AO WORLD PLC

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

A year of significant strategic, operational and financial progress

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 2021 ("FY21").

£(m)	FY21	FY20[1]	% Mvmt
Total Group revenue	1,661	1,026	62%
UK revenue	*1,435*	*901*	*59%*
Germany revenue	*226*	*125*	*81%*
Group Adjusted EBITDA[2]	64	22	191%
Group Operating profit/(loss)	30	(4)	850%
Profit before tax	20	1	1,900%
Basic earnings per share	3.73p	0.21p	1,676%
Cash generated/(utilised)	60	(22)	372%
Net debt[3]	(28)	(99)	(71)%

Financial highlights

- Group revenue increased 62% to £1,661m (2020[6]: £1,026m[1]) driven by the continued shift to online shopping
- Germany gross margin improved from negative 2% in 2019 to 9% with increased scale in logistics
- Group Adjusted EBITDA[2] increased 191% to £64m (2020[6]: £22m[1]) driven by strong product sales
- Group Adjusted EBITDA[2] margin doubled to 4% reflecting the strong scale efficiencies in our business model
- Group operating profit increased to £30m (2020: £(4)m loss)
- Cash generation of £60m and reduction of net debt[3] to £28m (2020: £99m). Total liquidity headroom of £143m.

Operational highlights

- In the UK, Major Domestic Appliances ("MDA") grew 61%, driven by demand for larger fridges, chest freezers and other home appliances
- Small Domestic Appliances ("SDA") grew 103%; other home entertainment categories all grew strongly, including AV (109%), consumer electronics (126%) and gaming (127%)
- Over 2m new customers[4] were welcomed to "The AO Way" during the year
- Over 1,200 new roles created across the business
- Net Promoter Score[5] ("NPS") remains World Class ranked at 85 in the UK and 89 in Germany
- Strategic investment in expanded capacity in warehousing, vehicles and people to respond to the accelerated move to the digital environment
- Ambitious Value Creation Plan ("VCP") launched to all employees, giving every AOer the chance to share in exceptional growth

AO's Founder and Chief Executive, John Roberts, said: "It's been a step change year for AO in which we've achieved significant strategic, operational and financial progress. The early and bold investments we made in capacity, infrastructure and people returned increased revenues by 62%, and grew Adjusted EBITDA by 191% across the Group. Most importantly, we rose to the challenge for the people who matter most, our customers, and we relished the opportunity to impress two million more of them in the period.

"Delivering brilliantly for customers is at the heart of our mission to become the global destination for electricals. We firmly believe that once people experience a better way to buy electricals, they are unlikely to return to old ways of shopping. Our vertically integrated business model offers substantial operational leverage which means all incremental growth feeds our flywheel, generating cash to invest back into our business for customers.

"Coming out of the pandemic, the direction of travel is firmly with AO, and our proven ability to build scale and drive growth gives us confidence to look towards further European expansion over the next five years. We'll continue to make choices that create long-term value for our share owners, as well as make our mums proud.

"I would like to thank all our AOers for living The AO Way during the year and our trading partners who shared our desire to use these testing times as a chance to deepen relationships."

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Webcast details

A results presentation will be held for analysts and investors at 09.00 BST, today, 1 July 2021. Please register to join at Investor Centre | AO World (ao-world.com). The broadcast will be available at https://brrmedia.news/ttw9cs from 08.45 (BST) today, 1 July 2021. A live Q&A session for analysts and investors will immediately follow the presentation. Both the presentation and a playback of the Q&A session will be available on AO World's investor website at www.ao-world.com later today. Please dial into the conference call for live Q&A at +44 (0)330 336 9125, Confirmation Code: 5262821.

About AO

AO World plc, headquartered in Bolton and listed on the London Stock Exchange, is an online electrical retailer, with a mission to be the global destination for electricals. Our strategy is to create value by focussing on being brilliant for our customers to make AO the destination for everything they need, in the simplest and easiest way, when buying electricals.

We sell major and small domestic appliances and a growing range of electrical products in the UK and Germany, delivering 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 five 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 category.

AO Business serves the B2B market in the UK, providing electricals and installation services at scale.

AO launched in Germany in October 2014 with MDA and now also sells Floorcare, AV and SDA categories.

AO also has a majority equity stake in AO Recycling, a WEEE processing facility, allowing AO to ensure its customers' electronic waste is dealt with responsibly in the UK and has recently added a state-of-the-art plastics refinement facility to its recycling capability.

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[1]The prior year comparative excludes revenue and losses generated by AO.nl, our Netherlands website, which was closed during the quarter ended 31 March 2020. Prior year numbers have been restated as set out in note 11.
[2]Please refer to the discussion on our alternative performance measures later in this announcement.
[3] Net debt is defined as cash less borrowings less Lease Liabilities less overdrafts as per the consolidated statement of financial position.
[4] A customer is defined as an individual customer who has purchased via ao.com or ao.de.
[5]Net Promoter Score or "NPS" is an industry measure of customer loyalty and satisfaction. UK NPS comprises ao.com and mobilephonesdirect.com and is calculated on a revenue weighted average basis.

Cautionary statement

This announcement may contain 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.

OPERATING & STRATEGIC REVIEW

This has been a year like no other for our business, our employees, our customers and our business partners, with significant strategic, operational and financial progress over the year. We believe that the structural changes we have experienced this year prove the continued shift to the online market for electrical retailing which favours our unique and well-established business model.

The Covid-related restrictions over the past year presented both a challenge and an opportunity for all online retailers, and AO was no exception. The demand for AO's products increased significantly at the start of the first lockdown period, as bricks and mortar stores closed and almost 100% of the market for most goods migrated online overnight. Whilst we inevitably benefited from the shift to online shopping and the change in customer lifestyles, AOers have had to work hard under challenging conditions to satisfy a significant increase in demand and maintain the outstandingly high levels of customer service for which AO is known. Through their dedication, adaptiveness and innovation, we continued to deliver for all our customers, providing the essential electrical products that they needed throughout the pandemic. Our people worked swiftly to ensure that safety was never compromised for all colleagues, customers and partners. We are hugely grateful to them for their hard work, this year and every year, as we strive to ever improve our brilliant customer experience.

This year has also been one of uncertainty for all areas of life and business. We focused on the opportunity to serve customers when they needed us and welcomed over two million new customers to The AO Way. As a vertically integrated company, we were able to manage our Logistics operations to cope with the demand peaks. Our Recycling operations first had to deal with supply shortages due to the closure of local authority waste sites and then significant increases in volumes once sites were reopened. Strong partner relationships with all our stakeholders enabled us to work collaboratively to keep products flowing to our customers despite these challenges. We invested early and boldly in our capacity, capability and infrastructure to enable us to serve our customers through such unpredictable periods. Since the onset of the pandemic, we have nearly doubled our warehousing capacity to 1.8m sq. ft. to create the capacity for both increased customer demand and supply chain disruption. Over 1,200 new roles were created to support our growth with capacity and new skills.

Our UK business had an exceptionally strong year, increasing market share in MDA by 8 ppts to 23%, making us one of the market leaders in our category. We have also accelerated our growth in newer categories, with our online market share in SDA rising to 5%. Our market share in televisions and audio visual also showed strong growth, achieving total market shares of 6% and 4%, respectively. These are significant milestones in our strategy as a global electricals retailer.

The refocused team in Germany responded brilliantly to the same challenges as in the UK, increasing sales by 81% and improving its Gross Margin from a negative 2% in 2019 to a positive 9% this year, illustrating the operating leverage inherent in our business model. Based on Germany's sales performance during the peak period, on an Adjusted EBITDA basis, the business achieved breakeven in the third quarter, another strategic milestone.

In recent years, we have significantly enhanced our business with new products, services, acquisitions and additions to our business model, so this year we have also spent time considering the depth and strength of our management teams, our structure and our ways of working. We have invested in our teams, processes and people development; we will continue to do so as we grow.

This year we fully opened our new plastics recycling plant which added new capabilities to our existing world class recycling operations. Playing a responsible role in improving our environment is a commitment we take very seriously, and we will continue to invest in the circular economy by recycling plastics and other parts into new components where possible. We recycled over 1.3m appliances during FY21.

AO Business, which sells to housebuilders, housing associations and other large volume purchasers, grew 69% over the year, and we are confident that we have found a unique segment that has not been accustomed to our vision of customer service. We also launched a trial of our "store within a store" in partnership with Tesco where we are exploring new ways of reaching customers and extending our brand recognition.

Our logistics operations, which serve both AO and third parties, have been challenged by restrictions on social distancing and entering people's home, but will again play a fundamental role in delivering our products with our brilliant customer experience as restrictions ease. Our first priority will continue to be keeping our customers and all our people safe.

These are all exciting new initiatives that drive our growth and expand our flywheel, which is the key to our success. By obsessing about customers and making our service ever better for them by innovating and investing bravely, we increase sales at strong growth rates in each of our markets. This allows us to grow repeat and recommendation business to build lifetime value, while also enabling us to reach even more customers. Through the sales growth, we achieve operational gearing, scalability, and improved efficiencies, and because we are vertically integrated, the flywheel starts to turn faster and makes the business more profitable and gives us new opportunities and strategic choices.

Although this has been a strong year for AO, there have been some headwinds with which we had to cope. Manufacturers have faced unprecedented challenges in their supply chains and to after sales service. We have been there, shoulder to shoulder with our suppliers, to navigate together in the best way possible with a laser focus on our mutual customers rather than cost. This has also allowed us to deepen these key strategic relationships, but it did lead to elevated inventory levels as well as the increased costs on many levels to comply with Covid restrictions.

Outlook

This has been an exceptional year for our businesses. We remain firmly focused on growing our revenues and taking market share, responsibly reinvesting the benefits of operational leverage in growth and broadly maintaining the current level of profits. Our scale and cash generation will support this acceleration of our ambitions. In the UK, we will manage investment opportunities within a tolerance of 1% of revenue. In Germany, we will continue to grow our business as quickly as we can at roughly EBITDA break even, plus or minus 2%.

Our partners and suppliers recognise that customers now see digital as a great way to shop. To build on this continuing channel shift and to realise our continued growth ambitions, we plan to make significant investment in further enhancing our customer experience, with a £30m incremental investment in marketing and digital content in the coming year. We also plan to upgrade our support systems with £30m of incremental investment in FY22. This will provide a solid foundation to our strategic ambitions, as we expand into new areas of growth. Our Recycling facilities are the cornerstone of our strong ESG credentials and vertically integrated business model. We are evaluating further expansion of our capacity, with the possibility of a second recycling facility in the next 18 months with a further £20m investment.

Longer term, our ambitions are to continue to expand our model into new products and new geographies, and we expect to be operating in five countries within the next five years, including our existing markets of the UK and Germany. The investments we are making this year underpin those ambitions and ensure that our businesses are fit for continued growth, with a view to more than doubling the size of the Group in that time period.

Our firm view is that the shift to online retail, accelerated by Covid restrictions, is continuing. We have a strong business model built up over 20 years which is underpinned by our vertical integration, our One AO centres of expertise and our clear vision for high growth potential in newer categories. We are increasingly recognised by customers as one of the online leaders in electricals in the UK, and this is giving us real scale and driving our flywheel.

Our markets remain robust and attractive; however, we are conscious that forecasting the next 18 months will remain difficult. We have started the new financial year well and remain prudently optimistic that we will be able to deliver double digit growth as we lap the strong Covid performance comparatives. The choices we make in future will create incredible long-term value for our shareholders, our people and our partners. It really has been an incredible journey over the last 20 years and we're only just getting started.

FINANCIAL REVIEW

We are pleased to report another strong financial performance despite the challenges and opportunities in a year dominated by Covid related events. The continued shift to online shopping, accelerated by Covid restrictions, created a strong sales momentum which was reflected in our results for the year, as was the operational leverage inherent in our vertically integrated model. As a result, our business achieved an operating profit of £30m compared to an operating loss in FY20.

In our January Q3 trading statement and in our April post-close trading statement, we referred to an increase in warranty plan cancellations and announced our intention to conduct a full review of the customer base. This review has resulted in a cumulative adjustment to reserves of £11.1m. This change is discussed in more detail below in Note 11.

The Group has made considerable progress against its strategic objectives, with good cash generation, strong growth in our UK business and Germany achieving break even sales performance during the peak period, on an Adjusted EBITDA basis. We increased capacities in our warehousing space as supply chain disruption caused a rise in inventories, and we invested in additional stock to meet the surge in customer demand. Whilst this helped drive considerable volume growth, we incurred increased costs in assuring the safety of both our customers and staff. The Covid related lockdowns also forced us to pause our installation services at certain times. In addition, our store trials with Tesco were closed for much of the year and our Recycling facilities were affected by regular closures and social distancing measures.

Revenue

Table 1

Revenue £m[2]	**12 months to 31 March 2021**			**12 months to 31 March 2020 (restated)**			**% change**		
	UK	**Germany**	**Total**	**UK**	**Germany**	**Total**	***UK***	***Germany***	***Total***
Product revenue	1,200	221	1,421	693	122	814	73%	82%	75%
Service revenue	54	4	58	35	3	38	54%	17%	51%
Commission revenue	146	-	146	143	-	143	2%	28%	2%
Third party logistics	17	1	18	17	-	17	(1)%	2,019%	6%
Recycling	18	-	18	14	-	14	32 %	-	32%
Total revenue	1,435	226	1,661	901	125	1,026	59%	81%	62%
Total revenue including NL [1]	1,435	226	1,661	901	145	1,046	59%	57%	59%

[1]The majority of revenue generated in our Netherlands business in the prior year was classified as Product revenue.
[2]Totals may vary due to effects of rounding.

Total Group revenue (excluding the Netherlands) grew 62% to £1,661m (2020: £1,026m) with both the UK and Germany recording considerable growth. UK revenues grew 59% to £1,435 (2020: £901m). Revenues in Germany grew 81% to £226m (2020: £125m).

Product revenue

Total revenue growth was primarily driven by the increase in our product sales. As Covid restrictions resulted in most retail outlets closing for much of the year, most non-essential retailing gravitated online, accelerating structural shifts towards the digital environment.

In the UK, product revenue increased 73% to £1,200m (2020: £693m). MDA grew 61% as demand for larger fridges, chest freezers and other home appliances soared during lockdown. We also enjoyed growth in our SDA category of over 100% albeit from a smaller base and increasing our market share. Additional categories relating to home entertainment all grew strongly during the Covid restrictions, including AV (109%), consumer electronics (126%) and Gaming (127%). Our AO Business, which sells to housebuilders and other large volume businesses, continued to build momentum, growing 69% year-on-year.

Our business in Germany experienced robust growth from a smaller base. Due to Covid-related restrictions on store openings, the online MDA market almost doubled over the year, with our market share growing by 1.3ppts to 3.2% and product revenue growing 82% to £221m (2020: £122m).

Service revenue

Service revenue comprises service bundles, such as gas installations through our premier fleet, installing televisions on walls and timed delivery slots.

UK Service revenue increased 54% to £54m compared to £35m for the same period last year. Covid restrictions on social distancing resulted in the pausing of many of our normal services propositions, although customer demand remained strong outside the lockdown period. Services therefore reported good growth overall, albeit at a lower rate than our headline revenue growth.

Germany experienced a similar market experience; however, the German market was under heavier restrictions than the UK and, consequently, many of our normal services were constrained for longer periods than in the UK, although overall service revenue growth was 17%.

Other Revenue

Revenue from Commissions comprises revenues 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. It also includes the revenue from selling our AO Care branded insurance plans where we act as agent for D&G. During the year, our commissions revenue from the MNOs grew by 2% with our AO Care plan income increasing by 34%.

As reported at the half year, we experienced a shift in customer behaviour in the mobile business with increased cashback redemption rates and cancellation of contracts, which management believe was mainly Covid related. We consequently reviewed the estimates and judgements used in assessing previously recognised revenue which resulted in a revenue reduction of £10.8m in the reporting period. We reacted quickly to these shifts in customer behaviour, moving our propositions to more upfront cash deals which reduced the monthly recurring charge (MRC) for the consumer but also improved the customer journey with simpler, customer-friendly offers. As a result, our Mobile business continued to grow in a Mobile contract market that declined 5% year-on-year, whilst also achieving an improved NPS.

Our AO Care insurance offering is a regulated product which provides customers with the security that their new product can be repaired or replaced if required. Revenue from AO Care grew in line with product revenue during the year and, as more customers were at home during the pandemic, conversion rates for AO Care products increased modestly. However, as a result of the restatement of comparatives, this performance was partly offset by the impact of the reassessment of estimates and judgements relating to previously recognised revenue, as set out later in this document. As a result, revenue in the period was constrained by £8.1m.

In the UK, revenues from third party logistics were broadly flat, as we focused on utilising capacity for our ao.com and existing third-party customers. Deliveries were also constrained by certain products being classified as non-essential under UK Government Covid guidelines. Third party logistics services performed well in Germany as a new service.

Despite Covid restrictions, which meant recycling centres were closed for long periods under Government guidelines, recycling revenue grew 32%, driven mainly from increased volumes from both our own collections from our AO customers and from local authority clients. We are also pleased that our new plastics centre became fully operational during the year which meant we have generated our first revenues from selling recycled plastics.

Gross margins

Table 2

Gross Profit £m[1]	**12 months to 31 March 2021**			**12 months to 31 March 2020 (restated)**			**% change**		
	UK	**Germany**	**Total**	**UK**	**Germany**	**Total**	***UK***	***Germany***	***Total***
Gross profit	273	20	293	177	2	179	*54%*	*1,011%*	*63%*
Gross margin	19%	9%	18%	20%	1%	17%	*(0.6) ppts*	*7.2ppts*	*0.2ppts*
Gross margin including NL	19%	9%	18%	*20%*	*0.6%*	*17%*	*(0.6) ppts*	*8.0ppts*	*0.6ppts*

[1]Totals may vary due to effects of rounding.

Total Gross profit for the Group, which includes product margins, delivery costs, commissions from selling insurance plans and network connections and other ancillaries, increased 63% to £293m (2020: £179m). Gross margin increased slightly as a percentage of revenue from 17.4% to 17.6%.

UK Gross profit grew by 54% to £273m (2020 restated: £177m). Gross Margin was broadly unchanged but was impacted by the changes to estimates and judgements in both Mobile and Aftercare as discussed above. Excluding the impact of the changes above our Gross margin remained broadly flat at 19.0% (2020: 19.6%).

We anticipate that UK Gross Margin will reduce slightly in the near term as we grow our share in new product categories in line with our strategy of being the global destination for electricals. Efficiency gains in logistics for these products will help offset the dilutive effect on margins.

In Germany, Gross Margin improved strongly to 9% from 1%, and further improving from 2019, when gross margin was negative 2%. This reflects the operational leverage in our business, our achievement in bringing pricing in line with that of the UK and negotiation of more favourable supplier terms. Increased product sales also drove efficiencies in our logistics operation. Gross Profit grew strongly to £20m (2020: £2m).

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

Table 3

SG&A costs £m[1]	12 months to 31 March 2021			12 months to 31 March 2020			% change		
	UK	Germany	Total	UK	Germany	Total	*UK*	*Germany*	*Total*
Advertising and marketing	43	7	50	22	7	29	98%	7%	76%
% of revenue	*3%*	*3%*	*3%*	*2%*	*5%*	*3%*			
Warehousing	59	7	66	38	4	42	56%	65%	57%
% of revenue	*4%*	*3%*	*4%*	*4%*	*3%*	*4%*			
Research and development	15	-	15	9	-	9	66%	-	66%
% of revenue	*1%*	-	*1%*	*1%*	-	*1%*			
Other admin	118	14	132	84	13	97	41%	6%	36%
% of revenue	*8%*	*6%*	*8%*	*9%*	*11%*	*10%*			
Adjustments	-	-	-	-	1	1	-	(100)%	(100)%
% of revenue	-	-	-	0%	1%	0.1%			
Administrative expenses	**236**	**28**	**264**	**153**	**25**	**178**	**54%**	**12%**	**48%**
% of revenue	16%	12%	16%	17%	20%	17%			
Administrative expenses including NL	**236**	**28**	**264**	**153**	***30***	***183***	**54%**	**(7)%**	**44%**
% of revenue	*16%*	*12%*	*16%*	*17%*	*24%*	*18%*			

[1]Totals may vary due to effects of rounding.

Total SG&A costs increased over the year but as a percentage of revenue decreased to 16% (2020: 18%). SG&A costs for the Group increased to £264m (2020: £183m) as we invested in our logistics infrastructure, IT systems and additional people to manage the increase in customer demand and people with specific technical skills.

In the UK, SG&A costs increased 54% to £236m (2020: £153m), although as a percentage of revenue, this was a decrease of 0.6ppts. During the year we invested in our warehousing, near doubling our capacity as we anticipated the likely disruption in our supply chain during Covid restrictions. This helped us to strengthen our supplier relationships as we were able to absorb additional product stock when retail stores closed and as a result, we were able to satisfy customer demand when product availability was curtailed as well as building supplier credibility.

We also took the strategic decision to invest in marketing and brand advertising to support our revenue growth, running several successful marketing campaigns across television and social media and sponsored several sporting events, taking advantage of competitive rates during Covid lockdowns. These activities helped drive a total of 1.9m new customers to our UK website during the year and increased website traffic by 83%.

UK other administration expenses increased to £118m (2020: £84m) although as a percentage of revenue this was a decrease of 0.9ppts. Expenditure included costs associated with the start of our investment to transform our IT infrastructure and the procurement of the necessary skills required to support the next phase of our growth.

In Germany, we increased our SG&A expenditure to £28m (2020: £25m), although it reduced as a percentage of revenue by 8ppts. This level is now below that of the UK as we further leverage our One AO platform together with improving efficiencies in our local logistics and admin operations.

Advertising and marketing costs in Germany decreased as a percentage of revenue by 2 ppts, as similarly to the UK, customer demand outstripped supply in certain categories in the early part of the reporting year. Warehousing as a percentage of revenue improved slightly by 0.3ppts as we leveraged our scale with the increased volumes. We have seen substantial efficiency gains in Germany which reduced Other Administration expenses by 5 ppts. This is a result of the continuation of the work we commenced during FY20 in restructuring our operations and leveraging our skills and knowledge in the UK as part of the One AO platform.

Operating profit and Adjusted EBITDA

We are pleased to report a substantial increase in operating profit for the period to £30m (2020: £(4)m loss).

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 profit/(loss) before interest, tax, depreciation, amortisation and profit/loss on the disposal of fixed assets.

Adjusted EBITDA

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

Table 4

Operating Income and Adjusted EBITDA £m[1]	**12 months to 31 March 2021**			**12 months to 31 March 2020 (restated)**			**% change**		
	UK	**Germany**	**Total**	**UK**	**Germany**	**Total**	***UK***	***Germany***	***Total***
Operating profit/ (loss) excluding Netherlands	38	(8)	30	25	(24)	1	55%	64%	3,052%
Netherlands Operating loss	–	–	–	-	(5)	(5)	-	(100)%	(100)%
Operating profit/(loss)	38	(8)	30	25	(29)	(4)	55%	(71)%	(791)%
Depreciation	19	3	22	16	3	19	18%	2%	16%
Amortisation	3	–	3	2	-	2	24%	-	24%
EBITDA Excluding Netherlands	59	(5)	54	43	(20)	22	41%	74%	147%
Netherlands EBITDA	–	–	–	-	(5)	(5)	-	100%	100%
EBITDA	59	(5)	54	43	(26)	17	41%	80%	223%
Adjusting items									
Adjusting items excluding Netherlands	8	2	10	(2)	2	-	500%	-	4,708%
Netherlands Adjusting items	–	–	–	-	2	2	-	(100)%	(100)%
Total Adjusting Items	8	2	10	(2)	4	2	502%	(51%)	331%
Adjusted EBITDA excluding Netherlands	67	(3)	64	41	(18)	22	68%	83%	191%
Netherlands Adjusted EBITDA	–	–	–	–	(3)	(3)	-	100%	100%
Adjusted EBITDA	67	(3)	64	41	(21)	19	68%	86%	237%
Adjusted EBITDA as % of Revenue	*5%*	(1)%	*4%*	*5%*	17%	*2%*			

[1]*Totals may vary due to effects of rounding.*

Adjusted EBITDA is calculated by adding back or deducting Adjusting Items to EBITDA. Adjusting Items are those items which the Group excludes to present a further measure of the Group's performance. Each of these items, costs or income, is considered to be significant in nature and/or quantum or is 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.

During the 12 months to 31 March 2021, the following adjustments ("Adjusting Items") were made:

- Management have reassessed the impact on future expected cancellation rates as a result of an increase in cancellations seen through the second half of the year. As a result, revenue has been further constrained by £8.1m with a corresponding reduction in the contract asset. Given the size and nature of the adjustment and its link to the prior period adjustment, the amount has been added back in arriving at Adjusted EBITDA.

- Consistent with the treatment adopted in prior periods, the full cost of an onerous marketing contract in Germany (which ended in December 2020) has been added back in arriving at Adjusted EBITDA. In the 12 months to 31 March 2021, this amounted to £2.2m (2020: £1.3m) and have been added back due to their size, timing and the onerous nature of the contract which we consider to be exceptional.

During the 12 months to 31 March 2020, as well as the matter noted above on marketing costs, the Adjusting Items were as follows:

- Closure costs of our Netherlands operations: At the time of the publication of our interim results in November 2019, the Group announced its intention to close its operations in the Netherlands. On 9 December 2019, the website was closed, and, after that date, we worked with suppliers, staff and the authorities to ensure an orderly closure of the companies which completed at 31 March 2020. Costs of £2.5m incurred between 9 December 2019 and 31 March 2020 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.
- Following the closure of the Netherlands business, the Group restructured its European business, with additional costs of £0.9m incurred relating to the closure, principally headcount reduction in Germany.
- Following the signing of a new longer term contract with Vodafone in October 2019, certain historic claims against AO Mobile Limited were discharged and, consequently, provisions of £2.3m were released to 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 had never been recognised in the Group income statement.

Taxation

The tax charge for the year was £3.1m (2020 restated: £0.1m credit), resulting in an effective rate of tax for the year of 15.4% (2020: 5.8%), which is lower than the UK corporation tax rate for the period of 19% due to the corporation tax relief claimed on the share exercises that have occurred in the current year. In addition, the following permanent adjustments also impact on the effective tax rate: non-deductible foreign exchange losses arising on intercompany balances, the share-based payment charges, and non-qualifying depreciation.

The Group is subject to taxes in the UK, Germany, Netherlands and Belgium. 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.

Operations in the Netherlands ceased in December 2019. The Dutch entities are in the process of being of liquidated and therefore there are no longer any brought forward losses in these entities that can be utilised in the Netherlands.

A prior period adjustment to deferred tax of £0.1m credit has also been recognised in the period due to an increase in carried forward losses.

Tax losses in Germany from prior years remain as carried forward losses for UK tax purposes. To the extent that those losses arose before April 2017, deferred tax has not recognised on these losses. However, following the change in the Group relief rules in the UK from April 2017, losses arising after this date have been recognised for deferred tax purposes.

Our tax strategy can be found at www.ao-world.com/responsibility/group-tax-strategy.

Retained profit for the year and earnings per share

Retained profit for the year was £17.1m (2020 restated: £0.7m). The improvement in operating profit noted above has been partly offset by net interest paid, taxation and movements in non-cash financing items which include the exchange movement on intra-group loans (resulting in a loss of £6.8m) and the unwind of discounting on long term contract assets.

Basic earnings per share was 3.73p (2020 restated: 0.21p) and diluted earnings per share was 3.68p (2020 restated: 0.21p). Basic earnings per share is reconciled to adjusted basic loss per share (after excluding the impact of foreign exchange differences – see above) of 5.15p (2020 restated: (1.08)p loss) as shown below:

Table 5

Retained Profit and Earnings per share	**12 months to 31 March 2021**	**12 months to 31 March 2020 (Restated)**
(£m)		
Earnings		
Profit attributable to owners of the parent company	18	1
Foreign exchange losses/(gains) on intra-Group loans	7	(6)
Adjusted profit/(loss) attributable to owners of the parent company	25	(5)
Number of shares		
Weighted average number of ordinary shares	475,626,353	472,462,309
Potentially dilutive share options	6,337,186	4,857,812
Diluted weighted average number of shares	481,963,539	477,320,121
Earnings/(Loss) per share (in pence)		
Basic earnings per share	3.73	0.21
Diluted earnings profit per share	3.68	0.21
Adjusted basic earnings/(loss) per share	5.15	(1.08)

[1]*Totals may vary due to effects of rounding.*

Restatement of comparatives

In conducting a reconciliation of its customer base with the Group's insurance plan partner, D&G, the Group discovered that a number of plans which were treated as live on the Group's database had actually been cancelled. In addition, a number of live plans had not been reported to the Group. These arose primarily as a result of the misinterpretation of data received from the third party and related to the period 2008 to 2020. As a consequence, revenue, finance income and the associated contract asset have been overstated in these past periods. The errors have been corrected by restating each of the affected financial statement line items for prior periods, resulting in a cumulative adjustment to reserves of £11.1m. Further detail is provided in Note 11.

Cash resources and cash flow

Cash balances as at 31 March 2021 were £67m (2019: £7m). The increase in cash was largely driven by the strong operating performance discussed above and a working capital inflow resulting from the operating leverage inherent in our business. This was partly offset by the repayment of borrowings and lease liabilities of £40m and capital expenditure of £6m.

Borrowings, which comprises bank borrowings and lease liabilities, decreased to £95m (2020: £106m) with the repayment of the Group's term debt of £20m. This was partly offset by the recognition of the new right of use lease liabilities as the Group invested in its infrastructure.

On 6 April 2020, the Group refinanced its debt facilities by consolidating the existing £60m Revolving Credit Facility and the £20m outstanding balance on the Term Loan into a new £80m RCF which matures in April 2023 through a banking facility with HSBC Bank plc, Lloyds Bank Plc (subsequently replaced by Uni-Credit AG), Barclays Bank Plc and NatWest Bank plc. The facility is available for general corporate purposes, including UK working capital movements. This results in total liquidity headroom of £143m at the period end with an undrawn amount at 31 March 2021of £76m. The amount utilised relates to letters of credit and payment guarantees.

Working capital

Table 6

Working capital	**12 months to 31 March 2021**			**12 months to 31 March 2020 (restated)**		
£m	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Inventories	115	25	140	62	11	73
As % of cost of goods sold	10%	12%	10%	9%	8%	8%
Trade and other receivables	230	21	251	205	9	214
As a % of revenue	16%	9%	15%	24%	6%	22%
Trade and other payables	(392)	(28)	(419)	(247)	(10)	(257)
As % of cost of goods sold	34%	13%	31%	34%	7%	30%
Net working capital	(46)	18	(28)	20	10	30
Change in net working capital	(66)	8	(58)	(3)	(2)	(6)

[1]Totals may vary due to effects of rounding.

At 31 March 2021, the Group had net current liabilities of £59m (2020 restated: £56m).

UK inventories increased over the period, and at 31 March 2021 stood at £115m (2020: £62m) due to Covid-related inefficiencies in the supply chain and increased customer demand stimulated by Covid restrictions. We anticipate that inventory levels will remain higher than normal when normally inventories tend to adjust to sales growth.

UK average stock days remained broadly consistent against the prior year at 29 days (2020: 27 days).

UK trade and other receivables (both non-current and current) totalled £230m as at 31 March 2021 (2020 restated: £205m), principally reflecting an increase in commercial income receivable such as rebates as a result of the significant increase in trading.

UK trade and other payables increased to £392m (2020: £247m) reflecting the significant increase in trade which has increased both trade payables and deferred income.

At 31 March 2021, Germany's inventories increased to £25m (2020: £11m), reflecting similar increases as seen in the UK in response to the Covid-related restrictions. Trade and other receivables increased to £21m (2020: £9m) due to the uplift in revenue in the year and an increase in commercial income receivable.

Trade and other payables increased to £28m (2020: £10m), due to the significantly higher stock levels.

Capital expenditure

Total cash capital expenditure in the year was £6.3m (2020: £6.9m). This mainly comprised investment in IT equipment partly as a result of the change in working arrangements during the pandemic, continued investment in our plastics plant/recycling facility and outbases and initial costs of the fit out of stores in our trial with Tesco.

In the prior year expenditure 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.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2021

	Note	2021 £m	2020 £m Restated (See note 11)
Continuing operations			
Revenue excluding Netherlands		**1,660.9**	1,026.4
Netherlands revenue		**-**	19.3
Total revenue	2	**1,660.9**	1,045.7
Cost of sales		**(1,368.4)**	(867.9)
Gross profit		**292.5**	177.8
Administrative expenses		**(263.6)**	(183.3)
Other operating income		**0.8**	1.2
Operating profit excluding Netherlands		**29.7**	0.9
Netherlands operating loss		**-**	(5.2)
Total operating profit/ (loss)		**29.7**	(4.3)
Finance income	4	**4.3**	10.5
Finance costs	5	**(13.8)**	(5.6)
Profit before tax		**20.2**	0.6
Tax (charge)/ credit	6	**(3.1)**	0.1
Profit after tax excluding Netherlands		**17.1**	5.9
Netherlands loss after tax		**-**	(5.2)
Profit after tax for the year		**17.1**	0.7
Profit/(loss) for the year attributable to:			
Owners of the Company		**17.7**	1.0
Non-controlling interests		**(0.6)**	(0.3)
		17.1	0.7
Profit per share (pence per share)			
Basic profit per share	7	**3.73**	0.21
Diluted profit per share	7	**3.68**	0.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2021

	2021 £m	2020 £m Restated (see note 11)
Profit for the year	**17.1**	0.7
Items that may subsequently be recycled to income statement		
Exchange differences on translation of foreign operations	**5.8**	(5.5)
Total comprehensive profit/(loss) for the period	**22.9**	(4.8)
Total comprehensive profit/(loss) for the year attributable to:		
Owners of the Company	**23.5**	(4.5)
Non-controlling interests	**(0.6)**	(0.3)
	22.9	(4.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Note	2021 £m	2020 £m Restated (See note 11)	2019 £m Restated (See note 11)
Non-current assets				
Goodwill		**28.2**	28.2	28.2
Other intangible assets		**15.6**	15.8	16.9
Property, plant and equipment		**32.8**	29.3	26.5
Right of use assets		**74.3**	64.7	63.1
Trade and other receivables		**85.3**	79.2	71.4
Derivative financial asset		–	0.6	0.8
Deferred tax		**5.6**	4.6	4.6
		241.8	222.4	211.5
Current assets				
Inventories		**139.6**	72.7	76.3
Trade and other receivables	8	**166.2**	134.9	112.2
Corporation tax receivable		**1.0**	1.0	0.6
Cash and bank equivalents	10	**67.1**	6.9	28.9
		373.9	215.5	218.0
Total assets		**615.7**	437.9	429.5
Current liabilities				
Trade and other payables	9	**(411.4)**	(249.6)	(229.8)
Borrowings	10	–	(5.2)	(9.5)
Lease liabilities		**(21.4)**	(16.1)	(14.3)
Derivative financial liability		–	(0.2)	(0.6)
Provisions		**(0.1)**	(0.7)	-
		(432.9)	(271.8)	(254.2)
Net current liabilities		**(59.0)**	(56.3)	(36.2)
Non-current liabilities				
Trade and other payables	9	**(7.9)**	(7.5)	(7.4)
Borrowings	10	–	(16.7)	(20.9)
Lease liabilities		**(73.9)**	(68.1)	(67.8)
Derivative financial liabilities		–	(0.8)	(2.9)
Deferred tax		**(2.3)**	(2.6)	(2.7)
Provisions		**(2.3)**	(1.9)	(2.2)
		(86.4)	(97.5)	(103.9)
Total liabilities		**(519.3)**	(369.3)	(358.1)
Net assets		**96.4**	68.6	71.5
Equity attributable to owners of the parent				
Share capital		**1.2**	1.2	1.2
Investment in own shares		–	–	–
Share premium account		**104.3**	103.7	103.7
Other reserves		**25.3**	21.9	29.0
Retained losses		**(33.1)**	(57.1)	(61.5)
Total		**97.7**	69.7	72.4
Non-controlling interest		**(1.3)**	(1.0)	(0.9)
Total equity		**96.4**	68.6	71.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
At 31 March 2021

				Other reserves								
	Share capital £m	Investment in own shares £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Share-based payments reserve £m	Translation reserve £m	Other reserves £m	Retained losses £m	Total £m	Non-controlling interest £m	Total £m
Reported balance at 1 April 2019	1.2	–	103.7	22.2	0.5	13.1	(4.2)	(2.5)	(51.2)	**82.7**	(0.9)	**81.8**
Cumulative adjustment to opening balance (see note 11)	–	–	–	–	–	–	–	–	(10.4)	**(10.4)**	–	**(10.4)**
Restated balance at 1 April 2019	1.2	–	103.7	22.2	0.5	13.1	(4.2)	(2.5)	(61.5)	**72.4**	(0.9)	**71.5**
Profit/ (loss) for the period	–	–	–	–	–	–	–	–	1.0	**1.0**	(0.3)	**0.7**
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	**–**	–	**–**
Restated balance at 31 March 2020	1.2	–	103.7	22.2	0.5	11.7	(9.7)	(2.7)	(57.1)	**69.7**	(1.0)	**68.6**
Profit/ (loss) for the period	–	–	–	–	–	–	–	–	17.7	**17.7**	(0.6)	**17.1**
Share-based payment charge net of tax	–	–	–	–	–	4.2	–	–	–	**4.2**	–	**4.2**
Issue of shares net of expenses	–	–	0.6	–	–	–	–	–	–	**0.6**	–	**0.6**
Foreign currency loss arising on consolidation	–	–	–	–	–	–	5.8	–	–	**5.8**	–	**5.8**
Acquisition of minority interest	–	–	–	–	–	–	–	(0.3)	–	**(0.3)**	0.4	**0.1**
Movement between reserves	–	–	–	–	–	(6.3)	–	–	6.3	–	–	–
Balance at 31 March 2021	**1.2**	–	**104.3**	**22.2**	**0.5**	**9.6**	**(4.0)**	**(3.0)**	**(33.1)**	**97.7**	**(1.3)**	**96.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 £m	2020 £m Restated (See note 11)
Cash flows from operating activities		
Profit for the year	**17.1**	0.7
Adjustments for:		
Depreciation and amortisation	**24.6**	21.1
Finance income	**(4.3)**	(10.5)
Finance costs	**13.8**	5.6
Taxation charge/ (credit)	**3.1**	(0.1)
Share-based payment charge	**3.3**	2.0
Increase in provisions	**0.9**	0.4
Operating cash flows before movement in working capital	**58.5**	19.2
(Increase)/ decrease in inventories	**(67.6)**	4.0
Increase in trade and other receivables	**(35.9)**	(29.0)
Increase in trade and other payables	**162.0**	19.7
Total movement in working capital	**58.5**	(5.3)
Taxation (paid)/ refunded	**(2.4)**	0.2
Cash generated from operating activities	**114.6**	14.1
Cash flows from investing activities		
Interest received	–	0.1
Proceeds from sale of property, plant and equipment	–	0.1
Acquisition of property, plant and equipment	**(6.3)**	(6.9)
Acquisition of intangible assets	**(2.8)**	(1.1)
Cash used in investing activities	**(9.1)**	(7.9)
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	**0.6**	–
Acquisition of non-controlling interest	**(0.1)**	(0.5)
Interest paid on borrowings	**(2.3)**	(1.5)
Interest paid on lease liabilities	**(4.0)**	(3.7)
Repayments of borrowings	**(21.9)**	(6.4)
Repayment of lease liabilities	**(17.6)**	(16.2)
Net cash used in financing activities	**(45.3)**	(28.2)
Net increase/ (decrease) in cash	**60.2**	(22.1)
Cash and cash equivalents at beginning of year	**6.9**	28.9
Exchange gains on cash and cash equivalents	–	0.1
Cash and cash equivalents at end of year	**67.1**	6.9

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The financial information been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 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 of the financial statements have been applied in preparing this financial information.

The following amendments to accounting standards and interpretations, issued by the International Accounting Standards Board (IASB), have been adopted for the first time by the Group in the period with no significant impact on the consolidated results or financial position:

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments to IFRS 3 'Definition of a Business'
- Amendments to IAS 1 and IAS 8 'Definition of Material'

New accounting standards in issue but not yet effective

New standards and interpretations that are in issue but not yet effective are listed below:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform' – phase 2

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed and require adoption by the Group in future reporting periods. The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

Going concern

Notwithstanding net current liabilities of £59.0m as at 31 March 2021, 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 which at the date of approval of these financial statements amount to £67.1m.

The Directors have prepared base and sensitised cash flow forecasts for the group covering a period of at least 12 months from the date of approval of these financial statements ("the going concern period") which indicate that the Group will remain compliant with its covenants and will have sufficient funds through its existing cash balances and availability of funds from Revolving Credit Facility 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 to sensitise its base case. These primarily include an assessment of how market share could be impacted as Covid-19 restrictions continue to ease and consumers are able to shop in bricks and mortar stores again without precaution. Whilst the directors are confident that a majority of new customers attracted during the past year will continue to enjoy the benefits of shopping online with AO, the sensitivity analysis has explored reduced market shares and a severe but plausible downside of a return to online MDA sales levels experienced in FY20. Under this severe but plausible downside scenario the Group continues to demonstrate headroom on its banking facilities of £45.9m and remains compliant with covenants.

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.

Critical accounting judgements and key sources of estimation uncertainty

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

Accounting standards require the Directors to disclosure those areas of critical accounting judgement and key sources of estimation uncertainty which carry a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next 12 months. These are discussed below.

Impairment of intangible assets and goodwill

As part of the acquisition of Mobile Phones Direct Limited in 2018, the Group recognised amounts totalling £16.3m in relation to the valuation of the intangible assets and £14.7m in relation to residual goodwill.

Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is reviewed for impairment on an annual basis. When a review for impairment is conducted, the recoverable amount is determined based on the higher of value in use and fair value less costs to sell. The value in use method requires the Group to determine appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flow projections over the three-year strategic plan period, the long-term growth rate to be applied beyond this three-year period and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value.

Whilst at 31 March 2021, the Directors have concluded that the carrying value of the intangibles and goodwill is appropriate (after considering certain sensitivities), changes in any of these assumptions, which could be driven by the end customer behaviour with the Mobile Network Operators, could give rise to an impairment in the carrying value.

Other areas of estimation uncertainty

As explained in note 8 and note 11, during the year ended 31 March 2021, management have made significant revisions to the carrying value of the contract assets in relation to product protection plans and mobile commissions. These have arisen mainly due to:

1. A misinterpretation of data supplied by a third party in relation to product protection plans which has resulted in a restatement of prior year financial statements (see note 11);
2. The consequential effect on assumptions and estimates used in recognising revenue in past years from the amendment to the underlying data noted above (see note 3 and 8); and
3. A significant change in customer behaviour in the Mobile business resulting in the tenure of contracts reducing as end customers have cancelled contracts or defaulted as well as an increase in redemption rates on relating to cashback schemes. Management believes that the financial impact of Covid 19 has contributed significantly to these behaviours.

Having taken account of the above matters, which are all considered to be non-recurring by management and the effect of which has been reflected in the current carrying value, the Directors do not believe there is a significant risk of a material reversal of revenue in the following 12 months. However, they believe that disclosure of the assumptions made in relation to the recognition and assessment of the recoverability of commissions relating to product protection plans and mobile network operator contracts is important for an understanding of the financial statements.

Historical information available to the Group prior to FY21, and the approach taken in calculating revenue to recognise, provides management with a degree of confidence that the initial revenue recognised should be consistent with the subsequent receipt of cash.

The nature of the estimates made based on the historical information available reflects a range of reasonable outcomes based on the facts and circumstances present at the year-end therefore the revenue recognised is not expected to trigger a material upward or downward adjustment.

We do however continue to believe that the information provided is useful for a reader of the Annual Report as it gives meaningful insight into the factors considered when recognising commission revenue.

Revenue recognition and recoverability of income from product protection plans
Revenue recognised in respect of commissions receivable over the lifetime of the plan for the sale of product protection plans is recognised in line with the principles of IFRS 15, when the Group obtains the right to consideration as a result of performance of its contractual obligations (acting as an agent for a third party).

Revenue in any one year therefore represents an estimate of the commission due on the plans sold, which management estimate reliably based upon a number of assumptions, including:

- the length of the policies;
- the commission rates receivable;
- the historical rate of customer attrition; and
- the overall performance of the scheme.

Commission receivable also depends for certain transactions on customer behaviour after the point of sale. Assumptions are therefore required, particularly in relation to levels of customer default within the contract period, expected levels of customer spend, and customer behaviour beyond the initial contract period. Such assumptions are based on extensive historical evidence, and adjustment to the amount of revenue recognised is made for the risk of potential changes in customer behaviour, but they are nonetheless inherently uncertain, e.g., any change in behaviour as a result of Covid-19.

Reliance on historical data assumes that current and future experience will follow past trends. The Directors believe that the quantity and quality of historical data available provides an appropriate proxy for current and future trends. Any information about future market trends or economic conditions that we believe suggests historical experience would need to be adjusted, is taken into account when finalising our assumptions each year. Our experience over the last decade, which has been a turbulent period for the UK economy as a whole, is that variations in economic conditions have not had a material impact on consumer behaviour and, therefore, no adjustment to commissions is made for future market trends and economic conditions.

In assessing how consistent our observations have been, we compare cash received in a period versus the forecast expectation for that period as we believe this is the most appropriate check on revenue recognised. Small variations in this measure support the assumptions made.

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

Changes in estimates recognised as an increase or decrease to revenue may be made, where for example more reliable information is available, and any such changes are required to be recognised in the income statement. The commission receivable balance as at 31 March 2021 was £80.7m (2020 restated: £70.0m). The discount rate used to unwind the commission receivable is 3.55% (2020: 4.6%).

Revenue recognition and recoverability of income in relation to network commissions

Revenue in respect of commissions receivable from the Mobile Network Operators ("MNOs") for the brokerage of network contracts is recognised in line with the principles of IFRS 15, when the Group obtains the right to consideration as a result of performance of its contractual obligations (acting as an agent for a third party).

Revenue in any one year therefore represents an estimate of the commission due on the contracts sold, which management estimate reliably based upon a number of assumptions, including:

- revenue share percentage, i.e., the percentage of the consumer's spend (to the MNO) to which the Group is entitled;
- the discount rate using external market data (principally forecasts of inflation – 1.5% (2020: 2.75%);
- the length of contract entered into by the consumer (12 to 24 months); and
- consumer average tenure which takes account of both the default rate during the contract period and the expectations that some customers will continue beyond the initial contract period and generate out of contract ("OOC") revenue (4% - 12.5%)

The commission receivable on mobile phone connections can therefore depend on customer behaviour after the point of sale. The revenue recognised and associated receivable in the month of connection is estimated based on all future cash flows that will be received from the MNO and these are discounted based on the timing of receipt.

This also takes into account the potential clawback of commission by the MNOs for which a reduction is made in the amount of revenue recognised based on historical experience. The Directors consider that the quality and quantity of the data available from the MNOs is appropriate for making these estimates and, as the contracts are primarily for 24 months, the period over which the amounts are estimated is relatively short. As with commissions recognised on the sale of production protection plans, the Directors compare the cash received to the initial amount recognised in assessing the appropriateness of the assumptions used.

The commission receivable balance as at 31 March 2021 was £91.5m (2020: £90.9m). The discount rate used to unwind the commission receivable is 0.1% (2020: 2.75%).

2. Revenue

The table below shows the Group's revenue by main geographical area and major business area. All revenue is accounted for at a point in time as the Group has satisfied its performance obligations on the sale of its products/services.

Major product/services lines

Year ended (£m)	31 March 2021			31 March 2020 Restated (See note 11)		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**
Product revenue	**1,200.3**	**220.9**	**1,421.2**	692.8	140.7	833.5
Service revenue	**54.0**	**4.0**	**58.0**	35.0	3.4	38.3
Commission revenue	**146.0**	**0.3**	**146.3**	143.3	0.2	143.5
Third party logistics revenue	**16.5**	**1.2**	**17.7**	16.6	–	16.7
Recycling revenue	**17.7**	–	**17.7**	13.5	0.2	13.6
Total revenue	**1,434.5**	**226.4**	**1,660.9**	901.2	144.5	1,045.7

3. Segmental analysis

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

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. Transactions between segments are undertaken on an arm's length basis using appropriate transfer pricing policies.

a. Income statement

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

Year ended (£m)	31 March 2021			31 March 2020 Restated (See note 11)		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**
Total revenue	**1,434.5**	**226.4**	**1,660.9**	901.2	144.5	1,045.7
Cost of sales	**(1,161.6)**	**(206.8)**	**(1,368.4)**	(724.3)	(143.6)	(867.9)
Gross profit	**273.0**	**19.5**	**292.5**	176.9	0.9	177.8
Administrative expenses	**(235.6)**	**(27.9)**	**(263.6)**	(153.2)	(30.1)	(183.3)
Other operating income	**0.8**	–	**0.8**	0.8	0.4	1.2
Operating profit/(loss)	**38.1**	**(8.4)**	**29.7**	24.5	(28.8)	(4.3)
Finance income	**4.3**	–	**4.3**	6.0	4.5	10.5
Finance costs	**(6.9)**	**(6.9)**	**(13.8)**	(4.9)	(0.7)	(5.6)
Profit/(loss) before tax	**35.4**	**(15.3)**	**20.2**	25.6	(25.0)	0.6
Tax (charge)/credit	**(3.1)**	–	**(3.1)**	0.1	(0.1)	0.1
Profit/(loss) after tax	**32.3**	**(15.3)**	**17.1**	25.7	(25.1)	0.7

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 [in table 4 above].

b. Geographical analysis

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

c. Other information

	Additions					
2021 (£m)	**Intangible assets**	**PP&E**	**Right of use assets**	**Depreciation**	**Amortisation**	**Profit on disposal**
UK	**2.8**	**11.4**	**26.2**	**18.6**	**2.8**	–
Europe	–	**0.2**	**1.5**	**3.2**	–	–
	2.8	**11.6**	**27.7**	**21.8**	**2.8**	–

	Additions					
2020 (£m)	**Intangible assets**	**PP&E**	**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	-

Due to the nature of its activities, the Group is not reliant on any individual major customer 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	**2021 £m**	**2020 £m Restated (See note 11)**
Non cash Foreign exchange gains on intra-Group loans	–	6.0
Movement in valuation of put and call option	**0.8**	1.9
Unwind of discounting on non-current contract assets	**3.4**	2.5
Other interest	–	0.1
	4.3	10.5

5. Finance costs

Year ended 31 March	2021 £m	2020 £m
Interest on lease liabilities	**4.0**	3.7
Interest on bank loans	**0.4**	0.6
Other finance costs	**1.9**	0.9
Non cash Foreign exchange losses on intra-Group loans	**6.8**	–
Unwind of discounting on long-term payables	**0.1**	0.3
Movement in valuation of put and call option	**0.6**	0.1
	13.8	5.6

6. Taxation

Year ended 31 March	2021 £m	2020 £m Restated (See note 11)
Corporation tax:		
Current year	**3.4**	0.1
Adjustments in respect of prior years	–	–
	3.4	0.1
Deferred tax		
Current year	**(0.1)**	0.9
Adjustments in relation to prior years	**(0.3)**	(1.0)
Total tax charge/ (credit)	**3.1**	(0.1)

The expected corporation tax charge for the year is calculated at the UK corporation tax rate of 19% (2020: 19%) on the profit before tax for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions in which the Group operates.

The Group has recognised deferred tax in relation to UK companies at 19%.

The charge for the year can be reconciled to the profit in the statement of comprehensive income as follows:

Year ended 31 March	2021 £m	2020 £m Restated (See note 11)
Profit before tax on continuing operations	**20.2**	0.6
Tax at the UK corporation tax rate of 19% (2020: 19%)	**3.8**	0.1
Ineligible expenses	**1.7**	0.3
R & D tax credit	–	–
Difference in overseas and UK tax rates	–	(0.3)
Movement in unrecognised deferred tax	–	1.5
Impact of difference in current and deferred tax rates	–	(0.2)
Income not taxable	**(0.1)**	(1.5)
Share-based payments	**(2.0)**	1.0
Prior period adjustments	**(0.3)**	(1.0)
Tax charge/(credit) for the year	**3.1**	(0.1)

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset/(liability) as at 31 March 2021 was calculated at 19% (2020: 19%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. As these changes were not substantively enacted at the balance sheet date, the Group has continued to recognise deferred tax in relation to UK companies at 19%. The impact of the rate change is not believed to have a material impact on the deferred tax position as at 31 March 2021.

7. Earnings/(loss) per share

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

Year ended 31 March	2021 £m	2020 £m Restated (See note 11)
Profit for the purposes of basic and diluted earnings per share being profit attributable to owners of the parent Company	**17.7**	1.0
Number of shares		
Weighted average shares in issue for the purposes of basic profit per share	**475,626,353**	472,462,309
Potentially dilutive shares options	**6,337,186**	4,857,812
Weighted average number of diluted ordinary shares	**481,963,539**	477,320,121
Earnings per share (pence per share)		
Basic earnings per share	**3.73**	0.21
Diluted earnings per share	**3.68**	0.21

The basic earnings per share is affected by significant noncash foreign exchange movements arising from intra-Group funding arrangements. Management have therefore presented an adjusted earnings per share which is based on an adjusted earnings attributable to the owners of the parent company and the diluted weighted average number of shares as they 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.

Year ended 31 March	2021 £m	2020 £m Restated (See note 11)
Earnings/(loss)		
Profit attributable to owners of the parent company	**17.7**	1.0
Add back/ (reduction) of foreign exchange movements on intra-Group loans	**6.8**	(6.0)
Adjusted earnings/ (loss) attributable to owners of the parent Company	**24.5**	(5.1)
Number of shares		
Weighted average number of ordinary shares	**475,626,353**	472,462,309
Potentially dilutive shares options	**6,337,186**	4,857,812
Diluted weighted average number of shares	**481,963,539**	477,320,121
Earnings/(loss) per share (pence per share)		
Basic earnings per share	**3.73**	0.21
Diluted earnings per share	**3.68**	0.21
Adjusted earnings/ (loss) per share	**5.15**	(1.08)

8. Trade and other receivables

Year ended 31 March	2021 £m	2020 £m Restated (See note 11)
Trade receivables	**19.8**	20.5
Contract assets	**172.2**	160.9
Prepayments and accrued income	**46.8**	29.7
Other receivables	**12.7**	3.0
	251.5	214.1

The trade and other receivables are classified as:

Year ended 31 March	2021 £m	2020 £m Restated (See note 11)
Non-current assets	**85.3**	79.2
Current assets	**166.2**	134.9
	251.5	214.1

All of the amounts classified as Non-current assets relate to contract assets.

Contract assets

Contract assets represent the expected future commissions receivable in respect of product protection plans and mobile phone connections. The Group recognises revenue in relation to these plans and connections when it obtains the right to consideration as a result of performance of its contractual obligations (acting as an agent for a third party). Revenue in any one year therefore represents the estimate of the commission due on the plans sold or connections made.

The reconciliation of opening and closing balances for contract assets is shown below:

Year ended 31 March	2021 £m	2020 £m Restated (See note 11)
Balance brought forward as previously reported	**160.9**	151.1
Restatement – see note 11	**-**	(10.4)
Balance brought forward as restated	**160.9**	140.7
Revenue recognised[1]	**174.0**	153.4
Cash received	**(153.0)**	(134.7)
Revisions to estimates – adjusting items (see page 11)	**(8.1)**	-
Revisions to estimates- other	**(5.0)**	(0.7)
Unwind of discounting	**3.4**	2.2
Balance carried forward	**172.2**	160.9

1 Revenue recognised is gross, that is excluding the deduction of cashback payments, which are deducted from revenue in the Income Statement but are shown as contract liabilities in the Statement of Financial Position.

Commission receivable on product protection plans is estimated using a number of assumptions including the customer cancellation rate. As set out in note 11, the misinterpretation of data supplied by a third party, which is used in calculating the expected cancellation rates, has resulted in a prior year restatement of the financial statements as a result of a number of cancelled plans being counted as live plans within the contract asset valuation. As a consequence of these plans now being excluded, management have reassessed the impact of the plans on the overall expected recoverability of the contract asset and the assumptions and estimate used in such valuation.

The consequential effect on assumptions and estimates used in recognising revenue in past years from the amendment to the underlying data noted above amounts to £8.1m and as it does not relate to the underlying trading in the period has been added back as an Adjusting Item in arriving at the Group's Adjusted EBITDA (see note 3). This is shown as a separate item in the table above. Normal revisions to estimates in relation to revenue recognised in past years amounted to £1.4m.

Commission receivable on mobile phone connections is estimated based on a number of assumptions. These include the customer default rate, being the rate at which the customers disconnect from the mobile network operators. The directors have historically considered this not to be an area of significant estimate due to relatively small fluctuations in the cash received compared to the revenue recognised. However, during the year, there has been a significant change in customer behaviour resulting in the tenure of contracts reducing as end customers have cancelled contracts or have defaulted with the networks and accordingly the estimated transaction price has been reconsidered.

Included in the total contract asset balance at 31 March 2020 was an amount of £3.6m in respect of variable consideration recognised as revenue up to that date that has been reversed in the year ended 31 March 2021. This has been included in the revision in estimates- other in the table above. Overall, the estimated transaction price recognised as revenue and contract assets up to 31 March 2021 in relation to mobile commission is constrained by £4.7m (31 March 2020: £11.7m).

Product protection plans
Under our arrangement with Domestic & General ("D&G"), the Group receives commission in relation to its role as agent for introducing its customers to D&G and recognises revenue at the point of sale as it has no future obligations following this introduction. A discounted cash flow methodology is used to measure the estimated value of the revenue and contract assets in the month of sale of the relevant plan, by estimating all future cash flows that will be received from D&G and discounting these based on the expected timing of receipt. Subsequently, the contract asset is measured at the present value of the estimated future cash flows. The key inputs into the model which forms the base case for management's considerations are:

- the contractually agreed margins which differ for each individual product covered by the plan as is included in the agreement with D&G;
- the number of live plans based on information provided by D&G;
- the discount rate for plans sold in the year using external market data - 3.55% (2020: 4.6%);
- the estimate of profit share relating to the scheme as a whole based on information provided by D&G;
- historic rate of customer attrition which uses actual cancellation data for each month since the start of the plans in 2008 to form an estimate of the cancellation rates to use by month going forward (Range of 0% to 10.7% weighted average cancellation by month); and
- the estimated length of the plan based on historical data plus external assessments of the potential life of products (5 to 16 years).

The last two inputs are estimated based on extensive historical evidence obtained from our own records and from D&G. The Group has accumulated historical empirical data over the last 13 years from circa 2.5 million plans which have been sold. Of these, c1.0 million are live. Applying all the information above, management calculate their initial estimate of commission receivable. Consideration is then given to other factors outside of the historical data noted above which could impact the valuation. This primarily considers the reliance on historical data as this assumes that current and future experience will follow past trends. There is therefore a risk that changes in consumer behaviour could reduce or increase the total cash flows ultimately realised over the forecast period. Management makes a regular assessment of the data and assumptions with a detailed review at half year and full year to ensure this continues to reflect the best estimate of expected future trends.

As set out in Note 1, the Directors do not believe there is a significant risk of a material adjustment to the revenue recognised in relation to these plans over the next 12 months The sensitivity analysis below is disclosed as we believe it provides useful insight to the users of the financial statements into the factors considered when calculating the revenue to be recognised. The table shows the sensitivity of the carrying value of the commission receivables and revenue to a reasonably possible change in inputs to the discounted cash flow model over the next 12 months.

	Impact on contract asset and revenue
Sensitivity	**£m**
25% reduction in terminal drop off rate after actual data available	0.3
25% increase in terminal drop off rate after actual data available	(0.3)
Cancellations increase by 1%	(0.8)
Cancellation rate reduces by 1%	0.9

Terminal drop-off rate - cancellations
The total expected life length of the average plan is dependent on an estimated end of life cancellation. Due to having less empirical data, management accelerated the drop off rate of cancellations beyond the period for which there is actual data as inherently there is a greater degree of judgement required. The drop off rate assumptions used by management have been updated during the year to reduce volatility by excluding expected revenue beyond a backstop date. Over the past year, actual cancellations have been broadly in line with the expected terminal drop off rates. As the amount of data beyond the period is limited, no adjustment has been made to the assumption in the model. We would reasonably expect a maximum variance to the current drop off rate of 25%. The backstop date reduces the impact of any variance.

Cancellations
The number of cancellations and therefore the cancellation rate can fluctuate based on a number of factors. These include macro-economic changes e.g. unemployment, but will also reflect the change in nature of the plan itself (insurance plan versus service plan). Assumptions were updated during the year to remove assumed improvements which should reduce the impact of changes in the cancellation rates. The impact of reasonable potential changes is shown in the sensitivities above.

Other areas
Sensitivities related to changes in margins have not been included due to the extensive amount of historical data our valuation assumptions are based on and the fact that the data is based on actual prices changed by D&G. Any change in price of a plan would need to be agreed between D&G and AO and we consider therefore the likelihood of any significant impact related to changes in price and hence margin is remote; therefore, no sensitivity has been included.

Network commissions
The Group operates under contracts with a number of Mobile Network Operators ("MNOs"). Over the life of these contracts the service provided by the Group to each MNO is the procurement of connections to the MNO's networks. The individual consumer enters into a contract with the MNO for the MNO to supply the ongoing airtime over that contract period. The Group earns a commission for the service provided to each MNO ("network commission"). Revenue is recognised at the point the individual consumer signs a contract with the MNO. Consideration from the MNO becomes receivable over the course of the contract between

the MNO and the consumer. The Group has determined that the number and value of consumers provided to each MNO in any given month represents the measure of satisfaction of each performance obligation under the contract. A discounted cash flow methodology is used to measure the estimated value of the revenue and contract assets in the month of connection, by estimating all future cash flows that will be received from the MNOs and discounting these based on the expected timing of receipt. Subsequently, the contract asset is measured at the present value of the estimated future cash flows.

The key inputs to management's base case model are:

- revenue share percentage, i.e. the percentage of the consumer's spend (to the MNO) to which the Group is entitled;
- the discount rate using external market data (principally forecasts of inflation – 1.5% (2020: 2.75%);
- the length of contract entered into by the consumer (12 to 24 months); and
- consumer average tenure which takes account of both the default rate during the contract period and the expectations that some customers will continue beyond the initial contract period and generate out of contract ("OOC") revenue (4% - 12.5%)

The last two inputs are estimated based on extensive historical evidence obtained from the networks, and adjustment is made for the risk of potential changes in consumer behaviour. Applying all the information above, management calculate their initial estimate of commission receivable. Consideration is then given to other factors outside of the historical data noted above which could impact the valuation. This primarily considers the reliance on historical data as this assumes that current and future experience will follow past trends.

As noted earlier, Management believes that the financial impact of Covid-19 has contributed significantly to customer behaviours resulting in the tenure of contracts reducing as end customers have cancelled contracts or defaulted as well as an increase in redemption rates on relating to cashback schemes. This has impacted previously recognised revenue in the current year with revisions to estimates amounting to c£10.8m. The risk remains that changes in consumer behaviour may continue and could reduce or increase the total cash flows ultimately realised over the forecast period. Management makes a regular assessment of the data and assumptions with a detailed review at half year and full year to ensure this continues to reflect the best estimate of expected future trends and appropriate revisions are made to the estimates. The sensitivity analysis below is disclosed as we believe it provides useful insight to the users of the financial statements by giving insight into the factors considered when calculating the revenue to be recognised. The table shows the sensitivity of the carrying value of the commission receivables and revenue to a reasonably possible change in inputs to the discounted cash flow model over the next 12 months, having taken account of the changes in behaviour experienced in the period.

Sensitivity	**Impact on contract asset and revenue £m**
1% increase in contractual entitlements	2.4
2% increase in the default rate	(3.7)

Prepayments and accrued income

At 31 March 2021, there is £18.2m (2020: £11.6m) included in prepayments and accrued income in relation to volume rebates receivable. The amounts are largely coterminous and are mainly agreed in the month after recognition.

At 31 May 2021, the balance outstanding was £5.0m (2020: £2.7m).

9. Trade and other payables

Year ended 31 March	2021 £m	2020 £m
Trade payables	**273.8**	139.6
Accruals	**36.8**	23.1
Contract liabilities	**63.0**	61.5
Deferred income	**27.4**	15.2
Other payables	**18.3**	17.6
	419.3	257.1

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 62 days (2020: 52 days) reflecting improved terms with a number of suppliers during the year.

Contract liabilities includes payments on account from Mobile Network Operators where there is no right of set off with the contract asset and cashback liabilities due to the end customer within the mobile business.

Certain Mobile phone contracts include variable consideration resulting from cash-back rights that a customer must claim periodically. The Group constrains the transaction price in relation to the cash back based on historical information and has in past periods not considered that the estimates in arriving at the provision were significant as historically, many customers have not fully claimed cash back to which they are entitled. However, during the current year, the Group saw an unprecedented increase in the level of cashback redemptions which was inconsistent with the previous trend of redemptions reducing year on year.

Management believes that the financial impact of Covid-19 has contributed to the increased redemptions and, as a consequence, the Group has revised its estimate of the transaction price based on current consumer behaviour. Included in the total contract liability balance at 31 March 2020 was an amount of £7.2m in respect of variable consideration recognised as revenue in prior years that has been reversed in the year ended 31 March 2021. At 31 March 2021, a liability of £8.2m (31 March 2020: £12.9m) has been recognised out of a maximum potential exposure of £16.2m (31 March 2020: £42.9m). Taking into consideration the revenue constraints required by IFRS15, the range of the estimated liability is between £8.2m and £nil ((31 March 2020: £12.9m and £nil).

The trade and other payables are classified as:

Year ended 31 March	2021 £m	2020 £m
Current liabilities	**411.4**	249.6
Long-term liabilities	**7.9**	7.5
	419.3	257.1

10. Net debt

Year ended 31 March	2021 £m	2020 £m
Cash and cash equivalents at year end	**67.1**	6.9
Borrowings – Repayable within one year	–	(5.2)
Borrowings – Repayable after one year	–	(16.7)
Lease liabilities – Repayable within one year	**(21.4)**	(16.1)
Lease liabilities – Repayable after one year	**(73.9)**	(68.1)
Net debt	**(28.2)**	(99.1)

On 6 April 2020, AO Limited, a direct subsidiary of AO World plc, entered into a new Revolving Credit Facility of £80m which replaced the existing revolving credit facility and term loan. This did not constitute a loan modification but rather the settling of an old facility and replacement with a new one.

The facility expires in April 2023 and is secured by a debenture over the assets of the relevant companies, a charge over the shares in the relevant companies and a charge over the AO.com domain name.

At 31 March 2021, AO Limited had undrawn amounts on its Revolving Credit Facility of £76.1m (2020: £56.7m). The amount drawn at the year-end was in relation to letters of credit (£3.9m).

During the year ended 31 March 2019, AO Limited entered into a term loan agreement under which it borrowed £24m to partly fund the acquisition of MobilePhonesDirect Limited. This was repayable in quarterly instalments starting on 1 April 2019 with a final repayment date in June 2021. At 31 March 2020, £20m was outstanding and was repaid out of the new Revolving Credit Facility on 6 April 2020.

In the same year, AO Recycling Limited entered into £3m term loan to part fund the capital expenditure required for the development of its Plastics Plant. During the prior year £2m of the loan had been converted into finance leases resulting in £1m being outstanding at 31 March 2020. This was repaid in full in April 2020.

11. Restatement of comparatives

In conducting a reconciliation of the contract base with the Group's insurance plan partner, the Group discovered that a number of plans which were treated as live on the Group's database had actually been cancelled in addition to a number of live plans which had not been reported to the Group. These arose due primarily to a misinterpretation of data received from the third party. These plans related to the period 2008 to 2020.

As a consequence- revenue, finance income and the associated contract asset have been overstated in these past periods. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

Summarised consolidated income statement and other comprehensive income

£m	Year ended 31 March 2020 as reported	Adjustment	Year ended 31 March 2020 restated
Revenue	1,046.2	(0.5)	1,045.7
Operating loss	(3.8)	(0.5)	(4.3)
Finance income	10.9	(0.4)	10.5
Finance costs	(5.6)	–	(5.6)
Profit before tax	1.5	(0.9)	0.6
Tax (charge)/ credit	(0.1)	0.1	0.1
Profit after tax for the year	1.4	(0.8)	0.7
Total comprehensive loss for the year	(4.1)	(0.8)	(4.8)

The restatement of the Income Statement has also resulted in Earnings per Share being restated. The profit attributable to shareholders in the prior year has decreased from £1.7m to £1.0m. As a consequence, this results in basic profit per share being 0.21p (2020 reported: 0.38p) and diluted loss per share being 0.21p (2020 reported: 0.37p).

Summarised consolidated statement of financial position

£m	At 31 March 2020 as reported	Adjustment	At 31 March 2020 restated
Non-current assets			
Trade and other receivables	87.9	(8.7)	79.2
Deferred tax asset	4.5	0.1	4.6
Other non-current assets	138.6	–	138.6
	231.0	(8.6)	222.4
Current assets			
Trade and other receivables	137.4	(2.5)	134.9
Other current assets	80.6	–	80.6
	218.0	(2.5)	215.5
Total assets	449.0	(11.1)	437.9
Total liabilities	(369.3)	–	(369.3)
Net assets	79.7	(11.1)	68.6
Retained losses	(46.1)	(11.1)	(57.1)
Other reserves	126.8	–	126.8
Total	80.7	(11.1)	69.7
Non-controlling interest	(1.0)	–	(1.0)
Total equity	79.7	(11.1)	68.6

There is no impact on the overall cash balance as at 31 March 2020 as a result of the restatement. Deductions for the related overpayments of taxation have been reflected in respect of the 2020 financial year. No further deductions relating to periods prior to 2020 have been recognised in these financial statements due to the uncertainty around the recoverability of overpayments of tax relating to these periods.

Summarised consolidated statement of financial position

£m	At 31 March 2019 as reported	Adjustment	At 31 March 2019 restated
Non-current assets			
Trade and other receivables	79.4	(8.1)	71.4
Other non-current assets	140.1	–	140.1
	219.5	(8.1)	211.5
Current assets			
Trade and other receivables	114.5	(2.3)	112.2
Other current assets	105.8	–	105.8
	220.3	(2.3)	218.0
Total assets	439.8	(10.4)	429.5
Total liabilities	(358.1)	–	(358.1)
Net assets	81.8	(10.4)	71.5
Retained losses	(51.2)	(10.4)	(61.5)
Other reserves	134.0	–	134.0
Total	82.7	(10.4)	72.4
Non-controlling interest	(0.9)	–	(0.9)
Total equity	81.8	(10.4)	71.5

Summarised consolidated statements of changes in equity

	Share capital £m	Investment in own shares £m	Share premium account £m	Other reserves: Merger reserve £m	Other reserves: Capital redemption reserve £m	Other reserves: Share-based payments reserve £m	Other reserves: Translation reserve £m	Other reserves: Other reserve £m	Retained losses £m	Total £m	Non-controlling interest £m	Total £m
Reported 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
Cumulative adjustment	–	–	–	–	–	–	–	–	(11.1)	(11.1)	–	(11.1)
Restated balance at 1 April 2020	1.2	–	103.7	22.2	0.5	11.7	(9.7)	(2.7)	(57.1)	69.7	(1.0)	68.6

	Share capital £m	Investment in own shares £m	Share premium account £m	Other reserves: Merger reserve £m	Other reserves: Capital redemption reserve £m	Other reserves: Share-based payments reserve £m	Other reserves: Translation reserve £m	Other reserves: Other reserve £m	Retained losses £m	Total £m	Non-controlling interest £m	Total £m
Reported 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
Cumulative adjustment	–	–	–	–	–	–	–	–	(10.4)	(10.4)	–	(10.4)
Restated balance at 1 April 2019	1.2	–	103.7	22.2	0.5	13.1	(4.2)	(2.5)	(61.5)	72.4	(0.9)	71.5

Ends