonesDirect.co.uk, and secured a new long-term partnership with Vodafone
- Completed the transition from serviced warranty to a hybrid insurance product; providing customers with a truly digital experience that builds relationships and generates repeat business
- Continued investment in the customer journey such as the development and implementation of market leading personalisation and our chatbot which are expected to go-live during FY21

Europe

- Full review of Europe business model undertaken during HY20
- Deepened relationships with suppliers gaining a renewed commitment to AO as a leading pureplay retailer
- Increased confidence in establishing a growing profitable German business through more efficient customer traffic acquisition and the centralisation into the UK of core disciplines including eCommerce and marketing
- Commitment to focus resources and energy on German business resulting in decision to close operations in the Netherlands[11] during H2; closure expected to cost c£3m and become effective by the end of the current financial year. The Netherlands operation made an adjusted EBITDA loss of £2.8m in the six months to 30 September 2019.

Leverage our eco-system

- Continued development of eco-system to compound the benefits within the AO group. For example, launch of next day and nationwide seven-day delivery proposition for housebuilders has generated commitments for over 3,000 plots
- Leveraging our capabilities externally, added new third-party logistics clients Aldi and Simba
- Development of plastics plant continues to plan; expected to be operational during the second half of FY20

Webcast details

A results presentation hosted by Geoff Cooper, John Roberts and Mark Higgins for analysts and investors will be held today, 19 November 2019 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 live audio webcast will be available for analysts and investors who are unable to attend the presentation at: https://webcasting.brrmedia.co.uk/broadcast/5db9b68434a3cf1389e81537 and will be available for playback on AO's corporate website at ao-world.com[10] later today. The presentation can also be heard live via a conference line facility by dialling 44 (0)330 336 9411 and using confirmation code 9981443.

The person making this notification on behalf of AO World plc is Mark Higgins, Chief Financial Officer.

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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 simple mission: 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 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.

In the UK, AO operates in four main categories (Major Domestic Appliances "MDA", Small Domestic Appliances "SDA", Audio Visual "AV" and Computing) and more recently added Gaming, Mobile, Smart Home and Photographic devices and equipment to its ranges. Following the acquisition of Mobile Phones Direct Limited in December 2018, AO has significantly broadened its mobile phone offering.

AO launched in Germany in October 2014 with MDA and now sells Floorcare, AV and SDA categories. AO's international expansion strategy took a step further in February 2016 with the launch of MDA in the Netherlands, which has also expanded to include SDA and AV. In December 2018, AO acquired Mobile Phones Direct making AO the UK's largest pureplay mobile phone retailer.

AO also has a majority equity stake in AO Recycling, a WEEE 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 2019 and the comparative 2018 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]Mobile Phones Direct Limited (acquired in December 2018) has been renamed AO Mobile Limited. This entity includes the MobilePhonesDirect brand and the AO Mobile brand launched in August 2019.
[3]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).
[4]Europe is defined by the Group as entities operating within the European Union but excluding the UK.
[5] Pre IFRS 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 the impact of adopting IFRS16. Adjustments is defined by the Group (i) share-based payment charges of £nil (2018: £1.4m) attributable to exceptional LTIP awards which the Board considers one-off in nature, (ii) exceptional professional fees of £nil (2018: £1.4m),(iii) onerous contract costs in relation to a marketing contract in Germany of £0.5m and, (iv) restructuring costs of £0.9m. See paragraph entitled “Reconciliation of operating profit to Adjusted EBITDA” for further details
[6]Net (debt)/ funds are defined by the Group as cash as per the consolidated statement of financial position less borrowings less overdrafts.
[7]Please refer to the loss per share paragraph later in this announcement for further information.
[8]NPS is defined by the Group as Net Promoter Score which is an industry measure of customer loyalty and satisfaction.
[9] Source: GfK data for six months to 28 September 2019 versus six months to 29 September 2018
[10] The content of the ao-world.com website should not be considered to form part of or be incorporated into this announcement.

[11] Subject to necessary legal consultations.

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

6 months ended	30 September 2019			30 September 2018*			*Better/(worse)*		
(£m)[1]	UK	Europe	Total	UK	Europe	Total	*UK*	*Europe*	*Total*
Income Statement									
Product revenue	311.2	65.2	376.4	291.5	68.4	359.9	*6.8%*	*(4.8%)*	*4.6%*
Services revenue	16.1	2.0	18.1	14.1	0.8	14.9	*13.9%*	*155.2%*	*21.3%*
Commission revenue	61.8	0.1	61.9	14.5	0.1	14.6	*326.0%*	*(16.6%)*	*323.0.%*
Logistics revenue	6.8	-	6.8	7.3	-	7.3	*(7.1%)*	-	*(7.1%)*
Recycling revenue	6.8	0.1	6.9	7.4	0.1	7.5	*(8.2%)*	*56.4%*	*(7.8%)*
Total Revenue	402.7	67.4	470.1	334.8	69.4	404.2	*20.3%*	*(3.0%)*	*16.3%*
Adjusted EBITDA/(loss) post IFRS16[2]	13.6	(12.6)	1.0	11.9	(11.0)	0.9	*14.0%*	*(14.4%)*	*8.7%*
Adjusted EBITDA/(loss) pre IFRS16	7.8	(14.0)	(6.2)	6.9	(12.3)	(5.4)	*13.6%*	*(14.1%)*	*(14.8%)*
Adjusted EBITDA post IFRS16 margin[3]	3.4%	(18.8%)	0.2%	3.6%	(15.9%)	0.2%	*(0.2 ppts)*	*(2.9 ppts)*	*0.0 ppts*
Adjusted operating profit/(loss)[4]	5.1	(14.2)	(9.1)	4.9	(12.6)	(7.7)	*4.9%*	*(13.0%)*	*(12.3%)*
Adjustments[5]									
Share-based payment charge attributable to exceptional LTIP awards	-	-	-	(1.4)	-	(1.4)			
Exceptional professional fees[8]	-	-	-	(1.4)	-	(1.4)			
Onerous contract costs	-	(0.5)	(0.5)	-	-	-			
Restructuring costs	(0.2)	(0.7)	(0.9)	-	-	-			
Operating profit/(loss)	4.9	(15.5)	(10.6)	2.1	(12.6)	(10.6)	*139.8%*	*(22.8%)*	*-%*
(Loss) per share									
Basic Loss per share (pence)			(1.01)			(2.31)			*56.3%*
Diluted Loss per share (pence)			(1.01)			(2.31)			*56.3%*
Cash flow									
Period end net (debt)/funds[6]	(10.1)	(1.9)	(12.0)	29.3	(5.4)	23.9	*(134.4%)*	*63.7%*	*(150.4%)*

*Financial data is for the 6 month period ended 30 September 2019 and the comparative 2018 period. 2018 comparatives have been restated to reflect the adoption of IFRS 16.

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[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]Adjusted EBITDA post IFRS 16 is defined by the Group as profit/(loss) before tax, depreciation, amortisation, profit on disposal of fixed assets, net finance income and “adjustments”.
Adjusted EBITDA pre IFRS 16 is defined as Adjusted EBITDA post IFRS16 before the impact of adopting IFRS16.
[3]Adjusted EBITDA margin is defined by the Group as Adjusted EBITDA divided by revenue.
[4]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.
[5]Adjustments is defined by the Group as (i) share-based payment charges of £nil (2018: £1.4m) attributable to exceptional LTIP awards which the Board considers one-off in nature, (ii) exceptional professional fees of £nil (2018: £1.4m),(iii) onerous contract costs in relation to a marketing contract in Germany of £0.5m and, (v) restructuring costs of £0.9m.
[6]Net (debt)/funds are defined as cash as per the consolidated statement of financial position less borrowings (excluding Right of use liabilities).

CEO REVIEW

When I returned as CEO in February, I highlighted the four key priorities that I wanted our team to focus on. They were to grow our UK profitably, to accelerate our journey to profitability in Europe, to leverage the assets and capabilities we already have, and while doing this, rekindle one of our most important attributes; our growth mindset. I have now carried out a thorough review of all of the companies' activities, plans and most importantly our culture and am hugely reassured by what I have found. Our amazing customer service is still just as amazing as shown by our industry leading NPS scores. The AO culture which is something I have always been very passionate about and which has been the key ingredient in our success, is also in great shape. Our execution is, by and large excellent. Yes, we have some challenges in Europe which I will come onto, but particularly in the UK we continue to be world class.

UK profitable growth

During HY20 our UK product revenue grew by 6.8% and growth in our core MDA category increased 5.5%, against the prior year and in a market that declined by 3.7% over the same period. In recent periods our MDA growth – the heart of the UK business, has slowed. A key focus for us has been to return this category to growth and to deliver profit from that growth. Our ambition remains to achieve double-digit MDA growth driven by investment in our proposition and expanding our offering into new customer markets.

The foundation of our UK business is providing a combination of world leading customer service with best-in-class propositional execution. The cultural DNA of treating customers like our grans and making mums proud is deeply ingrained throughout AO, and is demonstrated by our 5 Star Trustpilot rating and consistently high NPS scores during the period.

Although MDA growth is key to short term increases in UK profitability, the market opportunity in our newer categories remains huge and these performed well during the period, contributing to overall growth. These categories provide us with more brand touch points with our customers reinforcing the service and proposition that we have to offer.

In particular, our future growth will be defined by the investments we make in continuing to improve the breadth and usability of our overall retail experience. For example, in August we launched "AO Finance", a market leading rolling credit facility operated in partnership with NewDay giving more customers access to essential products and us a larger share of wallet, through affordable finance. We have also developed our AO branded mobile proposition, building on the foundations of the MobilePhonesDirect business. As of today we have a strong mobile platform in place which we remain excited about it's potential in our ever-connected world. The strategic partnership we recently entered into with Vodafone is a further sign of confidence from the Mobile Network Operators in AO as an important provider in this market.

As we look forward to growth in future periods, we are investing today in further propositional developments. As an example, in the last six months we have been developing personalisation functionality which we believe will drive conversion and loyalty in the future. We have also commenced the development of a chatbot sales assistant, aimed at improving customer service and creating group efficiencies. We believe these initiatives and others in the pipeline will help us create structural and sustainable advantage over our competitors now and in the longer term.

The product manufacturers make significant investment in R&D and product development every year, and they continue to recognise AO as an ideal partner to bring those innovations to life; online is the best place to explain products to customers and that is now being recognised more clearly by manufacturers. We are jointly investing with our brand partners in even more initiatives to make the online journey even better, increasingly with our content as the destination of choice for the best product information. Going forward we will work to recalibrate our overhead structure and will disclose our R&D investment to illustrate the investment in initiatives we are developing.

Accelerate our journey to profitability in Europe

At the time of our results in June we explained that our number one priority was to accelerate the journey to profitability in Europe and we remain committed to this. Over the reporting period we have undertaken a full appraisal of our German and Netherlands operations and are implementing a number of key changes.

We have concluded that we do not have the bandwidth to make the necessary turnaround in both the German and Netherlands territories at the same time. The foundation of our European business is Germany therefore this is our priority and focus and we have taken the difficult decision to close our operations in the Netherlands.

Our operations in the Netherlands currently make a loss of c.€6m per annum and we estimate it will cost c.€3m for us to close it with the closure effective by the end of the current financial year. It is important to highlight that our decision to close these operations is not a reflection on our team in the Netherlands but a result of the reality of the current status of our European business. Their commitment and dedication have been unwavering and they are a credit to AO.

Notwithstanding our decision to close the Netherlands, we remain fully committed to the scale of the opportunity, the model and strategy in our German business. We remain committed to building German operations that will be a profitable business at around €250m run rate of revenue.

Six months ago I said that we needed to behave as one business with one North Star and I believe this even more today. We are calling this approach “One AO”. As part of this we have aligned our methods of acquiring traffic, attracting and converting customers in Germany to the methods that we have proven in the UK. In fact across all our key disciplines we are leveraging our core intelligence so that we behave as One AO.

One of the most important changes this approach has brought about is a fundamental review of our pricing policy. Where we had previously deployed a strategy to drive sales through discounting prices at the expense of margins we are now focusing on profit. Our relationship with product manufacturers in our German business is critical to the success of this initiative, and we are encouraged by their support for our change in strategy. We are also restructuring our buying terms with the majority of our suppliers which will largely take effect from January. We expect this to represent a step change in the contribution to overheads in our German operations which will become positive going forwards; a vastly improved and sustainable platform to drive profitable growth into the future.

At the same time, we have been applying the UK lessons and systems to the logistics operation and believe we can make further progress during the final quarter of the financial year in reducing the unit cost to deliver. The work completed so far and modelling moving forwards gives us the confidence to maintain our belief of profitability in the German business at €250m of revenue.

We continue to be totally committed to the scale of the opportunity, the model and strategy in Germany and have real conviction that it will succeed. There are however a number of outcomes from the actions that we have taken that will not materialise until early 2020; if we are wrong in our conviction it will be clear to us by at the very latest summer 2020 and in a worst case scenario we believe the cost of closure is c£20m.

Leverage our eco-system

In the UK we have built assets, systems and processes that we can leverage to third parties to address additional revenue and profit opportunities outside of our core retail business. We are also able to link up these capabilities within the group, for example using our logistics operations to collect and feed old appliances into a contract won by our recycling business.

The commissioning of our plastics plant which is ongoing, allows us to refine the plastics output from our existing recycling plant and sourced from third parties to a quality suitable to re-enter the manufacturing process. Ultimately creating the potential to make new fridges from the old; a real sustainability story.

The development of our rental proposition would not be possible without AO's buying power; our reputation (which provides trust) and the ability of our logistics to deliver it at lowest possible cost. We can take a long-term approach to this market and understand it with low cost. We are continuing with a limited volume trial working with Housing Associations to fully understand the dynamics of the market and make any necessary adaptations to our model.

Our Business to Business solution means that housebuilders are able to benefit from a next day, seven-days a week national delivery proposition that is available as a result of our core retail MDA offer. This service will take time to gain traction into the new build pipeline, but we have already generated commitments for over 3,000 plots in the last few months.

Our third-party logistics operation is once again winning new clients as a result of the excellent service delivered to end customers. We have recently secured contracts to deliver for Aldi and Simba to deliver products on their behalf and look to continue to win new clients.

Conclusion

There has been a huge amount of change and transition in the first half of the financial year, during which we have been making investments that we are confident will pay back in the new financial year and thereafter.

We are entering our peak trading period fully focused on driving profitable growth, but mindful of macro-economic uncertainty and the potential impact of Brexit. Despite this we still expect to deliver results within the range of analysts' expectations.

Cashflow is a key focus for our business and is driven by our growth and profit performance. The mindset of our people also plays a crucial part in how we think about generating and using cash; we are making good progress. We are focused on generating cash from operations as we move through the balance of the year and beyond. It is our ambition that the Group will be cash generative on an Adjusted EBITDA less debt repayment, interest, taxes and monthly share of annualised capex by the end of the March 2020 financial year and on a run rate basis going forward.

FINANCIAL REVIEW

These interim results are the first AO World plc accounts prepared under IFRS 16, the new financial reporting standard on accounting for leases. All comparative figures included within this announcement have been restated for IFRS 16 and as previously indicated, we have adopted the standard fully retrospectively. Further detail on this can be found in Note 1 with the impact of the restatement shown in Note 13.

Revenue

For the six months ended 30 September 2019 total Group revenue increased by 16.3% to £470.1m (2018: £404.2m).

(£m)[1]	6 months ended 30 September 2019			6 months ended 30 September 2018			Year ended 31 March 2019		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Product revenue	311.2	65.2	376.4	291.5	68.4	359.9	628.4	151.1	779.5
Services revenue	16.1	2.0	18.1	14.1	0.8	14.9	30.1	1.6	31.8
Commission revenue	61.8	0.1	61.9	14.5	0.1	14.6	61.2	0.3	61.5
Logistics revenue	6.8	-	6.8	7.3	-	7.3	15.3	-	15.3
Recycling revenue	6.8	0.1	6.9	7.4	0.1	7.5	14.3	0.1	14.5
Total revenue	**402.7**	**67.4**	**470.1**	**334.8**	**69.4**	**404.2**	**749.3**	**153.2**	**902.5**

Overall revenue in the UK increased by 20.3% to £402.7m (2018: £334.8m), up 4.5% on a like-for-like basis i.e. excluding the impact of the acquired Mobile Phones Direct Limited which was acquired in December 2018 (since renamed "AO Mobile Limited").

Product revenue from our retail websites comprising ao.com, marketplaces and third-party websites, increased by 6.8% to £311.2m largely driven by a good performance in MDA product sales. Growth in marketplace channels such as Amazon and eBay has been particularly strong during the period. We believe these are new customers to the Group and do not cannibalise traffic that would otherwise shop with ao.com. In addition, we continue to focus on our AO Business offering and this has been a key driver of our growth in the MDA category.

Service revenue increased by 13.9% to £16.1m which continues to reflect improvements to our customer propositions which have resonated well with our customers, for example service bundles, installing tv's on walls and delivery time slots.

Growth in commission revenue is largely attributable to the acquisition of AO Mobile Limited in December 2018 which generates the majority of its revenue as commission from the Mobile Network Operators. We continue to integrate this business into the wider AO Group, and we see a number of opportunities for growth following the launch of the ao-mobile.com in August and the signing of a new commercial agreement with Vodafone in October.

As previously reported, in the second half of the year to March 2019, service plan customers of ao.com migrated from a warranty product to AO Care, a hybrid insurance product offering greater regulatory protection. This migration and base contact exercise caused a spike of cancellations of products which was at a level we had anticipated. Following this one-off event we expect to see a lower level of cancellations on a monthly basis going forward. Should this not happen we will need to revisit the assumptions underlying our valuation of those future cash flows.

The reduction of third-party logistics revenue year on year reflects the loss of the contract to deliver goods on behalf of Argos albeit this has partially been offset by the part year effect of new contracts with The Cotswold Company, Aldi and Simba.

Revenues in our Recycling business decreased slightly during the reporting period as we began to feel the impacts of downward pressure on metal prices and as the processing of stock built up in FY19 was offset by a reduction in volumes from third-parties during the period. The development of our plastics plant continues to plan, and we expect this to be operational during the second half of FY20. The new plant will provide us with the capability to sort waste plastics from our fridge plants allowing us to reuse or resell this plastic and to create an additional sustainable revenue stream.

In Europe sales generated from our German website AO.de and our Netherlands website AO.nl reduced by 3.4% to €75.7m (2018: €78.4m) which equates to £67.4m (2018: £69.4m). As previously reported, the trajectory of losses in the second half of FY19 did not meet our expectations. We commenced an appraisal of our European business and business model to ensure that we are able to generate long-term sustainable and profitable growth (and reducing losses in the shorter term). This entailed a review of our pricing policy (where we had previously deployed a strategy to drive sales through discounting prices at the expense of margin) and an evaluation of traffic channels (particularly marketplaces) where cost to acquire traffic is in excess of our traditional website acquisition costs. The outcome of this appraisal has resulted in a significant change to our European pricing policy which has now been brought in line with our UK model. As a consequence, although revenues have reduced year on year, these have been delivered at an improved margin compared to H2 FY19 and importantly this is a policy that we think will receive support from suppliers.

Gross margin

6 months ended	**30 September 2019**			**30 September 2018***			**Better/(worse)**		
(£m)[1]	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
Gross profit/(loss)	76.8	(0.2)	76.6	70.9	0.3	71.2	*8.3%*	*(165.5%)*	*7.6%*
Gross margin	**19.1%**	**(0.3%)**	**16.3%**	**21.2%**	**0.4%**	**17.6%**	***(2.1 ppts)***	***(0.7 ppts)***	***(1.3 ppts)***

Gross profit for the Group grew by 7.6% to £76.6m (2018: £71.2m) with gross margin percentage decreasing by 1.3ppts to 16.3% for the reporting period (2018: 17.6%).

In the UK gross margin percentage decreased to 19.1% (2018: 21.2%) primarily as result of the dilutive impact of the AO Mobile Limited business acquired in December 2018. Excluding the impact of AO Mobile Limited, gross margin was flat year on year.

In Europe, although the pricing strategy has now been brought in line with the UK thus significantly reducing the level of price discounting, improvements in supplier terms is, as expected, taking longer to achieve. However, management are encouraged with the initial progress made in Germany where gross margin significantly improved to 0.5% during the reporting period versus a gross loss of 2% in the second half of FY19. Negotiations are ongoing with suppliers with expected improvements in terms from the start of calendar year 2020. Management continue to look at driving efficiencies in the logistics operation which has been impacted by the lower volumes in the period.

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

6 months ended	**30 September 2019**			**30 September 2018***			**Better/(worse)** *%*		
(£m) [1]	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
Advertising and marketing	9.3	3.9	13.2	12.4	3.2	15.6	*24.6%*	*(22.0%)*	*15.1%*
% of revenue	*2.3%*	*5.8%*	*2.8%*	*3.7%*	*4.6%*	*3.9%*	*1.4 ppts*	*(1.2 ppts)*	*1.1 ppts*
Warehousing	17.8	2.6	20.5	16.0	2.4	18.4	*(11.6%)*	*(8.3%)*	*(11.2%)*
% of revenue	*4.4%*	*3.9%*	*4.3%*	*4.8%*	*3.5%*	*4.6%*	*0.4 ppts*	*(0.4 ppts)*	*(0.2 ppts)*
Research and development	4.4	-	4.4	3.4	-	3.4	*(26.5%)*	-	*(26.5%)*
% of revenue	*1.1%*	-	*0.9%*	*1.0%*	-	*0.8%*	*(0.1ppts)*	-	*(0.1ppts)*
Other admin	40.5	7.7	48.2	34.7	7.6	42.2	*(16.7%)*	*(1.8%)*	*(14.2%)*
% of revenue	*10.1%*	*11.4%*	*10.3%*	*10.4%*	*10.9%*	*10.4%*	*0.2 ppts*	*(0.5 ppts)*	*0.1 ppts*
Adjustments	0.2	1.2	1.5	2.9	-	2.9	*92.6%*	*100.0%*	*50.5%%*
% of revenue	*0.1%*	*1.8%*	*0.3%*	*0.9%*	-	*0.7%*	*0.8 ppts*	*(1.8 ppts)*	*0.4 ppts*
Administrative expenses	**72.3**	**15.5**	**87.7**	**69.3**	**13.2**	**82.5**	***(4.2%)***	***(17.3%)***	***(6.3%)***
% of revenue	*17.9%*	*23.0%*	*18.7%*	20.7%	19.0%	20.7%	*2.8 ppts*	*(4.0 ppts)*	*2.0 ppts*

Total SG&A costs across the Group as a percentage of revenue reduced during the period from 20.7% to 18.7%.

In the UK, advertising and marketing costs as a percentage of revenue reduced by 1.4ppts as the comparable period year period included the costs to the launch the “Delivering Tomorrow” creative. Our current expectation is that traditional TV advertising costs will be minimal as we look to other advertising channels such as social media to promote the AO brand.

Warehousing costs have increased with continued investment in the out-base network driving overall efficiencies, benefitting gross margin. They have reduced as a percentage of revenue to 4.4% in HY20 compared to 4.8% previously as they serve a higher volume of sales.

Research and development costs increased by £1.1m compared to the prior period reflecting the investment in our technology teams as we develop initiatives to support future customer proposition.

Other admin costs as a percentage of revenue have reduced by 0.2ppts (reducing by 0.9ppts excluding the impact of AO Mobile Limited) as we start to leverage our cost base with scale.

In Europe, advertising and marketing costs increased by 1.2ppts as a percentage of revenue with higher investment in acquisition costs to drive revenue following the change in pricing strategy in the period. Due to the predominantly fixed nature of the costs in warehousing, the reduction in revenue has led to a slight increase in costs as a percentage of revenue. However, this is anticipated to be temporary as the output of the actions required to drive growth gain traction and costs are leveraged. Other admin costs increased by 0.5ppts on the prior year. We expect these costs to continue to reduce following the impact of the restructuring on headcount as we leverage the skills and knowledge of our people from the UK.

Operating loss and Adjusted EBITDA

Our operating loss for the period was £10.6m (2018: £10.6m loss).

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. These financial statements disclose both a pre and post IFRS16 adjusted measure of EBITDA to aid comparability with prior years. The pre-IFRS16 measure has historically been used as both a measure of performance under the Group’s incentive schemes and as a guide for analysts when calculating forecasts.

Group Adjusted EBITDA losses pre IFRS16 were £6.2m (2018: £5.4m) after allowing for £14.0m of Europe Adjusted EBITDA losses (2018: £12.2m loss).

UK Adjusted EBITDA pre IFRS16 for the 6 months to 30 September 2019 was £7.8m (2018: £6.9m) representing an increase of 13.0% against the prior year. The increase reflects a lower level of advertising spend in the period offsetting a reduction in gross margin percentage predominantly driven by category mix.

Post IFRS16 Group Adjusted EBITDA is £1.0m compared to £0.9m in 2018.

<u>Alternative performance measures</u>

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 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.

During the six months to 30 September 2019 the following adjustments were made:

- In December 2017, the Group entered into a marketing contract in Germany which was anticipated to generate significant additional revenue. In the prior and current financial years, the performance of this contract has been re-assessed due to significant losses being incurred and the benefits expected from the contract not materialising. The Group is however committed to the contract until December 2020 and whilst management are continuing to explore routes to re-negotiate the contract, it is clear that the cost of fulfilling the contract over its life will significantly exceed any benefit gained from it. As a consequence, due to its size, timing and the onerous nature of the contract, management consider this to be exceptional and, in line with the treatment in FY19, have added back the full cost in the current period of £0.5m in arriving at Adjusted EBITDA.

- Further to the actions disclosed in the 2019 financial statements regarding a full review of the European business following its unsatisfactory performance in the second half of FY19, the Group has undertaken a restructure of its European business. The cost of this restructure is £0.9m, which principally relates to a reduction in headcount, is considered to be one-off in nature due to its size and timing and has therefore been added back in arriving at Adjusted EBITDA.

The adjustments in the comparator periods were 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 considered that the magnitude and timing of these awards were 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. There is no cost in the current period as the period over with the Performance Conditions were measured ceased at 31 March 2019.

- Costs accrued in relation to the acquisition of Mobile Phones Direct Limited as at 30 September 2018 were £1.4m. Due to the magnitude of the costs, and the fact that the acquisition was one off in nature, the costs were added back in arriving at Adjusted EBITDA.

The table below reconciles operating profit to Adjusted EBITDA:

Reconciliation of Operating Profit to Adjusted EBITDA

6 months ended	**30 September 2019**			**30 September 2018***			**Better/(Worse)**		
(£m)[1]	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Operating profit/(loss)	**4.9**	**(15.5)**	**(10.6)**	**2.0**	**(12.6)**	**(10.6)**	**139.6%**	**(22.8%)**	**-%**
Depreciation	7.5	1.6	9.1	6.7	1.6	8.3	10.6%	2.3%	9.1%
Amortisation	1.0	-	1.0	0.3	-	0.3	238.0%	-	238.0%
EBITDA	**13.3**	**(13.9)**	**(0.5)**	**9.1**	**(11.0)**	**(2.1)**	**47.0%**	**(25.6%)**	**74.5%**
Impact of IFRS 16	(5.8)	(1.3)	(7.1)	(5.1)	(1.2)	(6.3)	(14.6%)	(11.1%)	(13.9%)
EBITDA (Pre IFRS 16)	**7.6**	**(15.2)**	**(7.6)**	**4.0**	**(12.2)**	**(8.3)**	**87.8%**	**(24.2%)**	**8.0%**
Share-based payment charge attributable to exceptional LTIP awards	-	-	-	1.4	-	1.4			
Fees incurred on acquisition of subsidiary	-	-	-	1.4	-	1.4			
Onerous contract costs	-	0.5	0.5	-	-	-			
Restructuring costs	0.2	0.7	0.9	-	-	-			
Adjusted EBITDA (Pre IFRS 16)	**7.8**	**(14.0)**	**(6.2)**	**6.9**	**(12.2)**	**(5.4)**	**13.2%**	**(14.1%)**	**(13.1%)**
Impact of IFRS 16	5.8	1.3	7.1	5.1	1.2	6.3	14.6%	11.1%	13.9%
Adjusted EBITDA (Post IFRS 16)	**13.6**	**(12.6)**	**1.0**	**11.9**	**(11.0)**	**0.9**	**13.8%**	**(14.4%)**	**19.8%**
Adjusted EBITDA (Pre IFRS16) as % of Revenue	1.9%	(20.7%)	(1.3%)	2.0%	(17.6%)	(1.4%)			

Taxation

The tax charge is recognised based on management's best estimate of the weighted-average, by region, of the annual corporation tax rate expected for the full financial year multiplied by the pre-tax results of the interim reporting period. The Group's tax credit for the period is £1.1m (2018: £0.5m) as a result of the expected effective tax rate, before prior period adjustments, for the year of 22.65% in entities taxable in the UK and 0% in the Netherlands. This results in a combined effective tax rate for the period ended 30 September 2019 of 19.73% (2018: 4.21%). The effective tax rate of 19.73% is similar to the UK corporation tax rate for the period of 19%. This is due to a non-taxable foreign exchange gain arising on intercompany balances, losses in the Netherlands that have been carried forward but where no deferred tax asset has been recognised, the share-based payment charges and associated tax relief and non-qualifying depreciation. The Group continues not to recognise a deferred tax asset on the cumulative losses carried forward of £6.7m (2018: £5.3m) in the Netherlands and Belgium.

Retained loss and loss per share

Retained loss for the period was £4.8m (2018: £10.4m loss). Basic loss per share was 1.01p (2018: 2.31p) and diluted loss per share was 1.01p (2018: 2.31p). Basic loss per share is reconciled to adjusted basic loss per share (after excluding the impact of foreign exchange differences) of 1.98p loss (2018: 2.63p) as follows.

6 months ended (£m)[1]	**30 September 2019**	**30 September 2018***
Loss		
Loss attributable to owners of the parent company	(4.8)	(10.6)
Foreign exchange gains on intra-group loans	(4.6)	(1.5)
Adjusted earnings attributable to owners of the parent company	(9.4)	(12.1)
Number of shares		
Basic and adjusted weighted average number of ordinary shares	474,232,935	458,788,480
Loss per share (in pence)		
Basic loss per share	(1.01)	(2.31)
Adjusted basic loss per share	(1.98)	(2.63)

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 £4.6m (2018: £1.5m) gain referenced above.

Cash resources and cash flow

At 30 September 2019, the Group's net debt position was £12.0m (31 March 2019: -net debt £9.0m).

During the six months to September 2019, the Group had a net cash outflow of £5.3m primarily as a result of the loss for the period, capital expenditure and the repayment of borrowings only being partly offset by an inflow from working capital. The reduction in borrowings principally reflects the relevant repayment obligations. Surplus cash balances are held with UK-based banks, in line with the Group Treasury Policy.

The Group, through its main UK subsidiaries, continues to have available a revolving credit facility ("RCF") of £60m with Lloyds Bank, Barclays Bank and HSBC Bank. The RCF is for UK general corporate purposes including the funding of UK working capital movements as required. At 30 September 2019, the amount available against the £60m facility was £56.7m (31 March 2019 - £56.1m) with the balance drawn being against letters of credit and short-term guarantees.

In addition, the Group has a Term Loan Facility of £24m which was used to fund the AO Mobile Limited acquisition. This is being repaid in quarterly instalments of £1m.

Both the RCF and the Term loan have a maturity date of June 2021.

As at 30 September 2019, the Group continues to have significant liquidity headroom of £80.1 million.

Working Capital

6 months ended	30 September 2019			31 March 2019 *[11]			30 September 2018 *		
(£m) [1]	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Inventories	53.2	15.6	68.7	60.7	15.6	76.3	40.9	12.7	53.5
As % of Cost of Goods	*16.3%*	*23.1%*	*17.5%*	10.2%	10.0%	10.2%	*15.5 %*	*18.3%*	*16.1%*
Trade and other receivables	193.5	13.3	206.8	188.6	9.5	198.1	102.5	14.4	117.0
As a % of revenue	*48.1%*	*19.8%*	*44.0%*	25.1%	6.2%	21.9%	*30.6%*	*20.8%*	*28.9%*
Trade and other payables	(226.7)	(17.2)	(243.9)	(219.4)	(13.2)	(232.6)	(143.4)	(14.4)	(157.8)
As a % of Cost of Goods	*69.6%*	*25.5%*	*62.0%*	36.9%	8.5%	31.0%	*54.3%*	*20.8%*	*47.4%*
Net working capital	**20.0**	**11.7**	**31.7**	**29.9**	**11.9**	**41.8**	**0.0**	**12.7**	**12.7**
Change in net working capital	(9.9)	(0.2)	(10.1)	29.9	(0.8)	29.1	23.3	7.2	30.5

[11]As AO Mobile Limited was acquired in December 2018, the most appropriate comparatives are those as at 31 March 2019 and therefore the commentary below compares absolute values at September 2019 with March 2019.

At 30 September 2019, the Group had net current liabilities of £47.0m (31 March 2019: £33.7m) principally due to the cash outflow from the operating losses in the period, capital expenditure and the repayment of borrowings.

At 30 September 2019, UK inventories were £53.2m (31 March 2019: £60.7m) and UK stock days decreased to 29 days (31 March 2019: 36 days). Stock days have reduced following a build up at 31 March 2019 which was to mitigate any friction in the supply chain that the original Brexit date may have had. Inventories in September were at more normal levels although in the short-term they will increase as we go through the peak trading period.

UK trade and other receivables (both non-current and current) were £193.5m as at 30 September 2019 (31 March 2019: £188.6m) mainly reflecting an increase in accrued income in respect of commissions due on product protection plans and the timing of rebates receivable offset by a reduction in accrued commission income in respect of mobile commissions. UK trade and other payables at £226.7m have remained broadly in line with the year end (31 March 2019: £219.4m).

Net working capital decreased from £11.9m to £11.7m in Europe with the timing of rebates receivable offset by an increase in trade payables as inventories are built for the peak period.

Capital Expenditure

Total cash capital expenditure for the six month period was £5.4m (2018: £1.2m), largely attributable to the investment in our new plastic recycling facility as well as our Logistics operations where we invested in new out-base fit-out costs and improved technology.

John Roberts CEO	**Mark Higgins** CFO

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 30 September 2019

	Note	6 months ended 30 September 2019 £m	6 months ended 30 September 2018* £m	Year ended 31 March 2019* £m
Revenue	2	**470.1**	**404.2**	**902.5**
Cost of sales		(393.5)	(333.0)	(750.0)
Gross profit		**76.6**	**71.2**	**152.5**
Administrative expenses		(87.7)	(82.4)	(166.6)
Other operating income		0.5	0.6	1.1
Operating loss		**(10.6)**	**(10.6)**	**(13.0)**
Finance income	4	7.5	2.1	2.6
Finance costs	5	(2.8)	(2.4)	(9.7)
Loss before tax		**(5.9)**	**(10.9)**	**(20.2)**
Taxation credit		1.1	0.5	2.1
Loss for the period		**(4.8)**	**(10.4)**	**(18.1)**
Loss for the period attributable to:				
Owners of the parent company		(4.8)	(10.6)	(18.5)
Non-controlling interest		-	0.2	0.5
		(4.8)	**(10.4)**	(18.1)
Loss per share (pence)				
Basic loss per share	8	(1.01)	(2.31)	(4.00)
Diluted loss per share	8	(1.01)	(2.31)	(4.00)

* The comparative numbers have been restated following the adoption of IFRS 16 as explained in Note 13.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 September 2019

	6 months ended 30 September 2019	6 months ended 30 September 2018*	Year ended 31 March 2019*
	£m	£m	£m
Loss for the period	(4.8)	(10.4)	(18.1)
Items that may be subsequently recycled to Income Statement	(4.8)	(10.4)	(18.1)
Exchange differences on translation of foreign operations	(4.0)	(1.5)	2.4
Total comprehensive loss for the period	**(8.8)**	**(11.9)**	**(15.7)**
Loss for the period attributable to:			
Owners of the parent company	(8.8)	(12.1)	(16.1)
Non-controlling interest	-	0.2	0.5
Total comprehensive loss for the period	**(8.8)**	**(11.9)**	**(15.7)**

* The comparative numbers have been restated following the adoption of IFRS 16 as explained in Note 13.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2019 £m	30 September 2018* £m	31 March 2019* £m
Non-current assets				
Goodwill		28.1	13.5	28.1
Other intangible assets		16.2	0.9	16.9
Property, plant and equipment		30.6	26.3	26.5
Right of use assets		59.5	64.8	63.2
Trade and other receivables	6	78.4	52.8	79.4
Derivative financial asset	11	0.8	1.9	0.8
Deferred tax asset		4.5	3.1	4.6
		218.1	**163.3**	**219.4**
Current assets				
Inventories		68.7	53.5	76.3
Trade and other receivables	6	128.4	64.1	118.7
Derivative financial asset	11	-	0.3	-
Corporation tax receivable		1.3	-	0.6
Cash and cash equivalents	9	23.4	41.1	28.9
		221.8	**159.0**	**224.5**
Total assets		**439.9**	**322.3**	**443.9**
Current liabilities				
Bank overdraft		-	(4.5)	-
Trade and other payables	7	(236.3)	(157.8)	(225.6)
Borrowings	9	(13.4)	(4.0)	(12.2)
Right of use lease liabilities		(11.4)	(10.9)	(11.5)
Derivative financial liability	11	(0.5)	(0.9)	(0.6)
Provisions		(7.2)	(0.1)	(8.3)
Corporation tax		-	(0.1)	-
		(268.8)	**(178.4)**	**(258.2)**
Net current liabilities		**(47.0)**	**(19.4)**	**(33.7)**
Non-current liabilities				
Borrowings	9	(22.0)	(8.7)	(25.7)
Right of use lease liabilities		(59.3)	(65.0)	(63.0)
Trade and other payables	7	(7.6)	-	(7.0)
Derivative financial liability	11	(2.6)	(2.6)	(2.9)
Deferred tax		(2.3)	-	(2.7)
Provisions		(3.2)	(1.6)	(2.6)
		(97.0)	**(77.9)**	**(104.0)**
Net assets		**74.1**	**66.0**	**81.8**
Equity attributable to owners of the parent				
Share capital		1.2	1.1	1.2
Investment in own shares		(0.0)	-	-
Share premium account		103.7	103.7	103.7
Other reserves		25.9	5.5	29.0
Retained losses		(56.0)	(43.1)	(51.2)
Total		**74.8**	**67.2**	**82.8**
Non-controlling interest		**(0.7)**	**(1.2)**	(0.9)
Total equity		**74.1**	**66.0**	**81.8**

* The comparative numbers have been restated following the adoption of IFRS 16 and, in relation to the year ended 31 March 2019 only, final adjustments in relation to the acquisition of AO Mobile Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
At 30 September 2019

			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 2019 (Previously reported)	1.2	103.7	22.2	0.5	13.1	(4.2)	(2.5)	(46.4)	**87.5**	**(0.9)**	**86.6**
Cumulative adjustment to opening reserves from application of IFRS 16 (net of tax)	-	-	-	-	-	-	-	(4.8)	**(4.8)**	**-**	**(4.8)**
Balance at 1 April 2019	1.2	103.7	22.2	0.5	13.1	(4.2)	(2.5)	(51.2)	**82.8**	**(0.9)**	**81.9**
Loss for the period	-	-	-	-	-	-	-	(4.8)	**(4.8)**	0.0	**(4.8)**
Acquisition of minority interest	-	-	-	-	-	-	(0.1)	-	**(0.1)**	0.2	**0.1**
Issue of share capital (net of expenses)	0.0	-	-	-	-	-	-	-	**0.0**	-	**0.0**
Foreign currency gains arising on consolidation	-	-	-	-	-	(4.0)	-	-	**(4.0)**	**-**	**(4.0)**
Share-based payments charge net of tax	-	-	-	-	1.0	-	-	-	**1.0**	**-**	**1.0**
Balance at 30 September 2019	**1.2**	**103.7**	**22.2**	**0.5**	**14.1**	**(8.2)**	**(2.6)**	**(56.0)**	**74.8**	(0.7)	**74.1**

			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 (Previously reported)	1.1	103.7	4.4	0.5	9.1	(6.6)	(2.1)	(28.9)	**81.2**	**(1.6)**	**79.6**
Cumulative adjustment to opening reserves from application of IFRS 16 (net of tax)	-	-	-	-	-	-	-	(3.7)	**(3.7)**	**-**	**(3.7)**
Balance at 1 April 2018	1.1	103.7	4.4	0.5	9.1	(6.6)	(2.1)	(32.6)	**77.5**	**(1.6)**	**75.9**
Loss for the period (As previously reported)	-	-	-	-	-	-	-	(10.1)	**(10.1)**	0.2	**(9.9)**
IFRS 16 adjustment to loss for the period	-	-	-	-	-	-	-	(0.5)	**(0.5)**	-	**(0.5)**
Acquisition of minority interest	-	-	-	-	-	-	(0.4)	-	**(0.4)**	0.3	**(0.1)**
Foreign currency losses 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**	**11.3**	**(8.1)**	**(2.5)**	**(43.1)**	**67.2**	(1.2)	**66.0**

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (Continued)
At 30 September 2019

			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 (Previously reported)	1.1	103.7	4.4	0.5	9.1	(6.6)	(2.1)	(28.9)	**81.2**	**(1.6)**	**79.6**
Cumulative adjustment to opening reserves from application of IFRS 16 (net of tax)	-	-	-	-	-	-	-	(3.7)	**(3.7)**	**-**	**(3.7)**
Balance at 1 April 2018	1.1	103.7	4.4	0.5	9.1	(6.6)	(2.1)	(32.6)	**77.5**	**(1.6)**	**75.9**
Loss for the year (as previously reported)	-	-	-	-	-	-	-	(17.5)	**(17.5)**	0.5	**(17.0)**
IFRS 16 adjustment to loss for the year	-	-	-	-	-	-	-	(1.1)	**(1.1)**	-	**(1.1)**
Acquisition of minority interest	-	-	-	-	-	-	(0.4)	-	**(0.4)**	0.3	**(0.1)**
Foreign currency gains arising on consolidation	-	-	-	-	-	2.4	-	-	**2.4**	**-**	**2.4**
Share-based payments charge net of tax	-	-	-	-	4.0	-	-	-	**4.0**	**-**	**4.0**
Issue of shares net of expenses	0.0	0.0	17.8	-	-	-	-	-	**17.8**	-	**17.8**
Balance at 31 March 2019	1.2	103.7	22.2	0.5	13.1	(4.2)	(2.5)	(51.3)	**82.8**	**(0.9)**	**81.9**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 months ended 30 September 2019

	6 months ended 30 September 2019 £m	6 months ended 30 September 2018* £m	Year ended 31 March 2019* £m
Cash flows from operating activities			
Loss for the period	(4.8)	(10.4)	(18.1)
Adjustments for:			
Depreciation and amortisation	10.1	8.7	18.5
Finance income	(7.5)	(2.1)	(2.6)
Finance costs	2.8	2.4	9.7
Taxation credit	(1.1)	(0.5)	(2.1)
Share-based payment charge	1.0	2.1	4.0
(Decrease)/Increase in provisions	(0.6)	(0.1)	0.1
Net operating cash flows before movement in working capital	**(0.1)**	**0.0**	**9.5**
Decrease/(Increase) in inventories	8.0	(0.2)	(16.3)
(Increase) in trade and other receivables	(10.3)	(15.3)	(10.2)
Increase/(Decrease) in trade and other payables	15.9	9.9	(4.7)
Net movement in working capital	**13.6**	**(5.6)**	**(31.2)**
Taxation recovered	0.2	0.2	0.8
Net cash generated from/(used in) operating activities	**13.7**	**(5.4)**	**(20.8)**
Cash flows from investing activities			
Acquisition of subsidiary	-	-	(5.9)
Acquisition of non controlling interest	(0.5)	(0.4)	(0.4)
Interest on the sub lease of Right of Use assets	0.0	0.0	0.1
Proceeds from sale of property, plant and equipment	0.1	-	-
Acquisition of property, plant and equipment	(5.4)	(1.2)	(4.2)
Acquisition of intangible assets	(0.5)	-	(0.5)
Net cash used in investing activities	**(6.3)**	**(1.6)**	**(10.9)**
Cash flows from financing activities			
Movement in bank overdraft	-	1.4	(3.1)
Interest paid	(0.9)	(0.5)	(0.9)
New borrowings	-	-	27.0
Repayment of borrowings	(2.5)	(0.6)	(1.2)
Repayment of finance lease liabilities	(1.8)	(1.6)	(3.1)
Repayment of Right of Use asset liabilities	(7.5)	(6.6)	(14.1)
Net cash (used in) / from financing activities	**(12.7)**	**(7.9)**	**4.6**
Net decrease in cash	**(5.3)**	**(14.9)**	**(27.0)**
Cash and cash equivalents at beginning of period	**28.9**	**56.0**	**56.0**
Exchange gains on cash & cash equivalents	(0.2)	-	-
Cash and cash equivalents at end of period	**23.4**	**41.1**	**28.9**

* The comparative numbers have been restated following the adoption of IFRS 16 as explained in Note 13.

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The interim financial information was approved by the Board on 18 November 2019. The financial information for the 6 months ended 30 September 2019 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 2019 is based on information in the audited financial statements for that period which are available online at https://www.ao-world.com/investor-centre/.

The comparative figures for the year ended 31 March 2019 (used in note 13 as the starting point for the restatements due to the adoption of IFRS16 – Leases) 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 2019 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.

Going concern

Notwithstanding net current liabilities of £47.0m as at 30 September 2019,a loss for the six month period then ended of £4.8m and a decrease in cash in the period of £5.5m, the interim financial information has been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking into account of reasonably possible downsides including any potential impact from Brexit e.g. 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) and the impact of the closure of the Netherlands and, as noted on page 7, the worse case scenario of the potential closure of Germany and considering potential mitigating actions, the Company will have sufficient funds, through its existing cash balances and the Revolving Credit Facility ("RCF") of £56.7m (which is net of letters of credit of £3.3m) to meet its liabilities as they fall due for that period. The RCF matures in June 2021.

Consequently, the Directors are confident that the Company will have sufficient funds to meet its liabilities as they fall due for at least 12 months from the date of approval of the interim financial information and have therefore prepared these statements on a going concern basis.

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 except for changes required following the adoption of IFRS16 which are set out below.

Significant changes in accounting policies

Adoption of IFRS16

The Group has applied IFRS16 in these interim statements. The standard replaces IAS17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is mandatory for the accounting period beginning on 1 April 2019 and the Group has opted to apply the new standard using the full retrospective approach utilising the practical expedient to not reassess whether a contract contains a lease.

As such, the comparative figures in the interim statement for the financial year ending 31 March 2019 and the six months ended 30 September 2018 have been restated as if IFRS16 had been applied at 1 April 2018.

The main effect on the Group is that IFRS16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases.

In addition, the two capitalisation exemptions proposed by the standard – lease contracts with a lease term of less than 12 months and lease contracts for which the underlying asset has a low value (on acquisition) - have been taken by the Company. The payments for such leases will be recognized in the income statement on a straight-line basis over the lease term.

The adoption of IFRS 16 has no impact on the operational performance of the business and has no impact on the groups cash and banking facilities (Including any covenants attached to its revolving credit facility).

AO World plc as a lessee

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset and whether the Group has the right to direct the use of the asset.

The Company recognises a right-of-use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the present value of lease payments plus any initial direct costs incurred and the costs of obligations to refurbish the asset, less any incentives received. The ROU asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the ROU asset is subject to testing for impairment if there is any indication of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability generally includes fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, the cost of the extension or option is included in the lease payments.

ROU assets are separately disclosed as a line in the balance sheet. The corresponding lease liability is separately disclosed as "lease liabilities" in both Current and Non-current liabilities. The Company has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities.

AO World plc as lessor

Where the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease, then it classifies the sublease as an operating lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as Other Operating Income. The Company has classified cash flows from operating leases as operating activities.

As a result of the adoption of IFRS 16 the comparative financial information has been restated. The effect of the restatement is set out in detail in note 13.

Restatement of comparatives – AO Mobile Limited acquisition

In accordance with IFRS3, the Group has finalised the fair value exercise in relation to the acquisition of AO Mobile Limited during the period. Adjustments to the assets and liabilities acquired result in a reduction in assets of £0.5m with a corresponding increase in goodwill.

In line with the requirements of IFRS3, the comparative amounts at 31 March 2019 have been restated as if the changes had happened at the acquisition date. There is no impact on cash or the result for the prior year as a result of the changes.

The effect of the restatement is included in note 12.

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 and estimation. These relate to the revenue recognition and recoverability of product protection plan income and network commission income, commercial income receivable and the recognition of and recoverability of intangible fixed assets acquired on a business contribution, all of which contain estimates, as set out below.

Revenue recognition and 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 estimate reliably based upon a number of assumptions, including the length of the policies, the commission rates receivable 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.

For plans sold prior to 1 December 2016, the commission rates receivable are assumed at pre-determined rates. For plans sold post that date, base assumed commissions will continue to be earned on pre-determined rates, but overall commissions now include a variable element based on the future overall performance of the scheme.

Commission receivable also 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 as at 30 September 2019 was £79.2m (2018: £67.5m). The discount rate used to unwind the commission receivable is 3.9% (2018: 4.9%).

Revenue recognition and recoverability of income in relation to network commissions

For certain transactions with the Mobile Network Operators ("MNOs"), commission receivable on mobile phone connections depends on customer behaviour after the point of sale.

The Company considers the following areas with regards to revenue recognition:

- Revenue share percentage – the percentage of the consumer's spend (to MNOs) to which AO Mobile Ltd is entitled;
- Minimum contract period – the length of contract entered into by the consumer;
- Consumer default rate – rate at which the consumers disconnect from MNOs;
- Out of Bundle spend – additional spend by the consumer measured as a percentage of total spend (which currently AO Mobile Ltd considers can be measured reliably in advance for certain MNOs); and
- Spend beyond the initial contract period – period of time the consumer remains connected to the MNOs after the initial contract term (which currently AO Mobile Ltd consider can be measured reliably in advance for certain MNOs).

Under certain arrangements with the MNOs, the commission receivable for the monthly consumer connections to the MNOs depends on consumer behaviour after the point of connection. The fair value of the revenue and associated receivable in the month of connection is estimated based on all future cash flows that will be received from the MNO and these are discounted based on the timing of receipt. Subsequently, network commission receivables are measured at the present value of the estimated future cash flows. This also takes into account likely clawback of commission by the MNOs for which provision is made.

The Directors consider that the quality and quantity of the data available from the MNOs is appropriate for making the estimates.

The commission receivable balance as at 30 September 2019 was £73.1m (2018: £nil). The discount rate used to unwind the commission receivable is 2.75% (2018: 2.75%).

Commercial income receivable

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 rebates receivable. Volume rebates receivable at 30 September 2019 are £15.4m (2018: £16.5m). At 31 October 2019, the balance outstanding was £9.4m (2018: £2.5m).

Strategic marketing investment funding is recognised in revenue, cost of sales and marketing expenses. 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 2019, £4.6m remains as an outstanding receivable (2018: £1.8m). At 31 October 2019, the outstanding balance was £4.1m (2018: £0.4m).

2. Revenue

The Group's revenue is derived from contracts with customers.

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) and the major business areas. All revenue is accounted for at a point in time as the Group has satisfied its performance obligations on the sale of its products/services.

Primary geographical markets and source of revenue

(£m)	6 months ended 30 September 2019			6 months ended 30 September 2018*			Year ended 31 March 2019		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Product revenue	311.2	65.2	376.4	291.5	68.4	359.9	628.4	151.1	779.5
Services revenue	16.1	2.0	18.1	14.1	0.8	14.9	30.1	1.6	31.8
Commission revenue	61.8	0.1	61.9	14.5	0.1	14.6	61.2	0.3	61.5
Logistics revenue	6.8	-	6.8	7.3	-	7.3	15.3	-	15.3
Recycling revenue	6.8	0.1	6.9	7.4	0.1	7.5	14.3	0.1	14.5
Total revenue	**402.7**	**67.4**	**470.1**	**334.8**	**69.4**	**404.2**	**749.3**	**153.2**	**902.5**

*The comparatives for the six months ended 30 September 2018 have been restated to re-align the revenue analysis with that shown in the Group's full year results to 31 March 2019. There is no impact on the overall amount of revenue.

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 2019			6 months ended 30 September 2018*			Year ended 31 March 2019*		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Total revenue	**402.7**	**67.4**	**470.1**	**334.8**	**69.4**	**404.2**	**749.3**	**153.2**	**902.5**
Cost of sales	(325.8)	(67.6)	(393.5)	(263.9)	(69.1)	(333.0)	(594.3)	(155.7)	(750.0)
Gross profit/(loss)	**76.8**	**(0.2)**	**76.6**	**70.9**	**0.3**	**71.2**	**155.0**	**(2.6)**	**152.4**
Administrative expenses	(72.3)	(15.5)	(87.7)	(69.2)	(13.2)	(82.4)	(139.0)	(27.5)	(166.5)
Other operating income	0.3	0.2	0.5	0.3	0.3	0.6	0.6	0.5	1.1
Operating profit/(loss)	**4.9**	**(15.5)**	**(10.6)**	**2.0**	**(12.6)**	**(10.7)**	**16.6**	**(29.6)**	**(13.0)**
Finance income	3.3	4.3	7.5	0.8	1.3	2.1	2.6	-	2.6
Finance costs	(2.5)	(0.3)	(2.8)	(2.1)	(0.4)	(2.4)	(6.2)	(3.5)	(9.7)
Profit/(loss) before tax	**5.7**	**(11.6)**	**(5.9)**	**0.8**	**(11.7)**	**(10.9)**	**12.9**	**(33.1)**	**(20.2)**
Tax credit	1.1	-	1.1	0.5	-	0.5	1.7	0.5	2.2
Profit/(loss) after tax	**6.8**	**(11.6)**	**(4.8)**	**1.3**	**(11.7)**	**(10.4)**	**14.6**	**(32.6)**	**(18.1)**

* The comparative numbers have been restated following the adoption of IFRS 16 as explained in Note 13.

As described earlier, 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 statutory operating profit to Adjusted EBITDA:

Reconciliation of Operating Profit to Adjusted EBITDA

(£m)	6 months ended 30 September 2019			6 months ended 30 September 2018*			Year ended 31 March 2019*		
	UK	Europe	Total	UK	Europe	Total	UK	Europe	Total
Operating profit/(loss)	**4.9**	**(15.5)**	**(10.6)**	**2.0**	**(12.6)**	**(10.6)**	**16.6**	**(29.6)**	**(13.0)**
Depreciation	7.5	1.6	9.1	6.7	1.6	8.3	14.2	3.2	17.4
Amortisation	1.0	0.0	1.0	0.3	-	0.3	1.1	-	1.1
EBITDA	**13.3**	**(13.9)**	**(0.5)**	**9.0**	**(11.0)**	**(2.0)**	**31.9**	**(26.4)**	**5.5**
Impact of IFRS 16	(5.8)	(1.3)	(7.1)	(5.1)	(1.2)	(6.3)	(10.7)	(2.5)	(13.2)
EBITDA (Pre IFRS 16)	**7.6**	**(15.2)**	**(7.6)**	**4.0**	**(12.2)**	**(8.2)**	**21.2**	**(28.9)**	**(7.7)**
Share-based payment charge attributable to exceptional LTIP awards	-	-	-	1.4	-	1.4	2.3	-	2.3
Fees incurred on acquisition of subsidiary	-	-	-	1.4	-	1.4	2.6	-	2.6
Onerous contract costs	-	0.5	0.5	-	-	-	-	1.2	1.2
Restructuring costs	0.2	0.7	0.9	-	-	-	1.1	-	1.1
Adjusted EBITDA (Pre IFRS 16)	**7.8**	**(14.0)**	**(6.2)**	**6.9**	**(12.2)**	**(5.4)**	**27.3**	**(27.7)**	**(0.4)**
Impact of IFRS 16	5.8	1.3	7.1	5.1	1.2	6.3	10.7	2.5	13.2
Adjusted EBITDA (Post IFRS 16)	**13.6**	**(12.6)**	**1.0**	**11.9**	**(11.0)**	**0.9**	**38.0**	**(25.3)**	**12.8**

* The comparative numbers have been restated following the adoption of IFRS 16 as explained in Note 13.

4. Finance income

(£m)	6 months ended 30 September 2019	6 months ended 30 September 2018	Year ended 31 March 2019
Foreign exchange gains on intra-group loans	4.6	1.5	-
Movement in valuation of put and call option	-	-	0.2
Unwind of discounting on long term receivables	2.9	0.6	2.3
Interest received on sub lease of Right of Use assets	0.0	0.0	0.1
	7.5	**2.1**	**2.6**

5. Finance costs

(£m)	6 months ended 30 September 2019	6 months ended 30 September 2018*	Year ended 31 March 2019*
Interest on obligations under finance leases	0.2	0.2	0.7
Interest on Right of use asset liabilities	1.7	1.7	3.5
Interest on bank loans	0.3	-	0.2
Foreign exchange losses on intra-group loans	-	-	3.0
Unwind of discounting on long term payables	-	-	0.2
Movement in valuation of put and call option	0.1	0.2	1.8
Other finance costs	0.4	0.3	0.3
	2.8	**2.4**	**9.7**

* The comparative numbers have been restated following the adoption of IFRS 16 as explained in Note 13.

6. Trade and other receivables

(£m)	6 months ended 30 September 2019	6 months ended 30 September 2018	Year ended 31 March 2019
Trade receivables	15.6	12.4	12.9
Other receivables:			
- Accrued income	152.9	67.6	154.9
- Prepayments and other	38.4	36.9	30.3
	206.8	**116.9**	**198.1**

The trade and other receivables are classified as:

(£m)	6 months ended 30 September 2019	6 months ended 30 September 2018	Year ended 31 March 2019
Non-current assets – Accrued income	78.4	52.8	79.4
Current assets	128.4	64.1	118.7
	206.8	**116.9**	**198.1**

Accrued income

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

(£m)	6 months ended 30 September 2019	6 months ended 30 September 2018	Year ended 31 March 2019
Balance brought forward	154.9	61.9	61.9
Acquisition of subsidiary	-	-	80.8
Commission earned, cash received and revisions to estimates	(4.8)	5.2	10.6
Unwind of discounting on long term receivables	2.9	0.6	2.3
Other accrued income	(0.1)	(0.1)	(0.7)
Balance carried forward	**152.9**	**67.6**	**154.9**

Accrued income principally represents the expected future commission receivable in respect of product protection plans and mobile phone connections. As set out in Note 1, the Group recognises revenue in relation to these plans and connections when it 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 or connections made.

Protection plans

To calculate the fair value of the revenue and hence the accrued income for product protection plans, the Group uses historical empirical data accumulated over 12 years based on 1.8m plans sold to date of which 0.8m plans are active.

The fair value calculation for product protection plans takes into consideration the following level three unobservable data:

- length of individual plans with a range of c.7–16 years included in the calculation;
- Historical rate of customer attrition; and
- Contractually agreed margins based on actual historical margins earned and an estimate of the future profitability of the scheme.

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 3.9% (2018: 4.9%).

There has been no change to the fair valuation methodology adopted in the period.

Sensitivity analysis has been conducted to assess the effect on the accrued income balance:

Sensitivity	**Impact on Accrued Income (£m)**
Cancellation rate increases by 5%	(3.3)
Cancellation rate decreases by 5%	3.3
Margin decreases by 5%	(3.2)
Margin increases by 5%	3.2

A sensitivity on plan life has not been included as it is considered to be covered by the changes in cancellation rates above.

Network commissions

The fair value calculation for mobile phone commission takes into consideration the following level three unobservable data:

- length of individual connections including estimates in relation to the period out-of-contract;
- Historical rates of customer disconnection; and
- Contractually agreed margins with the MNOs based on actual historical margins.

Expected future commissions are discounted at 2.75% due the relative short time period under which they unwind.

Reasonable sensitivities (a 5% increase/decrease) to customer spend including the potential impact of early disconnection could increase/decrease accrued income on network commission by £3.7m.

Other accrued income relates to revenue from third parties not invoiced at 30 September 2019 of £0.5m (2018: £0.1m).

Prepayments and other

At 30 September 2019, there is £20.0m (2018: £18.3m) included in prepayments and other in relation to commercial income.

At 31 October 2019, the balance outstanding was £13.5m (2018: £2.9m).

7. Trade and other payables

(£m)	**6 months ended 30 September 2019**	**6 months ended 30 September 2018***	**Year ended 31 March 2019***
Trade payables	152.8	120.7	142.2
Other payables:			
- Accruals	24.1	20.3	17.9
- Payments on account	40.0	-	49.9
- Deferred income	13.1	7.3	8.2
- Other	13.9	9.4	14.3
	243.9	**157.8**	**232.5**

The trade and other payables are classified as:

(£m)	6 months ended 30 September 2019	6 months ended 30 September 2018	Year ended 31 March 2019
Non-current assets – Payments on account	7.6	-	7.0
Current assets	236.3	157.8	225.6
	243.9	**157.8**	**232.5**

* The comparative numbers have been restated following the adoption of IFRS 16 as explained in Note 13.

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 2019	6 months ended 30 September 2018*	Year ended 31 March 2019*
Loss for the purposes of basic and diluted loss per share being loss for the period	(4.8)	(10.6)	(18.5)
Number of shares			
Basic weighted average number of ordinary shares in issue	474,232,935	458,788,480	463,153,515
Potentially dilutive share options and shares	5,000,403	352,868	6,447,240
Weighted average number of diluted ordinary shares	479,233,339	459,141,348	469,600,755
Loss per share (pence)			
Basic loss per share	(1.01)	(2.31)	(4.00)
Diluted loss per share	(1.01)	(2.31)	(4.00)

* The comparative numbers have been restated following the adoption of IFRS 16 as explained in Note 13.

As the potentially dilutive shares do not result in a reduction in the loss per share, the diluted loss per share has been restricted to the basic loss per share. The adjusted loss per share for the period was 1.98p (2018: 2.63p loss).

9. Net Funds and movement in financial liabilities

(£m)	6 months ended 30 September 2019	6 months ended 30 September 2018*	Year ended 31 March 2019*
Cash and cash equivalents	23.4	41.1	28.9
Bank overdraft	-	(4.5)	-
Borrowings – Repayable within one year	(13.4)	(4.0)	(12.2)
Borrowings – Repayable after one year	(22.0)	(8.7)	(25.7)
Net (debt)/funds excluding ROU asset liabilities	**(12.0)**	**23.9**	**(9.0)**
Right of use asset liabilities – Repayable within one year	(11.4)	(10.9)	(11.5)
Right of use asset liabilities – Repayable after one year	(59.3)	(65.0)	(63.0)
Net debt including ROU asset liabilities	**(82.8)**	**(52.1)**	**(83.5)**

The movement in financial liabilities in the period ending 30 September 2019 was as follows:

(£m)	Loans and borrowings	Finance lease liabilities	Right of use asset Liabilities	Total
Balance at 1 April 2019 (*)	30.4	7.6	74.5	112.5
Changes from financing cash flows				
Repayment of borrowings	(2.5)	-	-	(2.5)
Repayment of finance lease liabilities	-	(1.8)	-	(1.8)
Repayment of Right of use asset liabilities	-	-	(5.8)	(5.8)
Payment of interest	(0.3)	(0.2)	(1.7)	(2.2)
Total changes from financing cash flows	**(2.9)**	**(2.0)**	**(7.5)**	**(12.3)**
Other changes				
New finance leases	-	1.9	1.6	3.5
Interest expense	0.3	0.2	1.7	2.2
Foreign exchange differences	-	-	0.4	0.4
Total other changes	**0.3**	**2.1**	**3.7**	**6.1**
Balance at 30 September 2019	**27.9**	**7.7**	**70.7**	**106.3**

(£m)	Loans and borrowings	Finance lease liabilities	Right of use asset Liabilities	Total
Balance at 1 April 2018 (*)	4.6	10.1	75.3	90.0
Changes from financing cash flows				
Repayment of borrowings	(0.6)	-	-	(0.6)
Repayment of finance lease liabilities	-	(1.6)	-	(1.6)
Repayment of Right of use asset liabilities	-	-	(4.9)	(4.9)
Payment of interest	-	(0.2)	(1.7)	(1.9)
Total changes from financing cash flows	**(0.6)**	**(1.8)**	**(6.6)**	**(9.0)**
Other changes				
New finance leases	-	0.1	5.4	5.5
Interest expense	-	0.2	1.7	1.9
Foreign exchange differences	-	-	0.2	0.2
Total other changes	**-**	**0.3**	**7.3**	**7.6**
Balance at 30 September 2018	**4.0**	**8.7**	**76.0**	**88.7**

* The comparative numbers have been restated following the adoption of IFRS 16 as explained in Note 13.

At 30 September 2019, AO Limited and its subsidiaries, AO Retail Limited, Expert Logistics Limited and AO Mobile Limited, had access to a Revolving Credit Facility. At 30 September 2019 the amount available was £56.7m (2018: £57.7m) with the amounts drawn being in relation to letters of credit and short-term guarantees.

10. Share-based payments

On 17 July 2019, the Company made awards to Participants under 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 2020.

On 21 July 2019, the Employer Reward Plan and LTIP 2016 both vested and as a result the company issued 6,055,370 shares into an Employee Benefit Trust, representing the number of shares subject to option following confirmation of the achievement of various performance criteria.

The total charge in the Income Statement in relation to all LTIPs was £0.5m (2018: £1.8m) and SAYE Schemes was £0.5m (2018: £0.3m). The exceptional LTIP charge included in the above is £nil (2018: £1.4m).

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 2019 other than from the adoption of IFRS16 – Leases.

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 second 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 for consideration of £0.5m, taking its holding to 74.4%. The movement in the put and call option in the period is as follows:

(£m)	**Call Option**	**Put Option**
At 1 April 2019	0.7	(3.6)
Exercise of option	-	0.6
Unwind of discount	-	(0.1)
At 30 September 2019	0.7	(3.1)

There has been no change in the valuation methodology from that adopted at 31 March 2019 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. Acquisition of AO Mobile Limited (Mobile Phones Direct Limited)

In the prior year, the Company acquired the whole of the issued share capital of AO Mobile Limited (formerly Mobile Phones Direct Limited) for total consideration of £39.6m.

At 31 March 2019, the fair value adjustments had been determined on a provisional basis and in line with relevant accounting standards had to be finalised in the 12 month period following the acquisition. During the period ended 30 September 2019, the company has finalised the fair value adjustments with adjustments in the period totalling £0.5m mainly in relation to provisions against the recoverability of network commissions. In line with IFRS3, the comparative numbers at 31 March 2019 have been restated as if these final adjustments had been made on the date of acquisition.

13. Restatement of comparatives

As described in note 1- Accounting Policies, September 2018 and March 2019 comparatives have been restated following the adoption of IFRS16 – Leases. In addition, the final acquisition adjustments relating to AO Mobile Limited have been made in the period and the comparatives at 31 March 2019 have been restated accordingly. The impact on the income statement, statement of financial position and statement of cash flows as a result of the restatements are presented below:

Income statement (including segmental analysis)

	30 September 2018 as reported			Effect of IFRS16 adoption			30 September 2018 as restated		
£m	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Revenue	334.8	69.4	404.2	-	-	-	334.8	69.4	404.2
Cost of sales	(264.0)	(69.1)	(333.1)	0.1	-	0.1	(263.9)	(69.1)	(333.0)
Gross profit	70.8	0.3	71.1	0.1	-	0.1	70.9	0.3	71.2
Administrative expenses	(70.2)	(13.4)	(83.6)	1.0	0.2	1.2	(69.2)	(13.2)	(82.4)
Other operating income	0.5	0.3	0.8	(0.2)	-	(0.2)	0.3	0.3	0.6
Operating loss	1.1	(12.8)	(11.7)	0.9	0.2	1.1	2.0	(12.6)	(10.6)
Finance income	0.8	1.3	2.1	0.0	-	0.0	0.8	1.3	2.1
Finance costs	(0.7)	0.0	(0.7)	(1.4)	(0.4)	(1.7)	(2.1)	(0.4)	(2.4)
Loss before tax	1.2	(11.5)	(10.3)	(0.4)	(0.2)	(0.6)	0.8	(11.7)	(10.9)
Tax credit	0.4	0.0	0.4	0.1	-	0.1	0.5	-	0.5
Loss for the year	1.6	(11.5)	(9.9)	(0.3)	(0.2)	(0.5)	1.3	(11.7)	(10.4)

The reconciliation of statutory operating profit to Adjusted EBITDA is as follows:

	30 September 2018 as reported			Effect of IFRS16 adoption			30 September 2018 as restated		
£m	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Operating loss	1.1	(12.8)	(11.7)	0.9	0.2	1.1	2.0	(12.6)	(10.6)
Depreciation	2.6	0.6	3.2	4.1	1.0	5.2	6.7	1.6	8.3
Amortisation	0.3	-	0.3	-	-	-	0.3	-	0.3
EBITDA	4.0	(12.3)	(8.2)	5.1	1.2	6.3	9.1	(11.0)	(2.0)
Share based payment charges attributable to exceptional LTIP awards	1.4	-	1.4	-	-	-	1.4	-	1.4
Fees incurred on acquisition of subsidiary	1.4	-	1.4	-	-	-	1.4	-	1.4
Adjusted EBITDA	6.9	(12.3)	(5.4)	5.1	1.2	6.3	11.9	(11.0)	0.9

£m	31 March 2019 as reported UK	Europe	Total	Effect of IFRS16 adoption UK	Europe	Total	31 March 2019 as restated UK	Europe	Total
Revenue	749.3	153.2	902.5	-	-	-	749.3	153.2	902.5
Cost of sales	(594.5)	(155.7)	(750.2)	0.2	-	0.2	(594.3)	(155.7)	(750.0)
Gross profit	154.9	(2.6)	152.2	0.2	-	0.2	155.0	(2.6)	152.5
Administrative expenses	(141.0)	(27.9)	(168.9)	2.0	0.4	2.4	(139.0)	(27.5)	(166.5)
Other operating income	1.0	0.5	1.5	(0.4)	-	(0.4)	0.6	0.5	1.1
Operating loss	14.9	(30.1)	(15.2)	1.8	0.4	2.2	16.6	(29.6)	(13.0)
Finance income	2.5	0.0	2.5	0.1	-	0.1	2.6	0.0	2.6
Finance costs	(3.4)	(2.8)	(6.2)	(2.8)	(0.7)	(3.5)	(6.2)	(3.5)	(9.7)
Loss before tax	14.0	(32.9)	(18.9)	(1.0)	(0.3)	(1.3)	12.9	(33.1)	(20.2)
Tax credit	1.5	0.4	1.9	0.2	0.1	0.2	1.7	0.5	2.1
Loss for the year	15.5	(32.5)	(17.0)	(0.8)	(0.3)	(1.1)	14.6	(32.6)	(18.0)

The reconciliation of statutory operating profit to Adjusted EBITDA is as follows:

£m	31 March 2019 as reported UK	Europe	Total	Effect of IFRS16 adoption UK	Europe	Total	31 March 2019 as restated UK	Europe	Total
Operating loss	14.9	(30.1)	(15.2)	1.8	0.4	2.2	16.6	(29.6)	(13.0)
Depreciation	5.3	1.1	6.4	8.9	2.1	11.0	14.2	3.2	17.4
Amortisation	1.1	-	1.1	-	-	-	1.1	0.0	1.1
EBITDA	21.3	(29.0)	(7.7)	10.7	2.5	13.2	32.0	(26.5)	5.5
Share based payment charges attributable to exceptional LTIP awards	2.3	-	2.3	-	-	-	2.3	-	2.3
Fees incurred on acquisition of subsidiary	2.6	-	2.6	-	-	-	2.6	-	2.6
Onerous contract costs	-	1.2	1.2	-	-	-	-	1.2	1.2
Restructuring costs	1.2	-	1.2	-	-	-	1.2	-	1.2
Adjusted EBITDA	27.4	(27.8)	(0.4)	10.7	2.5	13.2	38.1	(25.3)	12.8

The restatements principally relate to the removal of the rental charge from cost of sales and administrative expenses in relation to assets acquired previously under operating leases which are replaced with a depreciation charge on the new Right of Use asset (in cost of sales and administrative expenses) and an interest charge in relation to the related lease liability.

Statement of financial position

£m	At 30 September 2018 reported	Effect of IFRS16 adoption	At 30 September 2018 restated	At 31 March 2019 reported	Effect of IFRS 3	Effect of IFRS16 adoption	At 31 March 2019 restated
Non current assets							
Goodwill	13.5	-	13.5	27.6	0.5	-	28.1
Other intangible assets	0.9	-	0.9	16.9	-	-	16.9
Property, plant and equipment	26.3	-	26.3	26.8	-	(0.3)	26.5
Right of use asset	-	64.8	64.8	-	-	63.2	63.2
Trade and other receivables	52.8	-	52.8	79.4	-	-	79.4
Deferred tax asset	2.2	0.9	3.1	3.6	-	1.0	4.6
Derivative financial asset	1.9	-	1.9	0.8	-	-	0.8
	97.6	65.7	163.3	155.0	0.5	63.9	219.4
Current assets							
Inventories	53.5	-	53.5	76.3	-	-	76.3
Trade and other receivables	62.8	1.3	64.1	118.0	(0.4)	1.1	118.7
Derivative financial asset	0.3	-	0.3	-	-	-	-
Corporation tax receivable	-	-	-	0.6	-	-	0.6
Cash and cash equivalents	41.1	-	41.1	28.9	-	-	28.9
	157.7	1.3	159.0	223.8	(0.4)	1.1	224.5
Total assets	255.3	67.0	322.3	378.8	0.1	65.0	443.9
Current liabilities							
Bank overdraft	(4.5)	-	(4.5)	-	-	-	-
Trade and other payables	(162.6)	4.8	(157.8)	(230.1)	(0.1)	4.7	(225.6)
Borrowings	(4.0)	-	(4.0)	(12.2)	-	-	(12.2)
Lease liabilities	-	(10.9)	(10.9)	-	-	(11.5)	(11.5)
Derivative financial liability	(0.9)	-	(0.9)	(0.6)	-	-	(0.6)
Provisions	(0.1)	-	(0.1)	(8.3)	-	-	(8.3)
Corporation tax payable	(0.1)	-	(0.1)	-	-	-	-
	(172.2)	(6.2)	(178.4)	(251.3)	(0.1)	(6.8)	(258.2)
Net current (liabilities)/assets	(14.5)	(4.9)	(19.4)	(27.5)	(0.5)	(5.7)	(33.7)
Non current liabilities							
Borrowings	(8.7)	-	(8.7)	(25.7)	-	-	(25.7)
Lease liabilities	-	(65.0)	(65.0)	-	-	(63.0)	(63.0)
Trade and other payables	-	-	-	(7.0)	-	-	(7.0)
Derivative financial liability	(2.6)	-	(2.6)	(2.9)	-	-	(2.9)
Deferred tax liability	-	-	-	(2.7)	-	-	(2.7)
Provisions	(1.6)	-	(1.6)	(2.6)	-	-	(2.6)
	(12.9)	(65.0)	(77.9)	(41.0)	-	(63.0)	(104.0)
Total liabilities	(185.1)	(71.2)	(256.3)	(292.2)	(0.1)	(69.8)	(362.1)
Net assets	70.2	(4.2)	66.0	86.6	-	(4.8)	81.8
Equity attributable to the owners of the parent							
Share capital	1.1	-	1.1	1.2	-	-	1.2
Share premium account	103.7	-	103.7	103.7	-	-	103.7
Other reserves	5.5	-	5.5	29.0	-	-	29.0
Retained losses	(38.9)	(4.2)	(43.1)	(46.4)	-	(4.8)	(51.2)
Total	71.4	(4.2)	67.2	87.5	-	(4.8)	82.7
Non controlling interest	(1.2)	-	(1.2)	(0.9)	-	-	(0.9)
Total equity	70.2	(4.2)	66.0	86.6	-	(4.8)	81.8

The restatement principally reflects the recognition of Right of Use assets in relation to assets previously financed through operating leases and the related lease liability. The difference is recognised as a movement in equity. The movement in payables relates to the reversal of rent free periods in relation to certain properties as these are now built into the value of the Right of Use asset and associated lease liability.

In addition, as set out in note 12, the balance sheet at 31 March 2019 has been restated to reflect the final changes to the assets, liabilities and subsequent goodwill arising from the acquisition of AO mobile Limited in December 2018. This has had the impact of reducing accrued income by £0.4m, trade receivables by £0.1m and increasing goodwill by £0.5m.

Statement of cash flows

£m	6 months ended 30 September 2018 reported	Effect of IFRS16 adoption	6 months ended 30 September 2018 restated	Year ended 31 March 2019 reported	Effect of IFRS16 adoption	Year ended 31 March 2019 restated
Cashflows from operating activities						
Loss for the period	(9.9)	(0.5)	(10.4)	(17.0)	(1.1)	(18.1)
Depreciation and amortisation	3.5	5.2	8.7	7.5	11.0	18.5
Finance income	(2.1)	-	(2.1)	(2.5)	(0.1)	(2.6)
Finance costs	0.7	1.7	2.4	6.2	3.5	9.7
Taxation credit	(0.4)	(0.1)	(0.5)	(1.9)	(0.2)	(2.1)
Share based payment charge	2.1	-	2.1	4.0	-	4.0
Increase in provisions	(0.1)	-	(0.1)	0.1	-	0.1
Net operating cashflows before movement in working capital	(6.2)	6.3	0.1	(3.6)	13.2	9.6
Increase in inventories	(0.2)	-	(0.2)	(16.3)	-	(16.3)
Increase in trade and other receivables	(15.3)	-	(15.3)	(10.2)	-	(10.2)
Increase in trade and other payables	9.5	0.3	9.8	(5.2)	0.5	(4.7)
Net movement in working capital	(6.0)	0.3	(5.7)	(31.7)	0.5	(31.2)
Taxation received	0.2	-	0.2	0.8	-	0.8
Net cash used in/from operating activities	(12.0)	6.6	(5.4)	(34.5)	13.8	(20.7)
Cashflows from investing activities						
Acquisition of subsidiary (net of cash acquired)	-	-	-	(5.9)	-	(5.9)
Acquisition of minority interest	(0.4)	-	(0.4)	(0.4)	-	(0.4)
Interest received on sub lease of Right of Use assets	-	0.0	0.0	-	0.1	0.1
Acquisition of property, plant and equipment	(1.2)	-	(1.2)	(4.5)	0.3	(4.2)
Acquisition of intangible assets	-	-	-	(0.5)	-	(0.5)
Net cash used in investing activities	(1.6)	-	(1.6)	(11.2)	0.3	(11.0)
Cashflows from financing activities						
Movement in bank overdraft	1.4	-	1.4	(3.1)	-	(3.1)
Interest paid	(0.5)	-	(0.5)	(0.9)	-	(0.9)
New borrowings	-	-	-	27.0	-	27.0
Repayment of borrowings	(0.6)	-	(0.6)	(1.2)	-	(1.2)
Repayment of lease liabilities	(1.6)	-	(1.6)	(3.1)	-	(3.1)
Repayment of Right of use asset liabilities	-	(6.6)	(6.6)	-	(14.1)	(14.1)
Net cash used in/from investing activities	(1.3)	(6.6)	(7.9)	18.6	(14.1)	4.5
Net decrease/increase in cash	(14.9)	-	(14.9)	(27.0)	(0.0)	(27.1)
Cash and cash equivalents at beginning of the period	56.0	-	56.0	56.0	-	56.0
Exchange gains and losses	0.0	0.00	0.00	(0.1)	0.0	(0.0)
Cash and cash equivalents at end of the period	41.1	-	41.1	28.9	-	28.9

The restatement principally relates to operating lease payments previously recognised under IAS17 being removed from the loss for the period to be replaced by a depreciation charge and a repayment of lease liabilities, the latter shown within financing activities.

14. Post Balance Sheet Event

On 18 November 2019, the Board approved a plan to close the entire operations of its business in the Netherlands.

The closure is expected to be completed by the end of the current financial year.

There is no material impact on the value of the assets and liabilities of the Netherlands business at 30 September 2019 as a result of this decision.

In the six months ended 30 September 2019, the Netherlands business increased Group revenue by €14.7m (£13.1m) and increased Group Adjusted EBITDA losses by €3.1m (£2.8m).

15. 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 2019.

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 37-44 inclusive and 73 of the Annual Report and Accounts 2019 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 continuing 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
- Risk relating to our funding and liquidity
- Risks in relation to significant accounting matters including revenue recognition, debtor recoverability and the status of product protection plans, commercial income arrangements, Mobile Phones Direct Acquisition Accounting and Network Commission Receivable.

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.

16. 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

John Roberts
CEO
18 November 2019

Mark Higgins
CFO
18 November 2019

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 2019 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 2019 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.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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
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