AO WORLD PLC

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

A year of change and transition towards One AO

AO World plc ("the Group" or "AO"), a leading European online electrical retailer, today announces its audited financial results for the year ended 31 March 2020 ("FY20")[†].

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

"I'm pleased that we have made substantial progress, closing the year in good shape after getting AO fit and focused on the future. Covid-19 has accelerated a shift in customer behaviour towards online shopping and we now need to cement that change.

"In short, we must drive forward so those customers never look back.

"At the start of the financial year, we went back to basics, bringing clarity and leadership to the fundamentals of our business. AO's model and vertically integrated ecosystem is a structural advantage when properly leveraged. The whole business is now fixed on delighting our customers, driving innovation and creating growth. As a result, we made significant headway against our four priorities of double digit MDA growth in the UK, becoming cash generative[13] as a group, accelerating our journey to profitability in Germany and operating as One AO.'

"That progress ensured that we were in the best possible shape when Covid-19 hit in the final weeks of the financial year. Investing to make sure our operations were safe so that our customers and people were protected allowed AO to be a proud lifeline for customers during lockdown. Many experienced AO for the first time and were delighted with what they found.

"AO now has the opportunity to become a new habit that lasts – by delivering brilliant service for customers. In other words, turning those lockdown learnings into lifelong change.

"This has not been an easy journey and I'm grateful both to our teams across the UK and Germany for their exceptional work during an extraordinary time and also to our partners for their continued support.

"Looking ahead, there is a huge amount of uncertainty but the values and principles that guide our thinking have positioned us well for the opportunities and challenges that are to come."

Financial Highlights[1]

- Strong revenue growth with total revenue for the period increasing 15.9% to £1,046.2m (2019: £902.5m)
    - Total UK[2] revenue up 20.3% to £901.6m (2019: £749.3m), (up 8.2% on a like for like basis excluding revenues from our Mobile Phones Direct[3] business ("MPD"))
    - Europe[4] revenue for the period decreased by 4.6% to €165.4m (2019: €173.3m)[5] (decreased 5.6% in GBP to £144.5m, 2019: £153.2m) due to the closure of AO.nl, our Netherlands website, in the third quarter as we re-aligned our European operating model with our UK policy
- Increase in Group Adjusted EBITDA[6] of 53.6% to £19.6m (2019: £12.8m)
    - UK Adjusted EBITDA improved by 7.0% to £40.8m (2019: £38.1m)

- Europe Adjusted EBITDA losses decrease to €24.2m (2019: €27.9m) (in GBP 2020: £21.1m loss; 2019: £25.3m loss) with actions implemented during the period starting to benefit performance during in the second half

- Statutory Group operating losses reduced to £3.8m (2019: £13.0m loss)
- As at 31 March 2020:
  - Net debt [7] was £23.4m (31 March 2019: net debt of £9.0m)
  - Significant liquidity headroom of £63.6m as at 31 March 2020 including available funds and undrawn Revolving Credit Facility (RCF), with a new £80m RCF facility which matures in April 2023 entered into shortly post year-end
- Basic earnings per share of 0.38p (2019: 4.00p loss), which includes foreign exchange gains from inter-group funding. Reversing such foreign exchange gains gives an adjusted loss per share of 0.91p (2019: 3.36p loss).[8]

Strategic and Operational Highlights

- Commenced roll out of One AO model across the Group to create a centralised approach to scale the businesses in our eco-system
- Net Promoter Scores[9] maintained at consistently high level of over 80 in the UK and Germany reflecting continued high levels of customer satisfaction
- Strong progress against our four immediate strategic priorities with a renewed focus on evolving the customer proposition:

UK Growth

- UK MDA growth of 9.1% YoY versus a market that remained broadly flat over the year; increasing to growth of 19.9% in final quarter of FY20 against a market that saw an increase of 3.2%[12]
- UK product revenue grew by 10.3% during FY20
- Continued to invest in the customer journey and improve in the breadth and usability of our overall retail experience including the launch of AO Finance to offer customers additional purchasing flexibility, increased payment methods and move to more tactical marketing with the use of social media and influencers
- Developed an AO branded mobile proposition and commenced building the foundations for the next stage of growth for our mobile business

Journey to profitability in Germany

- Full review of Europe business model undertaken at start of FY20
- Focused resources and energy on German business, resulted in the closure of our Netherlands business by 31 March 2020 at a cost of £2.5m
- Alignment with UK pricing model reduced lower quality price-driven revenue, with benefit of other actions beginning to flow though in the second half of FY20
- Improved relationships with suppliers, gaining a renewed commitment to AO as a quality online retailer able to leverage its UK customer proposition of best journey, content, service and price into Germany

- Increased confidence in establishing a profitable German business through more efficient customer traffic acquisition and the centralisation into the UK of core disciplines including eCommerce and marketing

- Continue to expect to achieve positive EBITDA in Germany on revenue of c.€250m; we are very encouraged by our current trajectory of revenue growth and profitability improvements and will update further at our half year results in November

Leverage our eco-system

- Continued development of eco-system to compound the benefits within the AO group

- Leveraging our capabilities externally, added new third-party logistics clients including Aldi and Simba

- Plastics refining facility built, operational and in final phase of testing and commissioning providing the capability to sort waste plastics from our fridge plants and creating an additional sustainable revenue stream

Cash & financing

- Cash outflow reduced during the year; the Group was cash generative on an Adjusted EBITDA less debt repayment, interest, taxes and monthly share of annualised capex on a run rate basis by the end of the reporting period

COVID-19 and post-period end

During the final weeks of our reporting period the implications of Covid-19 became apparent and began to impact the business. The measures introduced by the Governments in both the UK and Germany to deal with the outbreak of Covid-19 led to an immediate change in shopping practices and habits. This significantly increased demand in our core retail business at the same time as presenting us with some challenges and increased costs particularly in recycling and our logistics operations. We also experienced some challenges in our supply chain which we worked through with our manufacturer partners. Our actions were taken swiftly and in line with Government guidance, which we continue to follow.

Safety of our people and our customers:

This remains our top priority. We are continually adapting the services we offer to comply with current guidance on social distancing and ensuring safety measures to protect our people in front line operational roles. At the start of lockdown we prioritised services to the most vulnerable members of society and donated essential products to those in need. As a technology-led business we were able to quickly mobilise approximately 1,500 of our people to work from home with minimal impact on the operation of our business.

Impact on trading:

The measures implemented by Governments created a unique set of circumstances from the end of March through to the beginning of June. The products we sell are an essential part of people's lives and the electricals market migrated to nearly 100% online overnight.

We therefore experienced strong demand and made significant market share gains across many of our key categories from the start of lockdown on 23 March 2020, the impact of which saw sales above our expectations and an improvement to our working capital. We worked hard with our supply partners to maintain the availability of our products for our customers and we will continue to look for win-win collaborative solutions to meet demand.

While demand remains strong, the recent reopening of the high street means that customers now have more options to purchase their appliances offline from stores. Although customers are able to return to bricks and mortar stores, initial data shows that since stores have reopened the online market has in fact continued to grow year on year.[12]

Operational impact and business resilience:

Increased consumer demand and new Government guidelines have presented us with additional operational and ongoing challenges. The changes made in our logistics operations to accommodate new ways of working has led to some continued inefficiencies and cost increases, largely in increased staff costs. Our distribution network remained open during the full lockdown period. However, as we concentrated on the delivery of essential electrical products, we paused the majority of our installation services and the logistics services we provide to our third-party clients. The easing of social distancing measures in recent weeks means we are now offering most of these services again in line with guidelines.

We are pleased that despite these challenges we continued to maintain our high standards of customer service, achieving a record NPS high in the UK during the first quarter of our new financial year.

The decision by councils to close household waste and recycling centres together with a reduced collection from AO's customers, presented supply challenges in our recycling plants, materially reducing operations for a six week period. Our WEEE[11] recycling facility is now open with increased costs from social distancing measures and resultant capacity constraints, whilst also suffering from a depressed market for output materials. Although we expect there to be some limited recovery, we expect to see volatility in the short term.

During FY20 our B2B business was successful in winning a number of commitments with housebuilders. The conversion of this pipeline has now been delayed as a result of sites closing during lockdown. We remain excited by the opportunity for this business unit to support this industry as it reopens and assesses its supply chain.

We are particularly pleased with how the financial services and insurance products business has operated during Covid-19, adapting from working in a sales environment to home working with no noticeable impact in performance. During the first few weeks of lockdown measures we experienced a small spike in the cancellation rate of the AO Care product. However, we have since seen a lower level of cancellations as we believe our improved product offered through a structured regulated sales process provides customers with additional security in times of uncertainty. We are mindful of the potential increased risk in the rate of cancellations against a challenging economic backdrop.

Financial stability:

As reported above, we now have a new £80m RCF in place which matures in April 2023 and which replaces our previous £60m RCF and £20m term loan. As anticipated net debt (excluding right of use lease liabilities under IFRS 16) increased by £14.3m in the period to £23.4m as a result of investment in the Group's infrastructure and a relatively modest outflow of working capital. Including lease liabilities arising from the adoption of IFRS 16, net debt was £99.1m (2019: £83.5m).

Our strategy is to be cash generative (on a Group Adjusted EBITDA less debt repayment, interest, taxes and monthly share of annualised capex) on a run rate basis going forward. With our liquidity headroom of £63.6m as at 31 March 2020 including Revolving Credit Facility and Group cash resources, we are able to continue to grow but remain vigilant given economic uncertainty.

Outlook for 2020/21

With the closing of physical retail outlets as a result of the implementation of the Government's lockdown measures, the market for electrical products moved to nearly 100% online for that period. This resulted in an increase in our revenue above our expectations and has led to improvements in working capital. We continue to expect to achieve positive EBITDA in Germany on revenues of c.€250m; we are very encouraged by our current trajectory of revenue growth and profitability improvements and will update further at our half year results in November.

Although around 70% of electrical purchases are replacement in nature, a fall in consumer confidence may lead to a delay in the purchase of big-ticket items. There may also be a significant fall in GDP in both the UK and Germany and the level of UK housing transactions, to which our performance is in part linked, may also decline as a result of restrictions in the mortgage market. There is also an additional level of uncertainty over a hard Brexit in December.

Although it is difficult to predict with certainty, we believe this crisis has had a seismic impact on retail and that many shoppers will have been permanently converted to online shopping. The forced migration to online has presented AO with an opportunity to impress a new customer demographic and convert them to the AO Way as they experience a better way of shopping for electrical products which should continue to drive sales growth through repeat and recommendation purchases.

The strength of AO's customer proposition, infrastructure and ecosystem, underpinned by our culture and strong balance sheet puts us in a good position to ensure we are prepared for the times ahead.

Webcast details

A pre-recording webcast of our results presentation hosted by Geoff Cooper, John Roberts and Mark Higgins for analysts and investors will be available via the following link AO World FY20 Results Webcast from 7am (BST) today, 14 July 2020. A live Q&A session will also be held today at 9am (BST). Please register to join the Q&A session at AO World FY20 Q&A. Both the webcast and a playback of the Q&A session will be available on AO's corporate website at ao-world.com[10] later today .

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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, and Germany 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 Consumer Electronics "CE"). 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 also has a majority equity stake in AO Recycling, a WEEE[11] processing facility, allowing AO to ensure its customers' waste is dealt with responsibly in the UK.

[†] Unless otherwise disclosed all figures stated throughout this statement are after the adoption of IFRS 16. Comparative figures have therefore been restated.

[1]The highlights are for the 12 month period ended 31 March 2020 and the comparative 2019 period. References to FY20 are defined as the twelve months to 31 March 2020. 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] 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).

[3]Mobile Phones Direct Limited (acquired in December 2018) has been renamed AO Mobile Limited. This entity includes the MobilePhonesDirect brand.

[4] Europe is defined by the Group as entities operating within the European Union but excluding the UK.

[5] Where Euro amounts are disclosed they represent the actual Euro revenue, cost or loss for the period. Providing this information eliminates the impact of foreign exchange movements.

[6] Adjusted EBITDA is defined by the Group as profit/ (loss) before tax, depreciation, amortisation, profit on disposal of fixed assets net finance income, and adjusting items. Adjusting items are set out in the paragraph below entitled "Alternative Performance Measures"

[7] Net debt is defined by the Group as cash less borrowings (excluding Lease Liabilities recognised on the adoption of IFRS 16) less overdrafts as per the consolidated statement of financial position.

[8] Please refer to the earnings per share paragraph later in this announcement for a reconciliation.

[9] NPS is defined by the Group as Net Promoter Score which is an industry measure of customer loyalty and satisfaction.

[10]The content of the ao.com website should not be considered to form a part of or be incorporated into this announcement.

[11]WEEE means waste electrical and electronic equipment. MDA means Major Domestic Appliances.

[12] Source: GfK

[13] Cash generative is defined as on a Group Adjusted EBITDA less debt repayment, interest, taxes and monthly share of annualised capex

Alternative Performance Measures

The Group tracks a number of alternative performance measures in managing its business. These are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. The Group believes that these alternative performance measures, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These alternative performance measures are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these alternative performance measures are also used for the purpose of setting remuneration targets. These alternative performance measures should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial statements relating to the Group, which are prepared in accordance with IFRS. The Group believes that these alternative performance measures are useful indicators of its performance.

EBITDA

EBITDA is defined by the Group as earnings before interest, tax, depreciation, amortisation and profit/loss on the disposal of fixed assets.

Adjusted EBITDA

Adjusted EBITDA is calculated by adding back or deducting Adjusting Items to EBITDA. Adjusting Items are those items which the Group excludes in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Chief Operating Decision Maker.

The Adjusting Items for the current year are as follows:

- Closure costs of the Dutch operations: At the time of the publication of our interim results in November 2019, the Group announced the intention to close its operations in the Netherlands. On 9 December 2019, the website was closed and subsequent to that date management have worked with suppliers, staff and the authorities to ensure an orderly closure of the companies and this has been completed at 31 March 2020. Costs incurred between 9 December 2019 and the 31 March 2020 of £2.5m have been treated as the cost of closure of these operations and include the write off of unsold stock, redundancy payments for all staff and legal costs.
- 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. In line with the treatment in FY19, management have added back the full cost in the current period of £1.3m (2019: £1.3m).
- 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. In addition to the closure of the Netherlands costs, of £0.9m were incurred, which principally relates to a reduction in headcount in Germany.
- Following the signing of a new longer term contract with Vodafone in October 2019, certain historic claims against AO Mobile Limited (previously Mobile Phones Direct Limited) were discharged and as a consequence provisions of £2.3m were released into the income statement. As the provisions had been created as part of the purchase price allocation exercise on the acquisition of AO Mobile Limited, the charge for these claims has never been recognised in the Group income statement.

In the previous year, the Adjusting Items were:

- LTIP awards were made to a number of senior staff under the Performance Share Plan at the time of the Company's IPO in 2014 and also under the Employee Reward Plan (ERP) in July 2016. These were outside of the normal share schemes operated by the group and due to their magnitude and nature have been treated as an adjusting item. The options vested in June 2019.
- Following the changes in Chief Executive Officer, the Group undertook a restructure of its senior leadership team. The cost of this restructure was £1.2m.
- The Company acquired AO Mobile Limited (previously Mobile Phones Direct Limited) on 17 December 2018. Fees in relation to the transaction were £1.6m.

Adjusted EBITDA (excluding Netherlands)

As a consequence of the closure of the Groups Dutch business during the period management have also disclosed the Groups Adjusted EBITDA, as defined above, excluding the financial results of the Dutch business prior to its closure as it is considered an appropriate measure of the continuing Group.

Pre IFRS-16 EBITDA

As consequence of the adoption of IFRS16 during the year, the Group has shown an alternative measure of Adjusted EBITDA (including and excluding the Netherlands) which removes the impact of IFRS 16 to allow the reader to compare against the prior year.

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

	31 March 2020			**31 March 2019**			***Better / (worse)***		
	UK	Europe	Total	UK	Europe	Total	*UK*	*Europe*	*Total*
Income Statement									
Product revenue	692.8	140.7	833.5	628.4	151.1	779.5	*10.3%*	*(6.9)%*	*6.9%*
Services revenue	35.0	3.4	38.3	30.1	1.6	31.8	*16.0%*	*106.6%*	*20.7%*
Commission revenue	143.8	0.2	144.0	61.2	0.3	61.5	*135.0%*	*(31.6)%*	*134.2%*
Third party logistics revenue	16.6	0.1	16.7	15.3	0.0	15.3	*8.6%*	*-*	*8.9%*
Recycling revenue	13.5	0.2	13.6	14.3	0.1	14.5	*(6.2)%*	*31.4%*	*(5.9)%*
Revenue	901.6	144.5	1,046.2	749.3	153.2	902.5	*20.3%*	*(5.6)%*	*15.9%*
Adjusted EBITDA	40.8	(21.1)	19.6	38.1	(25.3)	12.8	*7.0%*	*16.4%*	*53.6%*
Adjusted EBITDA margin	4.5%	(14.6)%	1.9%	5.1%	(16.5)%	1.4%	*(0.6)%*	*1.9%*	*0.4%*
Adjusted operating profit/(loss)	22.9	(24.3)	(1.4)	22.8	(28.5)	(5.7)	*0.6%*	*14.6%*	*75.0%*
Adjusting items									
Share-based payment charge attributable to exceptional LTIP awards	-	-	-	(2.3)	-	(2.3)			
Fees incurred on acquisition of subsidiary	-	-	-	(2.6)	-	(2.6)			
Provision release	2.3	-	2.3	-	-	-			
Netherlands closure costs	(0.1)	(2.4)	(2.5)	-	-	-			
Onerous contract cost	-	(1.3)	(1.3)	-	(1.2)	(1.2)			
Executive restructuring costs	(0.2)	(0.7)	(0.9)	(1.2)	-	(1.2)			
Operating profit/(loss)	25.0	(28.8)	(3.8)	16.7	(29.7)	(13.0)	*49.5%*	*3.2%*	*70.8%*
Earnings/(loss) per share (pence)									
Basic earnings/(loss) per share			0.38			(4.00)			*109.4%*
Diluted earnings/(loss) per share			0.37			(4.00)			*109.3%*
Adjusted earnings/(loss) per share			(0.91)			(3.36)			*73.0%*

Operating & Financial Review

We are pleased to report a strong financial performance over the reporting period as we experienced growth in Group revenue of 15.9% to £1,046.2 (2019: £902.5m) and an increase in Group Adjusted EBITDA of 53.6% to £19.6m (2019: £12.8m). Profit before tax increased to £1.5m (2019: £20.2m loss).

Excluding the impact of our Netherlands operations, which were closed during the year, Group revenue increased by 16.6% to £1.03bn and Group Adjusted EBITDA increased to £22.6m (2019: £17.4m).

UK

In the UK turnover increased by 20.3% to £901.6m (2019: £749.3m), up 8.2% on a like-for-like basis when excluding revenues from our mobile phones business ("MPD") which was acquired during the previous reporting period (Group revenue generated by MPD in FY20 was £123.5m versus £30.1m in the prior year)

UK product revenue increased by 10.3% over the period, largely driven by a return to growth in our core MDA product category in line with our strategic priority to return to double-digit growth rates. We achieved MDA sales growth of 9.1% during the twelve months to 31 March 2020 versus a market that remained broadly flat over the year; increasing to growth of 19.9% during the final quarter of the reporting period against a market that experienced an increase of 3.2%.[12]

Growth has been driven by improvements in the breadth and usability of our overall retail experience. For example during the period we:

- reviewed our customer acquisition techniques, investing in this area;
- 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 appropriate and affordable finance;
- implemented a new CRM platform to more effectively engage with our customers;
- made improvements to remove friction in the customer journey;
- expanded our accepted payment methods making the checkout process even easier;
- invested jointly with our brand partners in more initiatives to improve the online journey increasingly with our content as the destination of choice for the best product information; and
- we moved to more tactical marketing with an emphasis towards social media, in-house content creation and the use of influencers instead of investing in traditional above-the-line marketing such as TV advertising.

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.

The foundation of our UK business is providing a combination of world leading customer service with best-in-class execution. The AO cultural DNA of treating customers like our grans and making mums proud is deeply ingrained throughout the business and is demonstrated by our 4.7 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.

We are satisfied with the performance of our mobile business over the period. During the year whilst we developed an AO branded mobile proposition, our focus continued to be on maintaining the mobilephonesdirect brand. Over the next twelve months we will integrate this brand further with ao.com enabling us to utilise AO's market leading logistics, finance and recycling proposition and leverage our e-commerce competencies to grow the business further. During FY20 we commenced building the foundations for the next stage of our growth. Part of this was choosing to work strategically with fewer networks so that we can offer our customers the right proposition in a sustainable way. In discussing our longer-term relationships with our network partners, we entered into a new contract with Vodafone agreeing a new three-year partnership however we currently do not offer the EE network to our customers.

During the year we continued to grow our third-party client base in our Logistics business as we leverage our market leading delivery proposition into new categories. To support growth in our Logistics business from both AO's retail operations and third-party customers, towards the end of the reporting period we added a new Distribution Centre to our Logistics infrastructure hub in Crewe taking the total to three with over 800,000 sq ft of capacity.

We experienced some challenges in our recycling business 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 the prior year was offset by a reduction in volumes from third-parties during the period.

Our new plastics plant is now operational in its final phase of testing and commissioning providing us with the capability to clean and refine the plastic from discarded fridges, transforming it into high-quality reusable materials.

Europe

During the year we undertook a full appraisal of our German and Netherlands operations concluding that we did not have the bandwidth to make the necessary profit improvements in both these territories at the same time. As the infrastructure of our European operation is built from Germany, we took the decision to close our operations in the Netherlands. In line with our expectations this business was fully closed by 31 March 2020 at a cost of £2.5m and has been excluded from underlying trading numbers to identify performance of the continuing business. During the reporting period revenue from our Netherlands operations was £19.3m and Adjusted EBITDA losses were £3.0m.

As outlined at the time of our half year statement, our plan for the German business involved a number of actions. The effect of our actions were as planned, with the changes in on pricing delivering an immediate reduction in revenue and the results from other actions taken to improve gross margin beginning to materialise in the latter part of the reporting period. As a result, sales in our German business reduced by 3.4% year-on-year to €143.5m but we increased our gross margin by €3.6m representing an improvement 2.3ppts. In the second half of FY20, gross margin was 4.0% compared to a gross loss in the first half of 0.7%.

We significantly changed our pricing policy in Germany to align it with our UK model. Where we had previously deployed a strategy to drive sales by undercutting the prices of competitors, we focussed on differentiating with an improved range and product content to drive higher conversion rates. In applying this strategy it was critical that we rebuilt the support of our suppliers and during the year we successfully restructured and improved our buying terms with the majority of them, the benefits of which, as anticipated, began to take effect during the final quarter of our reporting period where we saw significant improvements in our gross margins. Going forward we will continue to deepen our supplier relationships as we expand into new product ranges and categories.

We replicated our UK traffic conversion principles and algorithms in our German operations to drive customer traffic and ultimately revenue. Although there have been some short-term increases in acquisition costs as we pay for a larger volume of traffic, we anticipate that costs will reduce and revenue will increase as we build scale, brand awareness and leverage our UK expertise and systems further to improve conversion. We are now approaching a customer base of 0.9 million in Germany providing us with a fantastic asset to leverage for future growth. Our repeat business remains strong, we continue to attract new customers and our NPS score is exceptionally high in this territory averaging close to 90 over the reporting period.

Increased scale provides the key to drive down our unit cost to deliver in our German operation. We made solid preparations in this area particularly in the final months of our reporting period as the application of our lessons learned in the UK and improvements to systems and infrastructure began to gain traction. We anticipate we will make further progress as sale volumes continue to increase, we refine our delivery proposition and as we benefit from increased van fill rates and reduced mileage between deliveries.

The most significant restructuring required to move towards the One AO model was in our German overhead, also reflecting the closure of the Netherlands operation. This allows us to leverage our UK skills and expertise, particularly in eCommerce, marketing and logistics disciplines into our German operations. The cost of the restructure in Germany was £0.9m, which principally relates to a reduction in headcount, and the cost of the closure of the Netherlands operations was £2.5m which includes the write-off of unsold stock, redundancy payments for all staff and legal costs. Excluding these costs, other adjusting items and losses from our Netherlands operations, as a result of the actions undertaken outlined above, our Europe business reduced Adjusted EBITDA losses to a £18.2m loss (2019: £20.7m loss). We now have an increased level of confidence in our journey to profitability in Germany and expect to achieve positive EBITDA at a level of c.€250m sales, which equates to only a 4% share of MDA in this territory, compared to our 18% MDA share in the UK over the reporting period.

Cashflow and Revolving Credit Facility

Shortly following the year end we re-financed our £60m Revolving Credit Facility and £20m Term Loan which were due to run until June 2021. These facilities have been consolidated into a replacement £80m RCF which matures in April 2023 and we were delighted to add NatWest to our club of lenders.

Working capital has been carefully managed throughout the year with a focus on maximising availability, whilst improving the overall efficiency of our stockholding. We have also worked with our supplier base to maintain credit terms despite any issues they may face with credit insurers. Contract assets have continued to increase during the period relating to both warranties and network commissions. Both the creditor and inventory balances were flattered at year end by the sudden increase in demand caused by Covid-19.

The structural improvement in profit performance in Germany seen towards the end of the reporting period meant that on a monthly basis we became cash generative (on an Adjusted EBITDA less debt repayment, interest, taxes and monthly share of annualised capex on a run rate basis), and expect to maintain that position on an ongoing basis.

Financial Review

Revenue (see Table 1)

For the year ended 31 March 2020, total Group revenue increased by 15.9%% to £1,046.2m (2019: £902.5m).

Overall revenue in the UK increased by 20.3% to £901.6m (2019: £749.3m), up 8.2% on a like-for-like basis i.e. excluding the impact of the acquired Mobile Phones Direct Limited business which was acquired in December 2018 (since renamed "AO Mobile Limited"). As MPD generates the majority of its income from commission revenues, this has reduced the share of UK sales attributed to product revenue which now accounts for 76.8% of UK sales (2019: 83.9%). Product revenue growth from our retail website comprising ao.com, marketplaces and third-party websites, increased by 10.3% to £692.8m largely driven by a good performance in MDA product sales as a result of a number of initiatives launched during the period including: AO Finance; expanding the payment methods available; removing friction in parts of the customer journey; investment in customer acquisition and leveraging more tactical marketing channels such as social media. We have been successful in continuing to drive revenue from our marketplace channels including Amazon and eBay and we believe the significant majority of these customers are new to the Group and do not cannibalise traffic that would otherwise shop with ao.com. In addition, we continue to focus on our Business to Business (B2B) offering and this has been a key driver of our growth in the MDA category. Black Friday continues to be a major sales event in our retail calendar. This year our promotional period extended over three weeks, meaning our great deals were able to reach even more customers than ever before.

UK Service revenue increased by 16.0% compared to the previous year, slightly ahead of product revenue growth, reflecting improvements to the customer propositions which have resonated well for example service bundles, installing tv's on walls and delivery time slots.

Growth in UK 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 (MNO) for the procurement of connections to the MNO's network and the delivery of the handset to the end customer. We continue to integrate this business into the wider AO Group and we see a number of opportunities for growth following the development of the ao-mobile.com platform 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 service-backed warranty product to AO Care insurance and hybrid insurance products offering greater regulatory protection. This migration and base contact exercise caused a small spike in plan cancellations during this time at a level we had anticipated. However, during the reporting period we have seen a lower level of cancellations on a monthly basis as we offer an improved regulated product through a structured regulated sales process.

The amended product form to insurance, together with introducing a regulated sales process, has run in parallel with the ongoing digitisation and development of the product itself. AO Care is now an in-life service product truly representing our values. Whilst there has been a small drop in the sales conversion through this transition, this has been offset by increased lifetime value.

We experienced growth of 8.6% to £16.6m in our third-party logistics revenue reflecting effect of new contracts won during the year including Aldi and Simba. We continue to target new growth in the current financial year.

Revenues in our UK Recycling business decreased slightly during the reporting period at £13.5m (2019: £14.3m) as we began to feel the impacts of downward pressure on metal prices and as the processing of stock built up in the prior year was offset by a short-term reduction in volumes from third-parties during the period. During the year we continued to invest in our new plastics plant. We expect the plant to be fully operational during the second quarter of the current financial year following completion of the final phase of testing and commissioning. The new plastics plant will provide us with the capability to sort waste plastics from our fridge plants allowing us to resell this plastic and to create an additional sustainable revenue stream on our journey for a circular economy.

In Europe sales generated from our German website AO.de (and our Netherlands website AO.nl until its closure in December 2019) generated revenues of €165.4m (2019: €173.3m) (which equates to £144.5m (2019: £153.2m) on a reported currency basis), a decrease of 4.6% . As previously reported, we did not see the improving trend of losses in the second half of FY19 that had been expected. 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 minimise cash outflow in the process). This entailed a review of our pricing policy (where, instead of undercutting the prices of competitors, we focussed on differentiating with an improved range and product content to drive higher conversion rates) and an evaluation of traffic channels (particularly marketplaces) where cost to acquire traffic is more expensive than our traditional website acquisition costs. The outcome of this appraisal 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 the prior year. Revenue growth in this segment is a fundamental component of the journey to profitability and we are now replicating the initiatives which have been successful in the UK to drive customer traffic and conversion rates, and to improve the customer experience for example expanding our payment options, increasing the number of customer reviews and making improvements to the overall journey and our content.

In line with the requirements of IFRS 15, the Group has disaggregated its revenue into the main business lines and these are shown in Table 1 below:

Table 1:

Year ended 31 March (£m)	2020 UK	2020 Europe	2020 Total	2019 UK	2019 Europe	2019 Total	Better/(worse) UK	Better/(worse) Europe	Better/(worse) Total
Product revenue	692.8	140.7	833.5	628.4	151.1	779.5	10.3%	(6.9)%	6.9%
Service revenue	35.0	3.4	38.4	30.1	1.6	31.8	16.0%	106.6%	20.7%
Commission revenue	143.8	0.2	144.0	61.2	0.3	61.5	135.0%	(31.6)%	134.2%
Third party logistics	16.6	0.1	16.7	15.3	-	15.3	8.6%	-	8.9%
Recycling	13.5	0.2	13.6	14.3	0.1	14.5	(6.2)%	31.4	(5.9)%
Total revenue	901.6	144.5	1,046.2	749.3	153.2	902.5	20.3%	(5.6)%	15.9%

Gross margin (see Table 2)
Gross margin for the Group, which includes product margin, delivery costs, commissions from selling insurance plans and network connections and other ancillaries (which generally attract a higher margin as a percentage of revenue than product sales), increased slightly to 17.0% (2019: 16.9%) for the reporting period with total gross profit increasing by 16.9% to £178.3m (2019: £152.5m).

Gross Margin in the UK business reduced to 19.7% (2019: 20.7%) which, as expected, was impacted by the full years' impact of MPD which has a lower gross margin but a corresponding lower cost to serve. Excluding the impact of MPD, UK gross margin was 21.2% (2019: 21.0%). As in previous periods, the increasing share of total revenue attributable to newer categories, as well as that of business to business sales, also had a dilutive effect on Gross Margin. However, individual product margins in our retail business have increased in all categories.

In Europe, including the Netherlands operations, gross margin improved during the reporting period increasing to 0.6% versus a 1.7% loss in the prior year period with gross profit improving to £0.9m (2019: £2.6m gross loss). This improvement is partly attributable to the change in our pricing strategy to bring it in line with the UK; reducing the level of price discounting, and improvements in supplier terms which began to impact towards the end of the reporting period and efficiencies made in the logistics operations.

Table 2:

Year ended 31 March (£m)	2020 UK	2020 Europe	2020 Total	2019 UK	2019 Europe	2019 Total	Better/(worse) UK	Better/(worse) Europe	Better/(worse) Total
Gross profit/(loss)	177.4	0.9	178.3	155.1	(2.6)	152.5	14.3%	136.1%	16.9%
Gross margin %	19.7%	0.6%	17.0%	20.7%	-1.7%	16.9%	(1.0)ppts	2.3ppts	0.1ppts

Selling, General & Administrative Expenses ("SG&A") (see Table 3)

Total SG&A costs across the Group as a percentage of revenue decreased during the period from 18.7% to 17.5%.

UK SG&A expenses for the year to 31 March 2020 increased by 10.2% to £153.2m (2019: £139.0m), representing 17.0% of sales (2019: 18.8%). Advertising and marketing costs as a percentage of revenue reduced by 0.6ppts as the comparable prior year period included the costs to the launch the "Delivering Tomorrow" creative. During the year, TV advertising costs were minimal as we focussed on other advertising channels such as social media to promote the AO brand.

Warehousing costs have increased with continued investment in our outbase network driving overall efficiencies, benefitting gross margin and the leverage effect of increased sales resulted in a decreasing percentage of revenue of 4.2% compared to 4.3% in the prior year.

Research and development costs increased by £2.4m to £9.3m compared to the prior period, representing 1.0% of revenue, reflecting the investment in our technology teams as we develop initiatives to support future customer proposition and drive revenue.

UK other administration expenses increased by £12.5m to £84.1m (2019: £71.6m) and as a percentage of revenue decreased by 0.3ppts to 9.3%. Of the increase, £4.6m was attributable to a full year of costs in relation to MPD (2019: £2.0m). Excluding the impact of MPD, UK other admin expenses increased by 0.3ppts to 10.0% reflecting the investment made in our UK Retail expertise to support the One AO approach, inflationary costs, investment in people infrastructure and the annualisation of certain costs incurred in the prior year principally in relation to premises.

In Europe, including the impact of our Netherlands operations, our SG&A costs as a percentage of revenue increased by 2.5ppts to 20.8% and totalled £30.1m (2019: £27.6m). We would expect these costs to reduce in absolute terms as the full impact of our One AO approach is realised and as a percentage of sales as we drive revenue and leverage our scale and logistics infrastructure.

Advertising and marketing costs in Europe increased by 1.5ppts 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 experienced during reporting period, together with additional outbase costs, led to a slight increase in costs as a percentage of revenue however the output of our actions to drive growth gained traction towards the end of the reporting period and costs were leveraged leading to only a marginal increase in warehousing costs a percentage of sales to 3.4% (2019: 3.1%). Other admin costs reduced to 10.5% as a percentage of revenue (2019: 11.0%) following the impact of the restructuring on headcount and as we leverage the skills and knowledge of our people from the UK as part of the One AO approach.

Table 3:

	2020			2019			Better/(worse)%		
Year ended 31 March (£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Advertising and marketing	21.9	7.8	29.7	22.3	5.9	28.2	1.8%	(32.2)%	(5.3)%
% of revenue	*2.4%*	*5.4%*	*2.8%*	*3.0%*	*3.9%*	*3.1%*			
Warehousing	37.6	4.9	42.5	32.2	4.8	37.0	(16.7)%	(1.2)%	(14.7)%
% of revenue	*4.2%*	*3.4%*	*4.1%*	*4.3%*	*3.1%*	*4.1%*			
Research and development	9.3	-	9.3	6.9	-	6.9	(34.8%)	-	(34.8%)
% of revenue	*1.0%*	-	*0.9%*	*0.9%*	-	*0.8%*			
Other administration	84.1	15.2	99.2	71.6	16.8	88.4	(17.4)%	9.9%	(12.2)%
% of revenue	*9.3%*	*10.5%*	*9.5%*	*9.6%*	*11.0%*	*9.8%*			
Adjusting items*	0.3	2.3	2.5	5.9	0.1	6.0	-	-	-
% of revenue	0.0%	1.6%	0.2%	*0.8%*	*0.1%*	*0.7%*			
Administrative expenses	**153.2**	**30.1**	**183.3**	**139.0**	**27.6**	**166.6**	**(10.2)%**	**(8.9)%**	**(10.0)%**
% of revenue	*17.0%*	*20.8%*	*17.5%*	*18.8%*	*18.3%*	*18.7%*			

*Adjusting items in the year to 31 March 2020 are detailed in the paragraph below entitled "Alternative Performance Measures – Operating loss and Adjusted EBITDA.

Operating loss and Adjusted EBITDA

The operating loss for the year was £3.8m (2019: £13.0m). As highlighted above on page 6 the Group tracks a number of alternative performance measures including Adjusted EBITDA. The reconciliation of statutory operating profit/(loss) to Adjusted EBITDA is as follows:

Table 4:

	2020			2019			Better/(worse)		
Year ended 31 March (£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Operating profit excluding Netherlands	**25.0**	**(23.5)**	**1.4**	16.7	(25.0)	(8.3)	49.5%	6.0%	117.2%
Netherlands Operating loss	**-**	**(5.2)**	**(5.2)**	-	(4.7)	(4.7)	-	(11.7)%	(11.7)%
Operating profit/(loss)	**25.0**	**(28.8)**	**(3.8)**	16.7	(29.7)	(13.0)	49.5%	3.2%	70.8%
Depreciation	**15.8**	**3.1**	**18.9**	14.2	3.2	17.4	(10.7)%	2.3%	(8.3)%
Amortisation	**2.2**	**-**	**2.2**	1.1	-	1.1	(107.5)%	-	(107.5)%
(Loss)/ profit on disposal of non-current assets	**(0.1)**	**0.1**	**-**	-	-	-	100.0%	(100.0)%	-
EBITDA Excluding Netherlands	**42.8**	**(20.4)**	**22.4**	32.0	(21.9)	10.1	33.8%	7.0%	122.4%
Netherlands EBITDA	**-**	**(5.1)**	**(5.1)**	-	(4.6)	(4.6)	-	(11.8)%	(11.8)%
EBITDA	**42.8**	**(25.5)**	**17.3**	32.0	(26.5)	5.5	**33.8%**	**3.6%**	**214.7%**
Adjusting items									
Adjusting items excluding Netherlands	**(2.0)**	**2.2**	**0.2**	6.1	1.2	7.3	133.0%	(87.8)%	97.1%
Netherlands Adjusting Items	**-**	**2.2**	**2.2**	-	-	-	-	-	-
Total Adjusting Items	**(2.0)**	**4.4**	**2.4**	6.1	1.2	7.3	133.0%	(269.9)%	67.5%
Adjusted EBITDA excluding Netherlands	**40.8**	**(18.2)**	**22.6**	38.1	(20.7)	17.4	7.0%	12.4%	30.2%
Netherlands Adjusted EBITDA	**-**	**(3.0)**	**(3.0)**	-	(4.6)	(4.6)	-	35.2%	35.2%
Adjusted EBITDA	**40.8**	**(21.1)**	**19.6**	38.1	(25.3)	12.8	7.0%	16.4%	53.6%

To assist users of these financial statements in reconciling the above numbers to those reported in the 2019 Annual Report, the table below removes the impact of IFRS 16 on Adjusted EBITDA to enable a like for like comparison. The result for the Netherlands excludes amounts of £0.7m (2019: £0.6m) which relate to ongoing costs of the Group. These costs are therefore adjusted in arriving at the Excluding Netherlands Adjusted EBITDA below.

Year ended 31 March (£m) On Pre-IFRS 16 Basis	2020 UK	 Europe	 Total	2019 UK	 Europe	 Total	Better/(worse) UK	 Europe	 Total
Adjusted EBITDA as above	**40.8**	**(21.1)**	**19.6**	38.1	(25.3)	12.8	7.0%	16.4%	53.6%
Less impact of IFRS 16	**(11.9)**	**(2.6)**	**(14.5)**	(10.7)	(2.5)	(13.2)	(10.7%)	(6.2)%	(9.9)%
Adjusted EBITDA Pre-IFRS 16	**28.9**	**(23.8)**	**5.2**	27.4	(27.8)	(0.4)	5.6%	14.4%	1422.8%
Excluding Netherlands	**28.9**	**(20.1)**	**8.8**	27.4	(22.6)	4.8	5.6%	11.0%	83.8%
Allocation of costs	**-**	**(0.7)**	**(0.7)**	-	(0.6)	(0.6)	-	(16.7)%	(16.7)%
Excluding Netherlands adjusted	**28.9**	**(20.8)**	**8.1**	27.4	(23.2)	4.2			
Netherlands	**-**	**(3.7)**	**(3.7)**	-	(5.2)	(5.2)	-	29.2%	29.2%
Allocation of costs	**-**	**0.7**	**0.7**	-	0.6	0.6	-	(16.7)%	(16.7)%
Netherlands adjusted		**(3.0)**	**(3.0)**	-	(4.6)	(4.6)	-	35.2%	35.2%
Adjusted EBITDA Pre-IFRS 16	**28.9**	**(23.8)**	**5.2**	27.4	(27.8)	(0.4)	5.6%	14.4%	1422.8%

Taxation
The tax charge for the year was £0.1m (2019: £2.1m credit). The effective rate of tax for the year was 5.8% (2019: 10.4%) which is lower than the UK corporation tax rate for the period of 19%.

The Group is subject to taxes in the UK, Germany, Belgium and, for the year under review, in the Netherlands. The Group continues to be able to offset its German losses against profits within the UK through its registered branch structure in Germany. No overseas tax is attributable to Germany due to its current trading results. In addition, no overseas tax is attributable in the Netherlands as operations ceased in the period. Tax losses arising in the period in the Netherlands and Belgium have been carried forward but no deferred tax asset has been recognised.

In addition to the movement in the unrecognised deferred tax on losses the lower effective tax rate is also due to the Group having permanent adjustments when calculating taxable profits in the UK, including non-taxable foreign exchange gains arising on intercompany balances, the share-based payment charges and associated tax relief.

A prior period adjustment to deferred tax of £1.0m credit has also been recognised in the period due to an increase in the deferred tax asset arising on share-based payments and the preservation of capital allowances and carried forward losses for future periods.

Tax losses from prior years in Germany remain as carried forward losses and continue to be as not recognised for the purposes of deferred tax on the basis that they arose before April 2017, when the change in the loss relief rules occurred. In AO Recycling tax losses continue to be carried forward and the Group expects to use these losses in the future. On this basis tax losses carried forward at the end of the year have been treated as a recognised deferred tax asset.

Our tax strategy can be found at www.ao.com/corporate.

Retained loss for the year and loss per share
Retained profit for the year was £1.4m (2019: £18.1m loss). In addition to the improvement in operating profit noted above, the retained profit for the year has also benefitted from movements in non-cash financing items with the exchange movement on intra-group loans moving from a £3.0m loss in the prior year to a £6.0m gain in the current year (driven by the movement in the GBP/EUR exchange rate) and the movement in the fair value of the put and call options which the Company holds in relation to the non-controlling stake in AO Recycling Limited.

Basic loss per share was 0.38p (2019: 4.00p loss) and diluted earnings/(loss) per share was 0.37p (2019: 4.00p loss). Basic earnings per share is reconciled to adjusted basic loss per share (after excluding the impact of foreign exchange differences – see above) of (0.91)p (2019: (3.36)p) as follows.

Year ended 31 March (£m)	2020	2019
Earnings/(loss)		
Profit/(Loss) attributable to owners of the parent company	1.7	(18.6)
Foreign exchange (gains)/losses on intra-Group loans	(6.0)	3.0
Adjusted loss attributable to owners of the parent company	(4.3)	(15.5)
Number of shares		
Basic and adjusted weighted average number of ordinary shares	472,462,309	463,153,515
Potentially dilutive share options	4,857,812	6,447,240
Diluted weighted average number of shares	477,320,121	469,600,755
Earnings/Loss per share (in pence)		
Basic profit/(loss) per share	0.38	(4.00)
Diluted profit/(loss) per share	0.37	(4.00)
Adjusted basic loss per share	(0.91)	(3.36)

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 £6.0m gain (2019: £3.0m loss) referenced above.

Cash resources and cash flow
Cash balances at 31 March 2020 were £6.9m (2018: £28.9m). The reduction in cash is largely driven by the repayment of borrowings and lease liabilities of £22.6m and capital expenditure of £6.9m offset by the cash generated from operating activities of £14.1m.

Borrowings, which comprises bank borrowings, reduced to £21.9m (2019: £30.4m) and lease liabilities increased to £84.1m (2019: £82.0m) resulting in net debt at 31 March 2020 of £99.1m (2019: net debt £83.5m). Net debt, when excluding Lease Liabilities recognised on the adoption of IFRS 16 was £23.4m (2019: £9.0m). The decrease in borrowings in the year was mainly due to the repayment of quarterly instalments on the term loan of £24m used to partly fund the acquisition of Mobile Phones Direct Limited and the maturity of a 5 year term loan originally used to help finance the start-up of the German business in October 2014.

During the year, the Group continued to benefit from the availability of its £60m revolving credit facility with HSBC Bank plc, Lloyds Bank Plc and Barclays Bank Plc in the banking syndicate. On 6 April 2020 the Group refinanced its debt facilities by consolidating the existing £60m Revolving Credit Facility and the £20m outstanding on the Term Loan into a new £80m RCF which matures in April 2023. The new facility resulted in Natwest Bank plc joining the existing banking syndicate as an additional lender. The facility is available for general corporate purposes, including UK working capital movements. The undrawn amount at 31 March 2020 under the previous facility was £56.7m. The amount utilised relates to letters of credit and payment guarantees.

Working capital (see Table 5)
At 31 March 2020, the Group had net current liabilities of £53.8m (31 March 2019: net current liabilities of £33.9m) principally as a result of the reduction in cash noted above.

Movements in working capital are set out in Table 5.

As at 31 March 2020 UK inventories were £61.7m and therefore at a similar level to the prior year (2019: £60.7m). Ordinarily we would expect to see levels of inventories adjust in line with our sales growth. However, during the last week of March the business experienced a particular increase in demand for products following the introduction of lockdown measures in response to Covid-19 without an immediate corresponding increase in inventories received from product manufacturers.

UK average stock days remained broadly consistent against the prior year at 27 days (2019: 29 days).

UK trade and other receivables (both non-current and current) were £216.3m as at 31 March 2020 (2019: £184.4m) principally reflecting an increase in contract assets in respect of commissions due on product protection plans sold in the year and the contract asset relating to the commissions from the Mobile Network Operators.

UK trade and other payables increased to £246.7m (2019: £224.2m) primarily reflecting an increase in deferred income as result of the high sales volumes between the introduction of lockdown measures on 23 March 2020 and the financial year end and an increase in contract liabilities in relation to the Mobile business.

At 31 March 2020, European inventories were £10.9m (2019: £15.6m) with the reduction against the prior year a result of the closure of the Netherlands business, improved stock management and increased sales as result of the migration to online due to measures introduced in relation to Covid-19. Trade and other receivables decreased to £9.1m (2019: £9.5m) mainly reflecting the closure of our Dutch operations.

Trade and other payables decreased to £10.3m (2019: £13.0m), impacted by the closure of the Netherlands operations, timing of supplier payments around year end and the lower stock levels.

Table 5:

	2020			2019		
Year ended 31 March (£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Inventories	61.7	10.9	72.7	60.7	15.6	76.3
As % of cost of goods sold	8.5%	7.6%	8.4%	10.2%	10.0%	10.2%
Trade and other receivables	216.3	9.1	225.3	184.4	9.5	193.9
As a % of revenue	24.0%	6.3%	21.5%	24.6%	6.2%	21.5%
Trade and other payables	(246.7)	(10.3)	(257.1)	(224.2)	(13.0)	(237.2)
As % of cost of goods sold	34.0%	7.2%	29.6%	37.7%	8.3%	31.6%
Net working capital	31.2	9.7	41.0	**20.9**	**12.1**	**33.0**
Change in net working capital	10.3	(2.3)	8.0	25.4	3.9	29.3

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.

Capital expenditure
Total cash capital expenditure in the year was £6.9m (2019: £4.2m). The expenditure in 2020 principally comprised costs in relation to the construction of the new plastics plant in our Recycling business, continued investment in our existing WEEE recycling plant, investment in restructuring our outbase network and investment in technology and software particularly in our logistics operations but also across the Group. Capital expenditure in the prior year included costs in relation to the commencement of the construction of the new plastics plant, investment in recycling and fit-out costs in relation to additional corporate office space.

Mark Higgins
Group Chief Financial Officer
13 July 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

	Note	2020 £m	2019 £m Restated (See note 9)
Continuing operations			
Revenue excluding Netherlands		**1,026.9**	880.6
Netherlands revenue		**19.3**	21.9
Total Revenue	2	**1,046.2**	902.5
Cost of sales		**(867.9)**	(750.0)
Gross profit		**178.3**	152.5
Administrative expenses		**(183.3)**	(166.6)
Other operating income		**1.2**	1.1
Operating profit/(loss) excluding Netherlands		**1.4**	(8.4)
Netherlands operating loss		**(5.2)**	(4.6)
Total operating loss		**(3.8)**	(13.0)
Finance income	4	**10.9**	2.6
Finance costs	5	**(5.6)**	(9.7)
Profit/(loss) before tax		**1.5**	(20.2)
Tax (charge)/credit	7	**(0.1)**	2.1
Profit/ (loss) after tax excluding Netherlands		**6.6**	(13.3)
Netherlands loss after tax		**(5.2)**	(4.8)
Profit/(loss) after tax for the year		**1.4**	(18.1)
Profit/(loss) for the year attributable to:			
Owners of the parent company		**1.7**	(18.6)
Non-controlling interests		**(0.3)**	0.5
		1.4	(18.1)
Profit/(loss) per share (pence)			
Basic profit/(loss) per share	6	**0.38**	(4.00)
Diluted profit/(loss) per share	6	**0.37**	(4.00)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	2020 £m	2019 £m Restated (See note 9)
Profit /(loss) for the year	**1.4**	(18.1)
Items that may be subsequently recycled to Income Statement		
Exchange differences on translation of foreign operations	**(5.5)**	2.4
Total comprehensive loss for the period	**(4.1)**	(15.7)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(3.8)**	(16.2)
Non-controlling interests	**(0.3)**	0.5
	(4.1)	(15.7)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Note	2020 £m	2019 £m Restated (See note 9)	2018 £m Restated (See note 9)
Non-current assets				
Goodwill		28.2	28.2	13.5
Other intangible assets		15.8	16.9	1.2
Property, plant and equipment		29.3	26.5	28.0
Right of use assets		64.7	63.2	62.0
Trade and other receivables		87.9	79.4	47.9
Derivative financial asset		0.6	0.8	2.2
Deferred tax asset		4.5	4.6	2.5
		231.0	**219.5**	**157.3**
Current assets				
Inventories		72.7	76.3	53.2
Trade and other receivables		137.4	114.5	55.1
Derivative financial asset		-	-	0.2
Corporation tax receivable		1.0	0.6	0.2
Cash and bank equivalents	8	6.9	28.9	56.0
		218.0	**220.3**	**164.7**
Total assets		**449.0**	**439.8**	**322.0**
Current liabilities				
Bank overdraft		-	-	(3.1)
Trade and other payables		(249.6)	(229.8)	(149.9)
Borrowings	8	(5.2)	(9.5)	(4.2)
Lease liabilities		(16.1)	(14.3)	(9.7)
Derivative financial liability		(0.2)	(0.6)	(0.4)
Provisions		(0.7)	-	-
		(271.8)	**(254.2)**	**(167.3)**
Net current liabilities		**(53.8)**	**(33.9)**	**(2.6)**
Non-current liabilities				
Borrowings	8	(16.7)	(20.9)	(10.4)
Lease liabilities		(68.0)	(67.8)	(63.2)
Trade and other payables		(7.5)	(7.4)	-
Derivative financial liability		(0.8)	(2.9)	(3.4)
Deferred tax liability		(2.6)	(2.7)	-
Provisions		(1.9)	(2.2)	(1.8)
		(97.5)	(103.9)	(78.8)
Total liabilities		**(369.8)**	**(358.1)**	**(246.1)**
Net assets		**79.7**	**81.8**	**75.9**
Equity attributable to owners of the parent				
Share capital		1.2	1.2	1.1
Share premium account		103.7	103.7	103.7
Other reserves		21.9	29.0	5.3
Retained losses		(46.1)	(51.2)	(32.6)
Total		**80.7**	**82.7**	**77.5**
Non-controlling interest		**(1.0)**	**(0.9)**	**(1.6)**
Total equity		**79.7**	**81.8**	**75.9**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital	Investment in own shares	Share premium account	Merger reserve	Capital redemption reserve	Share- based payments reserve	Translation reserve	Other reserve	Retained losses	Total	Non-controlling interest	Total
				Other reserves								
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Reported Balance at 1 April 2018	1.1	–	103.7	4.4	0.5	9.1	(6.6)	(2.1)	(28.9)	**81.2**	(1.6)	**79.6**
Adjustment on initial application of IFRS 16 (net of tax)	–	–	–	–	–	–	–	–	(3.7)	**(3.7)**	–	**(3.7)**
Restated 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	–	–	–	–	–	–	–	–	(18.6)	**(18.6)**	0.5	**(18.1)**
Share-based payment charge net of tax	–	–	–	–	–	4.0	–	–	–	**4.0**	–	**4.0**
Issue of shares net of expenses	–	–	–	17.8	–	–	–	–	–	**17.8**	–	**17.8**
Foreign currency gains arising on consolidation	–	–	–	–	–	–	2.4	–	–	**2.4**	–	**2.4**
Acquisition of non-controlling entity	–	–	–	–	–	–	–	(0.4)	–	**(0.4)**	0.3	**(0.1)**
At 31 March 2019 as 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 balance from application of IFRS 16 (net of tax)	-	-	-	-	-	-	-	-	(4.8)	(4.8)	-	(4.8)
Restated balance at 31 March 2019	**1.2**	**–**	**103.7**	**22.2**	**0.5**	**13.1**	**(4.2)**	**(2.5)**	**(51.2)**	**82.7**	**(0.9)**	**81.8**
Profit for the period	–	–	–	–	–	–	–	–	1.7	**1.7**	(0.3)	**1.4**
Share-based payment charge net of tax	–	–	–	–	–	2.0	–	–	–	**2.0**	–	**2.0**
Issue of shares net of expenses	–	–	–	–	–	–	–	–	–	**–**	–	**–**
Foreign currency loss arising on consolidation	–	–	–	–	–	–	(5.5)	–	–	**(5.5)**	–	**(5.5)**
Acquisition of minority interest	–	–	–	–	–	–	–	(0.2)	–	**(0.2)**	0.2	**–**
Movement between reserves	–	–	–	–	–	(3.4)	–	–	3.4	–	–	–
Balance at 31 March 2020	**1.2**	**-**	**103.7**	**22.2**	**0.5**	**11.7**	**(9.7)**	**(2.7)**	**(46.1)**	**80.7**	**(1.0)**	**79.7**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 £m	**2019 £m Restated (See note 9)**
Cash flows from operating activities		
Profit/(Loss) for the year	**1.4**	(18.1)
Adjustments for:		
Depreciation and amortisation	**21.1**	18.5
Finance income	**(10.9)**	(2.6)
Finance costs	**5.6**	9.7
Taxation charge/(credit)	**0.1**	(2.1)
Share-based payment charge	**2.0**	4.0
Increase in provisions	**0.4**	0.2
Operating cash flows before movement in working capital	**19.7**	9.6
Decrease/(Increase) in inventories	**4.0**	(16.3)
Increase in trade and other receivables	**(32.3)**	(10.4)
Increase/(decrease) in trade and other payables	**22.5**	(4.5)
Total movement in working capital	**(5.8)**	(31.2)
Taxation refunded	**0.2**	0.8
Cash generated from/(used in) operating activities	**14.1**	(20.8)
Cash flows from investing activities		
Acquisition of subsidiary (net of cash acquired)	**-**	(5.9)
Interest received	**0.1**	0.1
Proceeds from sale of property, plant and equipment	**0.1**	-
Acquisition of property, plant and equipment	**(6.9)**	(4.2)
Acquisition of intangible assets	**(1.1)**	(0.5)
Cash used in investing activities	**(7.9)**	(10.5)
Cash flows from financing activities		
Acquisition of shares in non-controlling interest	**(0.5)**	(0.4)
Movement in bank overdraft	**-**	(3.1)
Net Proceeds from new borrowings	**-**	27.0
Interest paid on borrowings	**(1.5)**	(0.2)
Interest paid on lease liabilities	**(3.7)**	(4.2)
Repayments of borrowings	**(6.4)**	(1.2)
Payment of lease liabilities	**(16.2)**	(13.7)
Net cash (used in)/ generated from financing activities	**(28.2)**	4.2
Net decrease in cash	**(22.1)**	(27.0)
Cash and cash equivalents at beginning of year	**28.9**	56.0
Exchange losses on cash and cash equivalents	**0.1**	(0.1)
Cash and cash equivalents at end of year	**6.9**	28.9

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The financial information has been prepared under International Financial Reporting Standards (IFRSs) issued by the IASB and as adopted by the European Union (EU).

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2020 or 2019, but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; the report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) Companies Act 2006.

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.

Adoption of new and revised standards

The accounting policies set out in Note 3 have been applied in preparing these financial statements. During the year, the Group has adopted the following new accounting standards and interpretations for the first time.

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Amendments to IFRS 3, IFRS 7, IFRS 9, IFRS 11, IAS 12, IAS 23 and IAS 39).

Other than for IFRS 16 Leases, there has been no impact on the financial statements as a result of the adoption of these new accounting standards or interpretations. The detailed impact of the adoption of IFRS 16 Leases is shown below.

Adoption of IFRS 16 Leases

The Group has applied IFRS 16 in these financial 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 financial statement for the financial year ending 31 March 2019 have been restated as if IFRS16 had been applied at 1 April 2018.

The main effect on the Group is that IFRS 16 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).

Going concern

Notwithstanding net current liabilities of £53.8m as at 31 March 2020, and a cash outflow for the year of £22.1m, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Group meets its day to day working capital requirements from its cash balances and the availability of its revolving credit facility.

The Directors have prepared base and sensitised cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that the Group and Company will remain compliant with its covenants and will have sufficient funds through its existing cash balances and availability of funds from the new £80m Revolving Credit Facility (of which £56.7m is currently undrawn) to meet its liabilities as they fall due for that period. In assessing the going concern basis, the Directors have taken into account reasonably possible downsides including e.g., a reduction in sales growth, a reduction in margin, tightening of credit terms from suppliers due to pressure from credit insurers and the potential impact arising as a result of Covid-19, as well as considering potential controllable mitigating factors.

In relation to Covid-19, management have considered the impact of a short-term closure of part of its warehousing capacity in addition to the potential impact on customer behaviour in respect of product protection plans and mobile phone disconnections due to a decline in the macro-economic environment post lockdown.

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

2. Revenue

An analysis of the Group's revenue is as follows:

Major product/services lines

	2020			2019			% change		
Year ended 31 March (£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Product revenue	692.8	140.7	833.5	628.4	151.1	779.5	10.3%	(6.9)%	6.9%
Service revenue	35.0	3.4	38.3	30.1	1.6	31.8	16.0%	106.6%	20.7%
Commission revenue	143.8	0.2	144.0	61.2	0.3	61.5	135.0%	(31.6)%	134.2%
Third party logistics revenue	16.6	-	16.7	15.3	-	15.3	8.6%	-	8.9%
Recycling revenue	13.5	0.2	13.6	14.3	0.1	14.5	(6.2)%	31.4	(5.9)%
Total revenue	901.6	144.5	1,046.2	749.3	153.2	902.5	20.3%	(5.6)%	15.9%

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 has 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.

a. Income statement

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

Year ended 31 March (£m)		**2020**			**2019**	
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**
Total revenue	901.6	144.5	1,046.2	749.3	153.2	902.5
Cost of sales	(724.3)	(143.6)	(867.9)	(594.2)	(155.7)	(750.0)
Gross profit/(loss)	**177.4**	**0.9**	**178.3**	**155.1**	**(2.6)**	**152.5**
Administrative expenses	(153.2)	(30.1)	(183.3)	(139.0)	(27.6)	(166.6)
Other operating income	0.8	0.4	1.2	0.6	0.4	1.1
Operating profit/(loss)	**25.0**	**(28.8)**	**(3.8)**	**16.7**	**(29.7)**	**(13.0)**
Finance income	6.4	4.5	10.9	2.6	-	2.6
Finance costs	(4.9)	(0.7)	(5.6)	(6.2)	(3.5)	(9.7)
Profit/(loss) before tax	**26.5**	**(25.0)**	**1.5**	**13.0**	**(33.2)**	**(20.2)**
Tax credit/(charge)	-	(0.1)	(0.1)	1.6	0.4	2.1
Profit/(loss) after tax	**26.5**	**(25.1)**	**1.4**	**14.7**	**(32.8)**	**(18.1)**

The Group uses alternative performance measures which are not defined within IFRS, as well as IFRS measures. One of these is adjusted EBITDA.

The reconciliation of operating profit/(loss) to Adjusted EBITDA is shown on page 15.

b. Geographical analysis

Revenue by location is the same as that shown in section (a) by reportable segment. Information on non-current assets and share based payments by geographical location is shown in section (c).

c. Other information

2020 (£m)	Additions: Intangible assets	Additions: PP&E	Additions: Right of use assets	Depreciation	Amortisation	Profit on disposal
UK	1.3	8.3	13.0	15.8	2.2	(0.1)
Europe	-	0.2	1.3	3.1	-	0.1
	1.3	**8.5**	**14.3**	**18.9**	**2.2**	**-**

2019 (£m) (restated)	Additions: Intangible assets	Additions: PP&E	Additions: Right of use assets	Depreciation	Amortisation	Profit on disposal
UK	0.5	4.7	11.2	14.2	1.1	-
Europe	-	0.1	0.7	3.2	-	-
	0.5	**4.8**	**11.9**	**17.4**	**1.1**	**-**

In the previous year, intangible and tangible fixed assets (Including Right of use assets) of £17.0m were acquired with AO Mobile Limited.
Due to the nature of its activities, the Group is not reliant on any individual major customers or group of customers.

No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly board presentation, therefore no measure of segmental assets or liabilities is disclosed in this note.

4. Finance income

Year ended 31 March (£m)	2020	2019
Foreign exchange gains on intra-Group loans	6.0	-
Movement in valuation of put and call option	1.9	0.2
Unwind of discounting on non current contract asset	2.9	2.3
Other interest	0.1	0.1
Total	**10.9**	**2.6**

5. Finance costs

Year ended 31 March (£m)	2020	2019
Interest on lease liabilities	3.7	4.2
Interest on bank loans	0.6	0.2
Foreign exchange losses on intra-group loans	-	3.0
Unwind of discounting on long term payables	0.3	0.2
Movement in valuation of put and call option	0.1	1.8
Other finance costs	0.9	0.3
Total	**5.6**	**9.7**

6. Earning/(Loss) per share

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

Year ended 31 March	2020 (£m)	2019 (£m) Restated
Loss		
Profit/(Loss) for the purposes of basic and diluted earnings per share being loss attributable to the owners of the parent company	1.7	(18.6)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	472,462,309	463,153,515
Potentially dilutive shares options	4,857,812	6,447,240
Weighted average number of diluted ordinary shares	477,320,121	469,600,755
Earnings/(Loss) per share (pence per share)		
Basic Earnings/(loss) per share	0.38	(4.00)
Diluted Earnings/(loss) per share	0.37	(4.00)

In the previous year, as the potentially dilutive shares do not result in a reduction a loss per share, the diluted loss per share has been restricted to the basic loss per share.

The basic earnings/(loss) per share is affected by significant foreign exchange movements arising from intra-Group funding arrangements therefore an adjusted basic earnings/(loss) per share has been calculated below excluding this impact as management believe it provides helpful additional information for stakeholders in assessing the performance of the business.

The foreign exchange movement has arisen as a result of the change in the exchange rate between sterling and the euro in the period.

Management do not adjust for all the items included in the Adjusted EBITDA alternative performance measure as when considering these significant items impacting profit/ (loss) before tax from one period to the next, significant foreign exchange movements arising from intra-group funding has the largest impact.

Year ended 31 March (£m)	**2020 £m**	2019 £m Restated
Earnings/(loss)		
Profit/ (Loss) attributable to owners of the parent company	**1.7**	(18.6)
(Reduction)/Add back of foreign exchange movements on intra-Group loans	**(6.0)**	3.0
Adjusted loss attributable to owners of the parent company	**(4.3)**	(15.5)
Number of shares		
Basic and adjusted weighted average number of ordinary shares	**472,462,309**	463,153,515
Potentially dilutive shares options	**4,857,812**	6,447,240
Diluted weighted average number of ordinary shares	**477,320,121**	469,600,755
Earnings/(loss) per share (in pence)		
Basic Earnings/(loss) per share	**0.38**	(4.00)
Diluted Earnings/(loss) per share	**0.37**	(4.00)
Adjusted loss per share	**(0.91)**	(3.36)

7. Taxation

Year ended 31 March (£m)	2020	2019 Restated
Corporation tax:		
Current year	0.1	0.2
Adjustments in respect of prior years	-	-
	0.1	**0.2**
Deferred tax		
Current year	1.0	(2.0)
Adjustments in respect of prior years	(1.0)	(0.3)
Total tax credit/ (charge)	**0.1**	**(2.1)**

Corporation tax is calculated at 19% (2019: 19%) of the taxable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The credit for the year can be reconciled to the loss in the income statement as follows:

Year ended 31 March (£m)	2020	2019 Restated
Profit/ (Loss) before tax on continuing operations	1.5	(20.2)
Tax at the UK corporation tax rate of 19% (2019: 19%)	0.3	(3.8)
Ineligible expenses	0.3	1.6
Income not taxable	(1.5)	-
Movement in unrecognised tax	1.5	-
Research & Development tax credit	-	0.2
Difference in overseas and UK tax rates	(0.3)	(0.3)
Impact of difference in current and deferred tax rates	(0.2)	0.1
Share-based payments	1.0	0.4
Prior period adjustments	(1.0)	(0.3)
Tax credit / (charge) for the year	**0.1**	**(2.1)**

8. Net debt

	2020 £m	2019 £m
Cash and cash equivalents at year end	**6.9**	28.9
Borrowings – Repayable within one year	**(5.2)**	(9.5)
Borrowings – Repayable after one year	**(16.7)**	(20.9)
Lease liabilities – Repayable within one year	**(16.1)**	(14.3)
Lease liabilities – Repayable after one year	**(68.1)**	(67.8)
Net debt	**(99.1)**	(83.5)

At 31 March 2020, AO Limited, a direct subsidiary of AO World Plc, had undrawn amounts on its Revolving Credit Facility of £56.7m (2019: £56.1m). The total facility is £60m. The amount drawn at the year-end was in relation to letters of credit (£2.3m) and payment guarantees (£1.0m). The Revolving Credit Facility was due to expire in June 2021.

During the previous year, AO Limited entered into a term loan agreement under which it borrowed £24m to partly fund the acquisition of Mobile Phones Direct Limited. This is repayable in quarterly instalments starting on 1 April 2019 with a final repayment date in June 2021 in line with the Revolving Credit Facility noted above. At 31 March 2020, £20m was outstanding.

In addition, AO Recycling Limited entered into £3m term loan to part fund the capital expenditure required for the development of its new Plastics Plant. During the current year £2.0m of the loan has been converted into finance leases. Following the year end the remaining £1.0m was repaid in full.

On 6 April 2020, AO Limited entered into a new Revolving Credit Facility of £80m. This replaced the existing revolving credit facility and the term loan. At 6 April 2020 £56.7m was available under the facility with the drawn amounts relating to letters of credit and payment guarantees (see note 10).

9. Restatement of Comparatives

The 31 March 2019 comparatives for the primary statements have been restated following the adoption of IFRS 16 Leases, the completion of the purchase price allocation exercise on the acquisition of AO Mobile Limited, a reclassification of payments made to acquire non-controlling interest as required by IAS 7 and a number of presentational changes following further consideration of the definitions in IFRS 15 and its practical application. The 31 March 2018 statement of financial position has also been restated for IFRS 16 Leases only. 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)

£m	31 March 2019 as reported			Effect of IFRS 16 adoption			31 March 2019 as restated		
	UK	Europe	Total	UK	Europe	Total	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)	(166.6)
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	-	2.5	0.1	–	0.1	2.6	-	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)	(18.1)

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

£m	31 March 2019 as reported			Effect of IFRS 16 adoption			31 March 2019 as restated		
	UK	Europe	Total	UK	Europe	Total	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	-	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.

The restatement of the Income Statement has also resulted in Earnings per Share being restated. The loss attributable to shareholders in the prior year has increased from £17.5m to £18.6m as a consequence of the adoption of IFRS 16 which results in Basic loss per share 4.00p (2019 reported: 3.78p) and diluted loss per share being 4.00p (2019 reported: 3.78p).

Statement of financial position

Year ended 31 March 2019

£m	At 31 March 2019 reported	Effect of IFRS 3	IFRS 15 Reclassification	Effect of IFRS 16 adoption	At 31 March 2019 restated
Non current assets					
Goodwill	27.6	0.6	-	–	28.2
Other intangible assets	16.9	–	-	–	16.9
Property, plant and equipment	26.8	–	-	(0.3)	26.5
Right of use assets	–	–	-	63.1	63.1
Trade and other receivables	79.4	–	-	–	79.4
Deferred tax asset	3.6	–	-	1.0	4.6
Derivative financial asset	0.8	–	-	–	0.8
	155.0	0.6	-	63.8	219.5
Current assets					
Inventories	76.3	–	-	–	76.3
Trade and other receivables	118.0	(0.5)	(2.8)	(0.2)	114.5
Corporation tax receivable	0.6	–	-	–	0.6
Cash and cash equivalents	28.9	–	-	–	28.9
	223.8	(0.5)	(2.8)	(0.2)	220.3
Total assets	378.8	0.1	(2.8)	63.6	439.8
Current liabilities					
Trade and other payables	(230.1)	(0.1)	(5.6)	6.0	(229.8)
Borrowings	(9.5)	–	-	–	(9.5)
Lease liabilities	(2.8)	–	-	(11.5)	(14.3)
Derivative financial liability	(0.6)	–	-	–	(0.6)
Provisions	(8.3)	–	8.3	–	-
	(251.3)	(0.1)	2.7	(5.5)	(254.2)
Net current liabilities	(27.5)	(0.5)	(0.1)	(5.7)	(33.9)
Non current liabilities					
Borrowings	(20.9)	–	-	–	(20.9)
Lease liabilities	(4.8)	–	-	(63.0)	(67.8)
Trade and other payables	(7.0)	–	(0.4)	–	(7.4)
Derivative financial liability	(2.9)	–	-	–	(2.9)
Deferred tax liability	(2.7)	–	-	–	(2.7)
Provisions	(2.6)	–	0.5	–	(2.2)
	(41.0)	–	0.1	(63.0)	(103.9)
Total liabilities	(292.2)	(0.1)	2.8	(69.8)	(358.1)
Net assets	86.6	–	-	(4.8)	81.8
Share capital	1.2	–	-	–	1.2
Share premium account	103.7	–	-	–	103.7
Other reserves	29.0	–	-	–	29.0
Retained losses	(46.4)	–	-	(4.8)	(51.2)
Total	87.5	–	-	(4.8)	82.7
Non controlling interest	(0.9)	–	-	–	(0.9)
Total equity	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 the prior year, the Group adopted IFRS 15 'Revenue from contracts with customers'. Following further consideration of the definitions in IFRS15 and its practical application, the Group has reconsidered and amended the presentation of certain balance sheet amounts as described below. Comparative amounts have been restated for consistency in line with a change in accounting policy, but the changes in presentation have had no effect on net assets or profit and loss for any period presented.

In the prior year, receivables in relation to commission from product protection plans and mobile network operators were classified as receivables at fair value through profit or loss on the basis that the Group has no further obligations to undertake after the point of sale when revenue is recognised and therefore commissions receivable were only dependent on the passage of time (albeit subject to the behaviour of the end customer). As a consequence, amounts recognised as accrued income in the 31 March 2019 statement of financial position of £151.1m have been presented as a contract asset under IFRS 15, reflecting the variable nature of the commission receivable based on future customer behaviour.

In the prior year, clawback provisions in relation to commission from mobile network operators were classified as provisions. As the clawback provision relates to commissions which could be returned to the mobile network operators should a customer cancel a contract, the amounts have now been included as a reduction in contract assets to more appropriately reflect the net amount of commission receivable. As a consequence, £2.8m has been reclassified against the contract asset and the comparatives changed accordingly. There is no impact on the income statement.

In the prior year, cashback provisions in respect of cashback schemes operated by Mobile Phones Direct, which were calculated based on historic redemption rates, were included within provisions. Payments are expected to be made up to 23 months from the year end. Having considered the requirements of IFRS 15, because the company does not receive any goods or services in relation to the cash paid to the end customer, management believe it is appropriate to treat these as a reduction in revenue and a contract liability. As a consequence £6.1m of provisions at 31 March 2019 have been reclassified as contract liabilities. As the impact on the income statement was immaterial in the prior year (£1.3m) the income statement has not been restated.

In addition 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 contract assets by £0.5m and increasing accruals by £0.1m and increasing goodwill by £0.6m.

Year ended 31 March 2018

£m	At 31 March 2018 reported	Effect of IFRS 16 adoption	At 31 March 2018 restated
Non current assets			
Goodwill	13.5	–	13.5
Other intangible assets	1.2	–	1.2
Property, plant and equipment	28.0	-	28.0
Right of use assets	–	62.0	62.0
Trade and other receivables	47.9	–	47.9
Derivative financial asset	2.2	–	2.2
Deferred tax asset	1.7	0.8	2.5
	94.5	62.8	157.3
Current assets			
Inventories	53.2	–	53.2
Trade and other receivables	54.8	0.3	55.1
Corporation tax receivable	0.2	–	0.2
Cash and cash equivalents	56.0	–	56.0
	164.4	0.3	164.7
Total assets	258.9	63.1	322.0
Current liabilities			
Bank overdraft	(3.1)	-	(3.1)
Trade and other payables	(156.0)	6.1	(149.9)
Borrowings	(1.2)	–	(1.2)
Lease liabilities	(3.0)	(9.7)	(12.7)
Derivative financial liability	(0.4)	–	(0.4)
	(163,7)	(3.6)	(167.3)
Net current liabilities	0.7	(3.3)	(2.6)
Non current liabilities			
Borrowings	(3.4)	–	(3.4)
Lease liabilities	(7.0)	(63.2)	(70.2)
Derivative financial liability	(3.4)	–	(3.4)
Provisions	(1.8)	–	(1.8)
	(15.6)	(63.2)	(78.8)
Total liabilities	(179.3)	(66.7)	(246.1)
Net assets	79.6	(3.7)	75.9
Share capital	1.1	–	1.1
Share premium account	103.7	–	103.7
Other reserves	5.3	–	5.3
Retained losses	(28.9)	(3.7)	(32.6)
Total	81.2	(3.7)	77.5
Non controlling interest	(1.6)	–	(1.6)
Total equity	79.6	(3.7)	75.9

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.

Statement of cash flows

£m

	Year ended 31 March 2019 reported	Reclassification	IFRS 15 Reclassification	Effect of IFRS 16 adoption	Year ended 31 March 2019 restated
Cashflows from operating activities					
Loss for the period	(17.0)	-	-	(1.1)	(18.1)
Depreciation and amortisation	7.5	-	-	11.0	18.5
Finance income	(2.5)	-	-	(0.1)	(2.6)
Finance costs	6.2	-	-	3.5	9.7
Taxation credit	(1.9)	-	-	(0.2)	(2.1)
Share based payment charge	4.0	-	-	–	4.0
Increase in provisions	0.1	-	0.1	–	0.2
Net operating cashflows before movement in working capital	(3.6)	-	0.1	13.2	9.6
Increase in inventories	(16.3)	-	-	–	(16.3)
Increase in trade and other receivables	(10.2)	-	(0.2)	–	(10.4)
Increase in trade and other payables	(5.2)	-	0.1	0.5	(4.5)
Net movement in working capital	(31.7)	-	(0.1)	0.5	(31.2)
Taxation received	0.8	-	-	–	0.8
Net cash used in operating activities	(34.5)	-	-	13.8	(20.8)
Cashflows from investing activities					
Acquisition of subsidiary (net of cash acquired)	(5.9)	-	-	–	(5.9)
Acquisition of minority interest	(0.4)	0.4	-	–	-
Interest received on sub lease of Right of Use assets	–	-	-	0.1	0.1
Acquisition of property, plant and equipment	(4.5)	-	-	0.3	(4.2)
Acquisition of intangible assets	(0.5)	-	-	–	(0.5)
Net cash used in investing activities	(11.2)	0.4	-	0.3	(10.5)
Cashflows from financing activities					
Acquisition of minority interest	-	(0.4)	-	–	(0.4)
Movement in bank overdraft	(3.1)	-	-	–	(3.1)
New borrowings	27.0	-	-	–	27.0
Interest paid on borrowings	(0.2)	-	-	–	(0.2)
Interest paid on lease liabilities	(0.7)	-	-	(3.5)	(4.2)
Repayment of borrowings	(1.2)	-	-	–	(1.2)
Repayment of lease liabilities	(3.1)	-	-	(10.5)	(13.7)
Net cash generated from financing activities	18.6	(0.4)	-	(14.1)	4.2
Net decrease in cash	(27.0)	-	-	-	(27.0)
Cash and cash equivalents at beginning of the period	56.0	-	-	–	56.0
Exchange gains and losses	(0.1)	-	-	-	(0.1)
Cash and cash equivalents at end of the period	28.9	-	-	–	28.9

The restatement principally relates to operating lease payments previously recognised under IAS 17 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.

The Group has also reclassified the payments made to acquire non-controlling interest from investing activities to financing activities as required by IAS 7.

In addition, as a consequence of the reclassifications in the Statement of financial position relating to IFRS 15, the movement in provisions and working capital have been restated to reflect the revised classifications. There is no impact on cash from the restatement.

10. Post balance sheet events

As set out in note 8, on 6 April 2020, AO Limited entered into a new Revolving Credit Facility of £80m. This replaced the existing revolving credit facility and the term loan. At 6 April 2020 £56.7m was available under the facility with the drawn amounts relating to letters of credit and payment guarantees. The facility expires in April 2023 and is secured by a debenture over the assets of the relevant companies, a charge over the shares of the companies and a charge over the AO.com domain name.

Ends