AO WORLD PLC

INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2021

A RESILIENT PERFORMANCE DESPITE SHORT-TERM CHALLENGES

AO World plc ("the Group" or "AO"), a leading European online electrical retailer, today announces its unaudited financial results for the six months ended 30 September 2021 ("HY22").

Given the exceptional operating environment over the past 18 months, our performance over the comparable period in HY20 provides a more meaningful overview of our business performance than a comparison with HY21. Both the one-year and the two-year percentage movements are presented below.

£(m)	HY22	HY21[1]	HY20[6]	1 Yr % Mvmt	2 Yr % Mvmt
Total Group revenue	760	717	455	6%	67%
UK revenue	*661*	*616*	*401*	*7%*	*65%*
Germany revenue £m	*99*	*101*	*54*	*(2)%*	*82%*
Germany revenue €m	*115*	*112*	*61*	*3%*	*88%*
Group Adjusted EBITDA[2]	5	28	4	(84)%	24%
Group Operating (loss)	(11)	16	(11)	(165)%	(2)%
(Loss)/ profit before tax	(10)	18	(5.8)	(159)%	(81)%
Basic (loss)/ earnings per	(1.72)p	3.32p	(1.01)	(152)%	(71)%
Net debt[3]	(102)	(21)	(82.8)	(394)%	(23)%

Financial highlights

- Continued strong Group revenue growth of 67% over two-year period, including 88% revenue growth in Germany on a local currency basis
- Group EBITDA growth of 24% over two-year period; impacted in HY22 by the investments in systems and people (in particular drivers) and increased marketing costs
- Group operating loss of £11m (HY21: profit of £16m[1])
- Overall liquidity[7] of £66m (HY21: £161m). Net debt at 30 September 2021 of £102.2m (31 March 2021: £28.1m; 30 September 2020: £20.7m)

Operational highlights

- Over 780,000 new customers[4] experienced The AO Way, with notable step changes in post Covid repeat purchase rates
- c.500 new drivers recruited to meet peak period demand, bringing our fleet up to full strength and easing the previously reported shortage of drivers
- Five new outbases opened across UK and Germany; over 300,000 sq ft new warehousing added
- Third Party Logistics revenues grew 38.5% with three new contracts in Germany
- 300,000 Trustpilot ratings, averaging an excellent 4.6 out of 5 stars and Net Promoter Scores[5] averaging over 80
- Over 2 million fridges have now been recycled at our AO Recycling facility and we are now working with manufacturers to use our recycled plastic in new products

Outlook

At the start of our financial year in April, we planned for continued revenue growth and built up our cost base accordingly. However, since then, growth in the UK has been impacted by the nationwide shortage of delivery drivers and the ongoing disruption in the global supply chain, and the German online market has seen significantly increased competition.

As we now look to the second half, we continue to see meaningful supply chain challenges with poor availability in certain categories, particularly in our newer products where we have less scale, experience and leverage. In addition, shipping costs, material input prices and consumer price inflation remain challenging uncertainties.

As a result of these factors, the all-important current peak trading period is significantly softer than we anticipated only eight weeks ago. As a result, we now expect full year Group revenue to be flat to minus 5% year on year, with Group Adjusted EBITDA in the range of £10m to £20m.

While a substantial amount of short-term uncertainty remains, we are taking decisive action to address and mitigate the issues and are confident in our ability to trade our way resiliently through this period. In the medium-term, our international expansion ambitions remain entirely unchanged. We remain confident about AO's future prospects, based on the strength of our business model, the quality of our customer proposition, and the ongoing structural shift online.

AO's Founder and Chief Executive, John Roberts, said:

"Our results over this period have inevitably been affected by the constraints and uncertainty seen across our industry. We've materially cemented the progress of last year, with a step change in scale and consumer behaviour – and the fundamentals of the business are in place for sustained growth.

"We're seeing more customers making repeat purchases more frequently across categories. Once they experience the AO Way, they keep coming back. Our outstanding operational capabilities are also being recognised by more and more companies who are now outsourcing their delivery services to us.

"We're working hard to solve some of the current challenges that our industry is facing. We've recruited c.500 new drivers and are working closely with our manufacturer partners so that customers can get what they need.

"Our AOers continue to deliver brilliantly, and our consistently world-class Net Promoter Scores and Trustpilot ratings are evidence of that. I'd like to take this opportunity to thank them for their amazing work, and I'd also like to thank our manufacturers for their ongoing support despite facing their own challenges during the period. While the short-term challenges are clear, I remain hugely optimistic about AO's long-term growth prospects."

Enquiries

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Webcast details

A results presentation will be held for analysts and investors at 08.30 GMT, today, 23 November 2021 at the Institute of Chartered Accountants, Moorgate Place, London EC2R 6EA. Please register to join at https://webcasting.brrmedia.co.uk/broadcast/617ac3e2df7b150b81e97432. A live Q&A session for analysts and investors will immediately follow the presentation with questions also accepted from the live stream. 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.

About AO

AO World plc, headquartered in Bolton and a constituent of the FTSE 250, is a leading online electrical retailer, with a mission to be the global destination for electricals. Our strategy is to create value by offering our customers brilliant customer service and making AO the destination for everything they need, in the simplest and easiest way, when buying electricals.

In the UK, we sell major and small domestic appliances and a growing range of mobile phones, AV, consumer electricals and laptops, delivering them via our in-house logistics business and carefully selected third parties. We also provide ancillary services such as the installation of new products and recycling of old products as well as offering product protection plans and customer finance. AO Business serves the B2B market in the UK, providing electricals and installation services at scale. AO launched in Germany in October 2014 selling major and small domestic appliances, AV and electrical floorcare products. 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.

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[1] Prior period numbers have been restated as set out in note 13.

[2] Group Adjusted EBITDA is defined as profit/(loss) before tax, depreciation, amortisation, net finance costs, profit/loss on disposal of fixed assets, and other adjusting items.

[3] Net debt is defined as cash less borrowings less Lease Liabilities 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.

[6] The HY20 comparative excludes revenue and losses generated by AO.nl, our Netherlands website, which was closed during the third quarter of the year ended 31 March 2020.

[7] Liquidity is the total of cash and cash equivalents and the remaining availability on the revolving credit facility.

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.

CHIEF EXECUTIVE'S REVIEW

Trading overview

The first half of the year has been a period marked by a number of well-publicised industry-wide challenges; it is against that backdrop that I am pleased with the resilient performance we have delivered. And despite the impact those challenges have had, both in terms of constraining our growth and impacting our short-term profitability, our belief in the continued structural consumer shift to the online market for electrical retailing is undimmed, and we remain confident in our strategy for delivering and growing against those trends.

On a one-year like-for-like basis, Group revenues for the first half increased 6% against strong prior year comparatives driven by the initial Covid lockdown. UK revenues over the period grew 7%, with Germany growing 3% in local currency. Given the distorting effect the initial Covid lockdown had on the prior year period, a two-year comparison provides a better picture of the performance and progress of the business over that time. Over that two-year period, Group revenues grew 67%, with our UK business growing 65% and like-for-like revenues in Germany growing 82% over the same period. This equates to a compound annual growth rate in the UK of 28% and 37% in Germany. We are winning new customers and existing customers are repeat purchasing with increasing frequency.

Strategic overview

As we have lapped last year's period of exceptional channel shift in both the UK and Germany, we have materially cemented our progress with a step change in scale and consumer behaviour.

The market is migrating online and has been for the last 20 years. This shift was accelerated by the pandemic, but the long-term shift to a digital first mindset for both customers and suppliers is well established and continues to drive our flywheel. Our goal is to make AO *the* global destination for electricals, founded on the choice, service, personalisation and price that we can offer our customers. We are a business giving customers a better way to buy electricals in an enormous total addressable market.

Choice - Expansion into categories beyond major domestic appliances (MDA) is a fundamental part of our strategy. Being the destination for electricals means having an expansive, curated range of products across all electrical categories to serve the widest possible customer base. It increases the frequency of purchase, allows cross selling into new categories and builds long-term relationships with our customers.

Service - Our consistently high Trustpilot score of 4.6/5 and Net Promoter Scores averaging over 80 in our core retail businesses underline our obsession with delivering exceptional customer service and ensuring that that obsession is baked into our culture as a key differentiator.

Personalisation - Being the destination for product purchase information is crucially important, as offering a clear and detailed knowledge source for customers researching their potential purchase. The commonality of product and brands across territories is a significant advantage to our model – it means everything repeats across territories. We are able to invest more centrally in the quality of how we tell product stories brilliantly. We are seeing the first outputs on our investments to improve the website customer journey through a customised approach by category, and away from a one size fits all. It's been a huge undertaking over the last couple of years involving a complete redesign, a total overhaul of all creative and a category-by-category refresh of all content and features. Later this year we will be opening our London creative hub to drive further innovation in this space.

Price - Our strong partnerships with major brands were further strengthened by the acceleration to online brought about by Covid. Equally important is that our eCommerce expertise is now strategically aligned to brands as they adopt a 'digital first' approach and reduce their interest and investment in stores.

Ultimately, our structural advantage is our ability to leverage our fixed-cost base investment over a greater addressable market in the medium term. Our model is cash generative and capital efficient, and scale leads to operational gearing as a result of sales growth. We have made a dramatic improvement over the last two and half years in our directional selling capability through our investments in technology, our trading team and our trusted brand.

Germany
Over the last two and half years, we have fixed the fundamentals of our business in Germany and built an operational model that, with growth, will deliver profitability. We are improving our proposition; we opened three new outbases over the summer and we have invested in our warehouse and delivery fleets. We have also secured three new third-party logistics clients, bringing our total Third Party contracts to five, which helps us further leverage our logistics infrastructure.

Through our One AO approach, Germany benefits from the category developments described above growing choice in both MDA and non-MDA which will strengthen our customer proposition. The opportunity in Germany is huge, and our suppliers are fully supporting our growth strategy in this market. Product margins are now materially commensurate with the UK. Delivery costs are appropriate for our current volume levels and will reduce with scale while our overhead is now right sized.

We have an enormous opportunity in Germany and our suppliers are willing us to succeed. Our progression over the past two years has been hard earned, but we believe we have created a better way to shop, and we are determined to build on that with investment in proposition and brand awareness.

Traditional retailers are now waking up to the online opportunity and this has had the effect of increasing levels of competition and driving up the cost of digital marketing. Given how much younger we are in the territory, we have a fundamental need to invest in raising the profile of our brand. We have therefore increased marketing investment to build brand awareness through SEO, PR and our first TV ad for years during peak trading.

From a market perspective, 19% of MDA was transacted online pre pandemic and, with stores closed, the percentage grew significantly. With stores now fully back open, online penetration has dropped back to just below 25% for MDA; in that context, our two-year revenue growth of 88% highlights the significant market share gains we have made.

Doing the right thing
Caring for people and the planet is common sense – and it is good business sense as well. We want to make our grandchildren just as proud of us as our mums are.

Our vertically integrated recycling facility gives us a unique ability to manage the impact of future climate regulation and help customers live more sustainably and we are proud to have now helped our customers recycle over two million fridges.

We are also in advance discussions with manufacturers about using our recycled plastics output in their new products. This has huge potential in offering a lower carbon and cost-effective alternative to the use of raw materials – as well as diverting plastics that have traditionally been difficult to recycle into longer life products. This has been a complex operation, requiring innovation and process engineering skills rather than merely recycling operations, and we hope to be selling these products sometime next year.

FINANCIAL REVIEW

Revenue

6 months ended £m	30 September 2021			30 September 2020 (Restated)			% change		
	UK	Germany	Total	UK	Germany	Total	UK	Germany	Total
Product revenue	538.3	95.3	633.6	505.3	98.3	603.6	6.5%	(3.1)%	5.0%
Services revenue	25.1	1.9	27.0	25.8	1.9	27.7	(2.6)%	1.7%	(2.3)%
Commission revenue	75.6	0.3	75.9	70.2	0.1	70.3	7.7%	186.3%	8.0%
Third-party logistics revenue	9.7	1.5	11.2	7.8	0.3	8.1	23.8%	486.7%	38.5%
Recycling revenue	11.8	-	11.8	6.9	-	6.9	71.3%	-	71.3%
Total revenue	**660.6**	**99.0**	**759.6**	**616.0**	**100.6**	**716.6**	**7.2%**	**(1.5)%**	**6.0%**

For the six months ended 30 September 2021, total Group revenue increased 6.0% to £759.6m (2020 restated[1]: £716.6m). In the UK, total revenue increased 7.2%, primarily due to higher average product pricing and good growth in selected business lines. Total revenue in Germany fell slightly on reduced product revenue in highly competitive markets.

Product revenue

Total Product revenue, comprising sales generated from ao.com, ao.de, marketplaces and third-party websites, increased 5%. Ongoing supply chain disruption and a global shortage of components at manufacturers' facilities resulted in reduced product ranges across our industry affecting revenues as well as some product price inflation. We continue to work closely with our suppliers to ensure that our customers are able to shop the widest range possible on our websites although reduced ranges remain an industry-wide problem.

UK MDA revenue grew 4.4%, constrained by the wide-spread challenge of driver shortages which resulted in longer delivery periods. Non-MDA revenues, excluding AV, comprising small appliances, computing and gaming, grew 8.4%. AV revenue, which includes televisions and audio visual, saw a decline of 22% over the comparable period last year which was inflated by Covid lockdown purchases and the televised European football championships in the summer. B2B recorded strong growth across all its routes to market as we continue to gain market share and build further capabilities to service this segment of the electricals market.

Product revenue in Germany grew by 1% in euros but declined by 3.1% due to the translation effect of exchange rates. Growth was impacted by highly competitive market conditions and unsustainably high customer acquisition costs, as companies seek to expand their online capability in respond to manufacturers increasingly focusing on this channel. We took the short-term decision to reduce our marketing efforts in Germany and focus on the longer-term building of our brand during this period.

Services

Services revenues, which includes delivery and customer installation services, fell 2.3% overall, linked to the reduced number of UK product deliveries and driver shortages.

Commission

Commission revenue includes commissions generated by network connections in our Mobile business and from AO Care warranties. Commissions from the sale of warranties increased with a change in mix of product more than offsetting a lower volume of plans sold. In our Mobile business, the prior year was impacted by a c.£9m reduction of previously recognised revenue due to a significant change in customer behaviour. Following adjustments to our customer proposition and the removal of the redemption cash back offer, the average life of new contracts has improved, Network partnerships continue to strengthen and current year trading has been resilient in challenging markets.

Third Party Logistics

Our expertise in complex two-person delivery is highly valued in our industry, and we undertake a number of deliveries on behalf of Third-Party clients in the UK. The shortage of delivery drivers resulted in some limits being put on our ability to accept incremental business as we always put our customers first, but overall, we were able to satisfy partner demand. Germany also secured three new Third-Party contracts for a total of five contracts. Together, this led to a pleasing 38.5% increase in Group Third Party Logistics revenues. We continue to develop this revenue opportunity as it leverages our operational gearing.

Recycling

Recycling revenue grew 71%, recovering relative to the comparable period last year when councils closed household waste and recycling centres. Processed volumes have increased overall year on year and the business benefitted from a strong recovery in output prices.

Gross margin

6 months ended £m	**30 September 2021**			**30 September 2020 (Restated)**			**Better / (worse)**		
	UK	**Germany**	**Total**	**UK**	**Germany**	**Total**	***UK***	***Germany***	***Total***
Gross profit	130.2	7.6	137.8	121.9	7.4	129.2	*6.9%*	*2.2%*	*6.6%*
Gross margin	19.7%	7.6%	18.1%	19.8%	7.3%	18.0%	*(0.1ppts)*	*0.3ppts*	*0.1ppts*

Gross profit for the Group, including product margins, services and delivery costs, grew 6.6% to £137.8m (2020 restated: £129.2m), with growth in both the UK and Germany. In the UK, towards the end of the period, increased costs for driver recruitment began to impact margins, and we expect this will continue to weigh on gross margins in the second half of the year. This was offset by an improvement in our Mobile business profitability which in the prior year had been impacted by a change in customer behaviour resulting in a c.£9m hit to margin.

In Germany, increased volume from three new Third Party Logistics contracts helped gross margins remain stable, offsetting the slight decrease in product margin resulting from increased competition. Germany's gross margin is structurally lower than that in the UK as we do not offer warranties and commissions in Germany.

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

6 months ended £m	**30 September 2021**			**30 September 2020 (Restated)**			**Better/ (worse) %**		
	UK	**Germany**	**Total**	**UK**	**Germany**	**Total**	***UK***	***Germany***	***Total***
Advertising and marketing	22.5	4.5	27.0	16.5	3.6	20.0	*(36.5)%*	*(26.1)%*	*(34.6)%*
% of revenue	*3.4%*	*4.5%*	*3.6%*	*2.7%*	*3.6%*	*2.8%*			
Warehousing	32.7	3.6	36.3	24.0	3.3	27.3	*(36.1)%*	*(9.2)%*	*(32.8)%*
% of revenue	*4.9%*	*3.7%*	*4.8%*	*3.9%*	*3.2%*	*3.8%*			
Research and development	10.2	-	10.2	5.8	-	5.8	*(74.8)%*	-	*(74.8)%*
% of revenue	*1.5%*	-	*1.3%*	0.9%	-	0.8%			
Other admin	69.6	7.1	76.7	53.2	6.8	60.0	*(30.8)%*	*(3.5)%*	*(27.7)%*
% of revenue	*10.5%*	*7.2%*	*10.1%*	*8.6%*	*6.8%*	*8.4%*			
Administrative expenses	**134.9**	**15.2**	**150.1**	**99.5**	**13.8**	**113.2**	***(35.6)%***	***(10.0)%***	***(32.6)%***
% of revenue	20.4%	*15.4%*	*19.8%*	*16.1%*	*13.6%*	*15.8%*			

Group SG&A costs as a percentage of revenue increased during the period from 15.8% to 19.8%.

In the UK, SG&A as a percentage of revenues increased from 16.1% to 20.4%. Advertising and marketing costs increased as manufacturers increasingly supported digital first marketing, leading to increased competition for clicks per customer as companies all sought to build market share online. In addition, we increased spending on brand awareness in the period.

Warehousing costs increased marginally as a percentage of sales in preparation for peak period trading in view of global supply chain disruption. Research and development costs increased by £4.4m compared to the prior period reflecting continued investment in the core business to deliver growth together with initial costs in relation to the Group's new ERP systems and processes.

Other admin costs increased by £16.7m to £76.7m primarily reflecting the investment in people made in our Retail business in the second half of FY21 to support the significantly increased growth in the business. We also invested in additional IT capability particularly in data and projects to support future growth.

In Germany, as shoppers have moved back to their traditional ways of buying, competition in the online space has intensified which also drove up the costs of clicks, in some cases up more than 100%. Warehousing and other admin were broadly flat as a percentage of sales compared to the prior period.

Operating loss and Adjusted EBITDA

Our operating loss for the period was £10.6m (2020 restated: £16.4m profit).

Alternative Performance Measures

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

EBITDA

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

Adjusted EBITDA

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

There were no adjusting items in the six-month period ended 30 September 2021.

During the comparable period, the full cost of an onerous marketing contract in Germany (which ended in December 2020 and totalling £1.0m) was added back in arriving at Adjusted EBITDA. This was consistent with the treatment adopted in prior periods.

The reconciliation of statutory operating (loss)/profit to Adjusted EBITDA is as follows:

6 months ended £m	30 September 2021			30 September 2020 (Restated)			change %		
	UK	Germany	Total	UK	Germany	Total	UK	Germany	Total
Operating (loss)/profit	**(3.0)**	**(7.6)**	**(10.6)**	**22.7**	**(6.4)**	**16.4**	(113.4)%	(20.1)%	(165.1)%
Depreciation	11.7	1.5	13.2	8.1	1.6	9.7	(44.3)%	1.6%	(36.8)%
Amortisation	1.7	-	1.7	1.3	-	1.3	(32.6)%	-	(32.5)%
Loss on disposal	0.3	-	0.3	-	-	-	(100.0)%	-	(100.0)%
EBITDA	**10.6**	**(6.1)**	**4.5**	**32.1**	**(4.8)**	**27.4**	(67.0)%	(27.3)%	(83.4)%
Adjusting items	-	-	-	-	1.0	1.0	-	(100)%	(100)%
Adjusted EBITDA	**10.6**	**(6.1)**	**4.5**	**32.1**	**(3.8)**	**28.3**	(67.0)%	(60.0)%	(84.0)%
Adjusted EBITDA as % of Revenue	1.6%	(6.1)%	0.6%	5.2%	(3.8)%	3.9%			

Taxation

The tax credit is recognised based on management's best estimate of the weighted average, by region, of the annual corporation tax rate expected for the full financial year multiplied by the pre-tax results of the interim reporting period. The Group's tax credit for the period is £2.2m (2020: £2.3m charge) as a result of the expected effective tax rate for the year of 20.50% in entities taxable in the UK, before prior period adjustments and discrete tax adjustments relating to the period ended 30 September 2021 only. This results in a combined effective tax rate for the period ended 30 September 2021 of 22.26.% (2020: 12.6%).

The effective tax rate of 22.26% is higher than the UK corporation tax rate for the period of 19% due to discrete items impacting the six-month period to 30 September 2021 only including non-taxable foreign exchange gains arising on intercompany balances and the net disallowable in relation to share options.

Retained loss and loss per share

Retained loss for the period was £8.2m (2020 restated: £15.8m profit).

Basic loss per share was 1.72p (2020 restated: 3.32p earnings) and diluted loss per share was 1.72p (2020 restated: 3.25p earnings). Basic loss per share is reconciled to adjusted basic loss per share (after excluding the impact of foreign exchange differences) of 2.09p (2020 restated: 2.72p earnings) as follows:

6 months ended £m	30 September 2021	30 September 2020 (Restated)
(Loss)/ earnings		
(Loss)/ profit attributable to owners of the parent company	(8.2)	15.8
Foreign exchange gains on intra-group loans	(1.8)	(2.8)
Adjusted (loss)/ earnings attributable to owners of the parent company	(10.0)	12.9
Number of shares		
Basic and adjusted weighted average number of ordinary shares	478,307,791	474,507,349
Potentially dilutive share options (see note 6)	6,659,994	9,620,924
Diluted weighted average number of shares	484, 967,785	484,128,253
(Loss)/ earnings per share (in pence)		
Basic (loss)/earnings per share	(1.72)	3.32
Diluted (loss)/ earnings per share	(1.72)	3.25
Adjusted basic (loss)/earnings per share	(2.09)	2.72

Foreign exchange differences are deducted to arrive at adjusted (loss)/ earnings. The gain of £1.8m (2020: £2.8m) relates to the impact of the Euro/Sterling exchange rate on the value of intra-group loans held in GBP in the European entities.

The diluted loss per share has been restricted to the basic loss per share for the 6 months ended 30 September 2021 to prevent having an anti-dilutive effect.

Cash resources and cash flow

At 30 September 2021, the Group's net debt was £102.2m (31 March 2021: £28.2m; 30 September 2020: £20.7m). Net debt comprises cash balances less borrowings and lease liabilities.

Cash balances at 30 September 2021 were £11.1m (31 March 2021: £67.1m; 30 September 2020: £85.4m). The decrease in cash since 31 March 2021 is largely driven by the outflow from working capital (see below).

Borrowings of £20.0m (31 March 2021: £nil; 30 September 2020: £20.8m) relate to short term funding drawn from the Group's revolving credit facility. This will be repaid in the financial quarter ending 31 December 2021.

Lease liabilities remain broadly in line with prior year at £93.3m (31 March 2021: £95.3m, 30 September 2020: £85.3m) reflecting new right of use lease liabilities linked to the growth in the Group's logistics capacity net of lease payments in the period.

At 30 September 2021 the Group had £55.1m available on its Revolving Credit Facility. The amount utilised represents £20.0m of cash borrowings (see above) and £4.9m of letters of credit/guarantees.

Working Capital

At 30 September 2021, the Group had net current liabilities of £67.0m (31 March 2021: £59.0m).

At 30 September 2021, UK inventories were £93.7m (31 March 2021: £115.0m) and UK stock days were 30 days (31 March 2021: 39 days). We increased our stock levels at the end of last year in response to the continued global component shortages and supply chain disruption to ensure that we could respond to customers with our excellent AO customer service. Stock levels have started to return to move normal levels as we approach the peak trading period.

UK trade and other receivables (both non-current and current) were £240.6m as at 30 September 2021 (31 March 2021: £230.4m) reflecting an increase in our B2B customers as well as the timing of supplier support.

UK trade and other payables were £314.9m at 30 September 2021 (£391.7m at 31 March 2021). Investment in inventory at the end of FY21 drove up payables at the prior period end with the working capital benefit unwinding as purchasing patterns returned to more normal levels. Trade payables days at 30 September 2021 were 51 days (31 March 2021: 52 days).

Net working capital decreased marginally from £17.8m to £17.1m in Germany reflecting the flat growth in the period.

As at £m	**30 September 2021**			**31 March 2021**			**30 September 2020 (Restated)**		
	UK	**Germany**	**Total**	**UK**	**Germany**	**Total**	**UK**	**Germany**	**Total**
Inventories	93.7	22.6	116.3	115.0	25.5	140.5	78.1	15.1	93.2
Trade and other receivables	240.6	17.0	257.6	230.4	21.0	251.4	230.0	17.3	247.3
Trade and other payables	(314.9)	(22.5)	(337.4)	(391.7)	(27.6)	(419.3)	(354.9)	(22.0)	(376.9)
Net working capital	**19.4**	**17.1**	**36.5**	**(46.3)**	**17.8**	**(28.4)**	**(46.8)**	**10.4**	**(36.3)**
Change in net working capital	65.7	(0.7)	65.0	0.4	7.4	7.9	(78.1)	0.7	(77.4)

Capital Expenditure

Total cash capital expenditure for the six-month period was £4.5m (2020: £4.2m), largely related to ongoing investment in our recycling facility, out-base fit out costs and IT investment. It is anticipated that the capital expenditure in the second half of the year will increase as we ramp up investment in our ERP project as well as commence spend on our marketing related activities including the new creative studio in London.

John Roberts	**Mark Higgins**
Founder and Chief Executive Officer	Chief Financial Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 30 September 2021

£m	Note	6 months ended 30 September 2021	6 months ended 30 September 2020 Restated (See note 13)	Year ended 31 March 2021
Revenue	2	**759.6**	**716.6**	**1,660.9**
Cost of sales	3	(621.8)	(587.3)	(1,368.4)
Gross profit		**137.8**	**129.3**	**292.5**
Administrative expenses	3	(150.1)	(113.2)	(263.6)
Other operating income	3	1.7	0.4	0.8
Total operating (loss)/profit		**(10.6)**	**16.4**	**29.7**
Finance income	4	3.1	4.6	4.3
Finance costs	5	(2.9)	(3.3)	(13.8)
(Loss)/ profit before tax		**(10.4)**	**17.7**	**20.2**
Taxation credit/(charge)		2.2	(2.3)	(3.1)
(Loss)/ profit after tax for the period		**(8.2)**	**15.4**	**17.1**
(Loss)/ profit for the period attributable to:				
Owners of the parent company		(8.2)	15.8	17.7
Non-controlling interest		-	(0.4)	(0.6)
		(8.2)	**15.4**	17.1
(Loss)/ earnings per share (pence)				
Basic (loss)/earnings per share	6	(1.72)	3.32	3.73
Diluted (loss)/earnings per share	6	(1.72)	3.25	3.68

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 September 2021

£m	6 months ended 30 September 2021	6 months ended 30 September 2020 Restated (See note 13)	Year ended 31 March 2021
(Loss)/ profit for the period	(8.2)	15.4	17.1
Items that may be subsequently recycled to Income Statement			
Exchange differences on translation of foreign operations	(1.6)	(2.6)	5.8
Total comprehensive (loss)/ profit for the period	**(9.8)**	**12.8**	22.9
Total comprehensive (loss)/profit for the period attributable to:			
Owners of the Company	(9.8)	13.2	23.5
Non-controlling interests	-	(0.4)	(0.6)
	(9.8)	**12.8**	22.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

£m	Note	30 September 2021	30 September 2020 Restated (See note 13)	31 March 2021
Non-current assets				
Goodwill	7	28.2	28.2	28.2
Other intangible assets		14.6	15.6	15.6
Property, plant and equipment		33.4	29.4	32.8
Right of use assets		75.3	67.7	74.3
Trade and other receivables	8	84.6	84.2	85.3
Derivative financial asset		-	0.6	-
Deferred tax asset		5.7	5.6	5.6
		241.8	**231.3**	**241.8**
Current assets				
Inventories		116.3	93.2	139.6
Trade and other receivables	8	173.1	163.1	166.2
Corporation tax receivable		3.7	-	1.0
Cash and cash equivalents	10	11.1	85.4	67.1
		304.2	**341.7**	**373.9**
Total assets		**546.0**	**573.0**	**615.7**
Current liabilities				
Trade and other payables	9	(331.1)	(367.1)	(411.4)
Borrowings	10	(20.0)	(20.8)	-
Lease liabilities	10	(19.9)	(15.7)	(21.4)
Corporation tax payable		-	(0.5)	-
Derivative financial liability		-	(0.4)	-
Provisions		(0.2)	(0.9)	(0.1)
		(371.2)	**(405.4)**	**(432.9)**
Net current liabilities		**(67.0)**	**(63.7)**	**(59.0)**
Non-current liabilities				
Lease liabilities	10	(73.4)	(69.6)	(73.9)
Trade and other payables	9	(6.3)	(9.8)	(7.9)
Derivative financial liability		-	(0.5)	-
Deferred tax liability		(2.7)	(2.5)	(2.3)
Provisions		(2.3)	(2.0)	(2.3)
		(84.7)	**(84.4)**	**(86.4)**
Total liabilities		**(455.9)**	**(489.8)**	**(519.3)**
Net assets		**90.1**	**83.1**	**96.4**
Equity attributable to owners of the parent				
Share capital		1.2	1.2	1.2
Share premium account		104.4	103.7	104.3
Other reserves		24.5	20.7	25.3
Retained losses		(38.7)	(41.4)	(33.1)
Total		**91.4**	**84.2**	**97.7**
Non-controlling interest		**(1.3)**	**(1.1)**	**(1.3)**
Total equity		**90.1**	**83.1**	**96.4**

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

At 30 September 2021

				Other reserves								
	Share capital	Investment in own shares	Share premium account	Merger reserve	Capital redemption reserve	Share-based payment reserve	Translation reserve	Other reserve	Retained losses	**Total**	Non-controlling interest	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Balance at 1 April 2021	1.2	-	104.3	22.2	0.5	9.6	(4.0)	(3.0)	(33.1)	**97.7**	(1.3)	**96.4**
Loss for the period	-	-	-	-	-	-	-	-	(8.2)	**(8.2)**	-	**(8.2)**
Issue of share capital (net of expenses)	-	-	0.1	-	-	-	-	-	-	**0.1**	-	**0.1**
Foreign currency loss arising on consolidation	-	-	-	-	-	-	(1.6)	-	-	**(1.6)**	-	**(1.6)**
Share-based payments charge (net of tax)	-	-	-	-	-	3.4	-	-	-	**3.4**	-	**3.4**
Movement between reserves	-	-	-	-	-	(2.6)	-	-	2.6	**-**	-	**-**
Balance at 30 September 2021	**1.2**	**-**	**104.4**	**22.2**	**0.5**	**10.4**	**(5.6)**	**(3.0)**	**(38.7)**	**91.4**	**(1.3)**	**90.1**

At 30 September 2020

				Other reserves								
	Share capital	Investment in own shares	Share premium account	Merger reserve	Capital redemption reserve	Share-based payment reserve	Translation reserve	Other reserve	Retained losses	**Total**	Non-controlling interest	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Reported balance at 1 April 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 to opening balance (see note 13)	-	-	-	-	-	-	-	-	(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)	(57.2)	**69.6**	(1.0)	**68.6**
Restated profit for the period (see note 13)	-	-	-	-	-	-	-	-	15.8	**15.8**	(0.4)	**15.4**
Acquisition of minority interest	-	-	-	-	-	-	-	(0.2)	-	**(0.2)**	0.4	**0.2**
Issue of share capital (net of expenses)	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Foreign currency loss arising on consolidation	-	-	-	-	-	-	(2.6)	-	-	**(2.6)**	**-**	**(2.6)**
Share-based payments charge (net of tax)	-	-	-	-	-	1.6	-	-	-	**1.6**	**-**	**1.6**
Restated balance at 30 September 2020	**1.2**	**-**	**103.7**	**22.2**	**0.5**	**13.3**	**(12.3)**	**(2.9)**	**(41.4)**	**84.2**	**(1.1)**	**83.1**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 months ended 30 September 2021

£m	6 months ended 30 September 2021	6 months ended 30 September 2020 Restated (See note 13)	Year ended 31 March 2021
Cash flows from operating activities			
(Loss)/Profit for the period	(8.2)	15.4	17.1
Adjustments for:			
Depreciation and amortisation	14.9	11.0	24.6
Finance income	(3.1)	(4.6)	(4.3)
Finance costs	2.9	3.3	13.8
Taxation (credit)/ charge	(2.2)	2.3	3.1
Loss on disposals	0.3	-	-
Share-based payment charge	2.8	1.0	3.3
Increase in provisions	0.2	0.3	0.9
Operating cash flows before movement in working capital	**7.6**	**28.7**	**58.5**
Decrease/(increase) in inventories	23.4	(20.3)	(67.6)
Increase in trade and other receivables	(3.4)	(30.7)	(35.9)
(Decrease)/increase in trade and other payables	(83.9)	119.5	162.0
Net movement in working capital	**(63.9)**	**68.5**	**58.5**
Taxation received/(paid)	0.7	(1.0)	(2.4)
Cash (used in)/ generated from operating activities	**(55.6)**	**96.2**	**114.6**
Cash flows from investing activities			
Acquisition of property, plant and equipment	(3.6)	(3.2)	(6.3)
Acquisition of intangible assets	(0.9)	(1.0)	(2.8)
Cash used in investing activities	**(4.5)**	**(4.2)**	**(9.1)**
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	0.1	-	0.6
Acquisition of non-controlling interest	-	(0.1)	(0.1)
Interest paid on borrowings	(0.7)	(1.9)	(2.3)
Interest paid on lease liabilities	(2.2)	(1.8)	(4.0)
Increase in/ (repayment of) borrowings	20.0	(1.1)	(21.9)
Repayment of lease liabilities	(13.1)	(8.5)	(17.6)
Net cash generated from/ (used in) financing activities	**4.1**	**(13.5)**	**(45.3)**
Net (decrease)/ increase in cash	**(56.0)**	**78.4**	**60.2**
Cash and cash equivalents at beginning of period	**67.1**	**6.9**	**6.9**
Exchange gains on cash & cash equivalents	-	-	-
Cash and cash equivalents at end of period	**11.1**	**85.4**	**67.1**

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The interim financial information was approved by the Board on 22 November 2021. The financial information for the 6 months ended 30 September 2021 has been reviewed by the Group's external auditor. Their report is included within this announcement. The financial information for the year ended 31 March 2021 is based on information in the audited financial statements for that period which are available online at https://www.ao-world.com/investor-centre/..

The comparative figures for the year ended 31 March 2021 are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2021 has been delivered to the Registrar of Companies. The auditors have reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

Going concern

Notwithstanding net current liabilities of £67.0m as at 30 September 2021, a loss of £8.2m and operating cash outflows of £55.6m for the 6 month period ended 30 September 2021, the interim financial information has 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 approval date of the interim financial information amount to £27.9m and £65.1m respectively.

The directors note that the business is 20 months into a 3 year revolving credit facility which is due to expire in April 2023. Although this does not impact the going concern period for the basis of preparation of the interim financial information, the directors are cognisant that a re-financing will be required in the next financial year and expect this to be completed in 2022.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of the interim financial information which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its existing cash balances and availability of funds from its Revolving Credit Facility to meet its liabilities as they fall due for that period.

The severe but plausible downside scenario which sensitises the base case includes a reduction in sales growth (no growth from FY22) and the consequential impact on profitability as a result of the continued uncertainties in the wider economies, together with a reduction in trade payables due to any potential tightening of supplier terms and further cash outflows due to increased working capital requirements. Even under this severe but plausible downside scenario, the Group continues to demonstrate headroom on its banking facilities and remains complaint with covenants.

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

Basis of preparation and accounting policies

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK. The annual financial statements of the group for the year ended 31 March 2022 will be prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 March 2021 which were prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Restatement of comparatives

The comparatives for the primary statements for the six months ended 30 September 2020 have been restated following changes made in the in the full year financial statements to 31 March 2021. Full details of the impact of the change and the reasons are included in note 13.

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.

At 30 September 2021, the Directors have concluded that there are no events which have occurred since 31 March 2021 which would trigger a full impairment review and the reasonable range of outcomes have not changed and therefore the carrying value of the intangibles and goodwill remains appropriate. However, changes in any of these assumptions used at 31 March 2021 (mainly sales growth and margin), which could be driven by the end customer behaviour with the Mobile Network Operators (particularly given the changes seen during the year ended 31 March 2021), could give rise to an impairment in the carrying value. Further details are included in note 7.

Revenue recognition for variable consideration

As a consequence of the unprecedented changes seen during FY21 with regard to customer behaviour particularly in relation to Mobile contracts, as well as the ongoing uncertainty in the wider economy as a result of Covid19, the Directors believe that the recognition of commissions from both product protection plans, and mobile network operator contracts should be considered as an area of estimation uncertainty in relation to the revenue constraints applied.

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 ongoing change in behaviour driven from the impact of Covid-19 on the wider economy.

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 at 30 September 2021 was £89.4m (31 March 2021: £80.7m). The discount rate used to unwind the commission receivable is 3.44% (31 March 2021: 3.55%).

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 – 0.49 % (31 March 2021: 0.1%);
- 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 (2% - 4%)

The commission receivable on mobile phone connections can therefore depend on customer behaviour after the point of sale and as was seen in FY21 this can lead to material changes in the amounts expected to be collected if customers default or cancel contracts. 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 30 September 2021 was £84.2m (31 March 2021: £91.5m). The discount rate used to unwind the commission receivable is 0.49% (31 March 2021: 0.1%).

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

£m	6 months ended 30 September 2021			6 months ended 30 September 2020 Restated (See note 13)			Year ended 31 March 2021		
	UK	**Germany**	**Total**	**UK**	**Germany**	**Total**	**UK**	**Germany**	**Total**
Product revenue	538.3	95.3	633.6	505.3	98.3	603.6	1,200.3	220.9	1,421.2
Service revenue	25.1	1.9	27.0	25.8	1.9	27.7	54.0	4.0	58.0
Commission revenue	75.7	0.3	76.0	70.2	0.1	70.3	146.0	0.3	146.3
Third party logistics revenue	9.7	1.5	11.2	7.8	0.3	8.1	16.5	1.2	17.7
Recycling revenue	11.8	-	11.8	6.9	-	6.9	17.7	-	17.7
Total revenue	**660.6**	**99.0**	**759.6**	**616.0**	**100.6**	**716.6**	**1,434.5**	**226.4**	**1,660.9**

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 Germany.

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.

£m	6 months ended 30 September 2021			6 months ended 30 September 2020 Restated (See note 13)			Year ended 31 March 2021		
	UK	*Germany*	*Total*	*UK*	*Germany*	*Total*	*UK*	*Germany*	*Total*
Total revenue	**660.6**	**99.0**	**759.6**	**616.0**	**100.6**	**716.6**	**1,434.5**	**226.4**	**1,660.9**
Cost of sales	(530.3)	(91.5)	(621.8)	(494.2)	(93.1)	(587.3)	(1,161.6)	(206.8)	(1,368.4)
Gross profit	**130.3**	**7.5**	**137.8**	**121.9**	**7.4**	**129.3**	**273.0**	**19.5**	**292.5**
Administrative expenses	(135.0)	(15.1)	(150.1)	(99.5)	(13.8)	(113.2)	(235.6)	(27.9)	(263.6)
Other operating income	1.7	-	1.7	0.3	-	0.4	0.8	-	0.8
Operating (loss)/profit	**(3.0)**	**(7.6)**	**(10.6)**	**22.7**	**(6.4)**	**16.4**	**38.1**	**(8.4)**	**29.7**
Finance income	1.3	1.8	3.1	1.9	2.7	4.6	4.3	-	4.3
Finance costs	(2.6)	(0.3)	(2.9)	(3.0)	(0.3)	(3.3)	(6.9)	(6.9)	(13.8)
(Loss)/Profit before tax	**(4.3)**	**(6.1)**	**(10.4)**	**21.6**	**(3.9)**	**17.7**	**35.4**	**(15.3)**	**20.2**
Tax credit/(charge)	2.2	-	2.2	(2.3)	-	(2.3)	(3.1)	-	(3.1)
(Loss)/Profit after tax	**(2.1)**	**(6.1)**	**(8.2)**	**19.3**	**(3.9)**	**15.4**	**32.3**	**(15.3)**	**17.1**

Included in other operating income above, are amounts received of £1.4m on the settlement of a claim in relation to the overcharging of fees in past years.

4. Finance income

£m	6 months ended 30 September 2021	6 months ended 30 September 2020 Restated (See note 13)	Year ended 31 March 2021
Foreign exchange gains on intra-group loans	1.8	2.8	-
Movement in valuation of put and call option	-	-	0.8
Unwind of discounting on non-current contract assets	1.3	1.7	3.4
Total	**3.1**	**4.6**	**4.3**

5. Finance costs

£m	6 months ended 30 September 2021	6 months ended 30 September 2020	Year ended 31 March 2021
Interest on lease liabilities	2.2	1.8	4.0
Interest on borrowings	0.5	0.4	0.4
Other finance costs	0.2	0.9	1.9
Non-cash foreign exchange losses on intra-Group loans	-	-	6.8
Unwind of discounting on long term payables	-	-	0.1
Movement in valuation of put and call option	-	0.1	0.6
Total	**2.9**	**3.3**	**13.8**

6. (Loss)/Earnings per share

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

£m	6 months ended 30 September 2021	6 months ended 30 September 2020 Restated (See note 13)	Year ended 31 March 2021
(Loss)/Earnings			
(Loss)/Profit attributable to owners of the parent company	**(8.2)**	**15.8**	**17.7**
Adjustment for foreign exchange movements on intra-Group loans	**(1.8)**	**(2.8)**	**6.8**
Adjusted (loss)/profit attributable to owners of the parent company	**(10.0)**	**13.0**	**24.5**
Number of shares			
Basic and adjusted weighted average number of ordinary shares	478,307,791	474,507,349	475,626,353
Potentially dilutive shares options	6,659,994	9,620,924	6,337,186
Diluted weighted average number of ordinary shares	**484,967,785**	**484,128,253**	**481,963,539**
(Loss)/Earnings per share (in pence)			
Basic (loss)/ earnings per share	**(1.72)**	**3.32**	**3.73**
Diluted (loss)/ earnings per share	**(1.72)**	**3.25**	**3.68**
Adjusted (loss)/ earnings per share	**(2.09)**	**2.72**	**5.15**

The diluted loss per share has been restricted to the basic loss per share for the 6 months ended 30 September 2021 to prevent having an anti-dilutive effect.

7. Goodwill

	£m
Carrying value at 30 September 2021 and 30 September 2020	**28.2**

Goodwill relates to the purchase of Expert Logistics Limited, the purchase by DRL Holdings Limited (now AO World PLC) of DRL Limited (now AO Retail Limited), the acquisition of AO Recycling Limited (formerly The Recycling Group Limited) and the acquisition of Mobile Phones Direct Limited (now AO Mobile Limited).

Impairment of goodwill

UK CGU - £13.5m

At 30 September 2021, goodwill acquired through UK business combinations (excluding AO Mobile Limited) was allocated to the UK cash-generating unit ("CGU") which is also the UK operating segment.

This represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The Group performed its annual impairment test as at 31 March 2021. The recoverable amount of the CGU was determined based on value in use calculations. The Group prepared cash flow forecasts derived from its most recent financial budget and financial plan for three years, and extrapolated cash flows for the following years, up until year five, based on an estimated growth rate of 1%. This rate does not exceed the average long term growth rate for the market. The final year cash flow is used to calculate a terminal value. The key assumptions, which take account of historic trends, upon which management based their cash flow projections were sales growth rates, selling prices and product margin.

During the six months ended 30 September 2021, there have been no significant changes in the assumptions or performance of the related businesses which would indicate an impairment test is required at 30 September 2021.

Management do not believe that any reasonable possible sensitivity would result in any impairment to this goodwill. There have been no significant changes in the assumptions or performance of the related businesses which would indicate an impairment test is required at 30 September 2021.

AO Mobile Limited - £14.7m

At 30 September 2021, the goodwill allocated to the Mobile cash generating unit was £14.7m.

The Group performed its annual impairment test as at 31 March 2021 which showed there was headroom against the carrying value of £1.2m in managements base case. The main assumptions underlying the value in use calculation were the volume of mobile connections (and hence revenue) where growth was forecast between 3%–23% per year and margin that was assumed to stay flat at 12%. The Directors performed sensitivity analysis on the base case which showed that if revenue growth was 10% lower than forecast it would have an impact of £(0.5)m on the amount of headroom. If margin reduced by 0.1% this would have an impact of £(1.3)m on the amount of headroom (without management taking any mitigating action). A change in the discount rate of 0.5% would have an impact of +/- £0.9m on the amount of headroom.

During the six months ended 30 September 2021, there have been no significant changes in the assumptions or performance of the Mobile business which would indicate an impairment test is required at 30 September 2021.

Whilst at 30 September 2021, the Directors have concluded that the carrying value of the goodwill is appropriate, it is cognisant that, based on the headroom shown in the test at March 2021, changes in any of these assumptions going forward, which could be driven by the end customer behaviour with the Mobile Network Operators, could give rise to an impairment in the carrying value.

8. Trade and other receivables

£m	6 months ended 30 September 2021	6 months ended 30 September 2020 Restated (See note 13)	Year ended 31 March 2021
Trade receivables	23.8	23.4	19.8
Contract assets	173.6	165.6	172.2
Prepayments and accrued income	49.5	57.2	46.8
Other receivables	10.8	1.1	12.7
Total	**257.7**	**247.3**	**251.5**

The trade and other receivables are classified as:

£m	6 months ended 30 September 2021	6 months ended 30 September 2020 Restated (See note 13)	Year ended 31 March 2021
Non-current assets	84.6	84.2	85.3
Current assets	173.1	163.1	166.2
Total	**257.7**	**247.3**	**251.5**

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

Contract assets

Contract assets represent the expected future commission 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:

£m	6 months ended 30 September 2021	6 months ended 30 September 2020	Year ended 31 March 2021
Balance brought forward as reported	172.2	172.1	160.9
Restatement – See note 13	-	(11.2)	-
Balance brought forward as restated	172.2	160.9	160.9
Revenue recognised*	70.6	85.2	174.0
Cash received	(73.7)	(77.6)	(153.0)
Revisions to estimates – adjusting items	-	-	(8.1)
Revisions to estimates – other	3.2	(4.6)	(5.0)
Unwind of discounting	1.3	1.7	3.4
Balance carried forward	**173.6**	**165.6**	**172.2**

* 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 recoverable on product protection plans and mobile phone connections is estimated using a number of assumptions including cancellation rates and customer defaults.

The directors had historically considered these to not be areas of significant estimate due to relatively small fluctuations between revenue recognised vs subsequent cash received.

However, during FY21, significant changes in customer behaviour (largely driven by Covid 19) resulted in the levels of cancellations and customer default increasing. As such both areas are considered to be significant areas of estimation judgement as set out in note 1.

Revisions to estimates in relation to revenue recognised in previous years, on product protection plans and mobile phone connections amounted to £0.6m and £2.6m respectively (2020: £(0.6m) product protection plans and £(4.0)m mobile phone connections).

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 – 3.44% (31 March 2021: 3.55%);
- the estimate of profit share relating to the scheme as a whole based on information provided by D&G;
- historic rate of customer attrition that 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 9.6% 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 (4 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 14 years from c.2.6m plans that have been sold. Of these, c.1.0m 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 that 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 make 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 interim financial information into the factors taken into account 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.

Sensitivity	Impact on contract asset and revenue £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%	(0.9)
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 macroeconomic changes e.g., unemployment, but will also reflect the change in nature of the plan itself (insurance plan vs service plan). Assumptions were updated during the prior year to remove assumed improvements that 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 – 0.49% (31 March 2021: 0.1%);
- the length of contract entered into by the consumer (12 – 24 months); and
- consumer average tenure that 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 (2% - 4%)

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. The risk remains that changes in consumer behaviour, as seen throughout FY21 primarily linked to Covid 19) 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 interim financial information by giving insight into the factors taken into account 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	2.5
2% increase in the default rate	(3.8)

Prepayments and accrued income

At 30 September 2021, included in prepayments and accrued income is £15.7m (30 September 2020: £20.4m) in relation to volume rebates receivable.

At 31 October 2021, the balance outstanding was £4.4m (31 October 2020: £11.0m).

9. Trade and other payables

£m	6 months ended 30 September 2021	6 months ended 30 September 2020	Year ended 31 March 2021
Trade payables	208.3	230.2	273.8
Accruals	36.4	38.4	36.8
Contract liabilities	47.9	63.7	63.0
Deferred income	24.4	29.9	27.4
Other payables	20.4	14.7	18.3
Total	**337.4**	**376.9**	**419.3**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 47 days (31 March 2021: 48 days; 30 September 2020: 51 days).

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.

At 30 September 2021 a liability of £1.6m (31 March 2021: £8.2m) has been recognised out of a maximum potential exposure of £4.2m (31 March 2021: £16.2m).

The trade and other payables are classified as:

£m	6 months ended 30 September 2021	6 months ended 30 September 2020	Year ended 31 March 2021
Current liabilities	331.1	367.1	411.4
Long-term liabilities	6.3	9.8	7.9
	337.4	**376.9**	**419.3**

10. Net debt and movement in financial liabilities

£m	6 months ended 30 September 2021	6 months ended 30 September 2020	Year ended 31 March 2021
Cash and cash equivalents	11.1	85.4	67.1
Borrowings – Repayable within one year	(20.0)	(20.8)	-
Lease liabilities – Repayable within one year	(19.9)	(15.7)	(21.4)
Lease liabilities – Repayable after one year	(73.4)	(69.6)	(73.9)
Net debt	**(102.2)**	**(20.7)**	**(28.2)**

The movement in financial liabilities in the period ending 30 September 2021 was as follows:

£m	Borrowings	Lease Liabilities	Total
Balance at 1 April 2021	-	95.3	95.3
Changes from financing cash flows			
Net drawdown from revolving credit facility	20.0	-	20.0
Repayment of lease liabilities	-	(13.1)	(13.1)
Payment of interest	(0.5)	(2.2)	(2.7)
Total changes from financing cash flows	**19.5**	**(15.3)**	**4.2**
Other changes			
New leases	-	10.9	10.9
Interest expense	0.5	2.2	2.7
Foreign exchange differences	-	0.2	0.2
Total other changes	**0.5**	**13.3**	**13.8**
Balance at 30 September 2021	**20.0**	**93.3**	**113.3**

£m	Loans and borrowings	Lease Liabilities	Total
Balance at 1 April 2020	21.9	84.1	106.0
Changes from financing cash flows			
Repayment of borrowings	(21.1)	-	(21.1)
Repayment of lease liabilities	-	(8.5)	(8.5)
Payment of interest	(0.4)	(1.8)	(2.2)
Total changes from financing cash flows	**(21.5)**	**(10.4)**	**(31.9)**
Other changes			
New leases	-	12.5	12.5
Net drawdown from rolling credit facility	20.0	-	20.0
Reassessment of lease terms	-	(3.1)	(3.1)
Interest expense	0.4	1.8	2.2
Foreign exchange differences	-	0.3	0.3
Total other changes	**20.4**	**11.5**	**31.9**
Balance at 30 September 2020	**20.8**	**85.3**	**106.0**

At 30 September 2021, AO Limited had undrawn amounts on its Revolving Credit Facility of £55.1m (31 March: £76.1m). The amount utilised at 30 September 2021 represents £20m of cash drawings and £4.9m of letters of credit/guarantees. £10m of the cash drawings was repaid on 25 October 2021 and the remaining £10m will be repaid in the quarter ending 31 December 2021.

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.

New leases in the period mainly relates to outbases in Crawley, Telford and Leeds totalling £6m and delivery vehicles £4m.

On 15 November 2021, the Group entered into a new lease for a warehouse in Crewe which gives rise to a right of use lease liability of c£12m.

11. Share-based payments

On 1 July 2021, the Company made awards to Participants under the AO 2018 Incentive Plan (2021 grant) in which the Directors and key members of staff participate. The Plan combines an annual bonus element and a conditional deferred share award based on various financial and non-financial performance criteria as well as the continuing employment of the individuals. The bonus and number of conditional deferred share awards will be calculated based on the performance criteria for the year ending 31 March 2022.

On 1 July 2021, the Company granted a further 5,229 awards under the Value Creation Plan to employees. The awards are conditional and will vest at certain measurement dates from 31 March 2025 to 31 March 2027 dependent on continued employment as well as meeting a share price performance condition.

On 8 July 2021, following the measurement of the various performance criteria at 31 March 2021 relating to the AO 2018 Incentive Plan (2020 grant), 2,399,913 conditional deferred share awards were issued which will vest subject to the relevant employees being in service at 31 March 2024 and the remuneration committee of the Company being satisfied with the underlying performance of the Group (the performance underpin).

The total charge in the Income Statement in relation to all share plans, including the Value Creation Plan, was £2.3m (2020: £0.7m) and SAYE Schemes was £0.6m (2020: £0.3m).

12. Financial instruments

As detailed in the Group's most recent annual financial statements, our principal financial instruments consist of a call and put option, trade and other receivables, accrued income, cash and cash equivalents, trade and other payables and borrowings. As indicated in Note 1, there have been no changes to the accounting policies for financial instruments, from those disclosed in the Company's Annual Report at 31 March 2021.

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

13. Restatement of comparatives

As set out in the full year financial statements to 31 March 2021, in conducting a reconciliation of the contract base with the Group's insurance plan partner, the Group discovered that a number of plans that were treated as live on the Group's database had actually been cancelled, in addition to a number of live plans that 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 overstatements have been corrected by restating each of the affected financial statement line items for prior periods.

The Group financial statements for the year ended 31 March 2021 and its comparative period have already been restated in the published accounts for that year. The impact to profit and loss for the year ended 31 March 2020 was £(0.8m), the impact to current and non-current trade and other receivables was £(11.2)m, the impact to deferred tax asset was £0.1m and the cumulative adjustment to opening retained losses was £(11.1)m.

The following tables therefore summarises only the impacts on the Group's interim financial information as at 30 September 2020.

Summarised consolidated income statement and other comprehensive income

£m	Six months ended 30 September 2020 as reported	Adjustment	Six months ended 30 September 2020 as restated
Revenue	717.0	(0.4)	716.6
Operating profit	16.8	(0.4)	16.4
Finance income	4.8	(0.2)	4.6
Finance costs	(3.3)	-	(3.3)
Profit before tax	18.3	(0.6)	17.7
Tax charge	(2.3)	-	(2.3)
Profit after tax for the year	16.0	(0.6)	15.4
Total comprehensive profit for the year	13.4	(0.6)	12.8

The restatement of the Income Statement has also resulted in Earnings per Share being restated. The profit attributable to shareholders in the prior period has decreased from £16.4m to £15.8m which results in Basic profit per share of 3.32p (2020 reported: 3.45p) and diluted loss per share of 3.25p (2020 reported: 3.37p).

Summarised statement of financial position

£m	At 30 September 2020 as reported	Adjustment	At 30 September 2020 as restated
Noncurrent assets			
Trade and other receivables	93.4	(9.2)	84.2
Deferred tax asset	5.5	0.1	5.6
Other noncurrent assets	141.5	-	141.5
	240.4	(9.1)	231.3
Current assets			
Trade and other receivables	165.7	(2.6)	163.1
Other current assets	178.6	-	178.6
	344.3	(2.6)	341.7
Total assets	584.7	(11.8)	573.0
Total liabilities	(489.8)	-	(489.8)
Net assets	94.9	(11.8)	83.1
Retained losses	(29.6)	(11.8)	(41.4)
Other reserves	125.6	-	125.6
Total	96.0	(11.8)	84.2
Non-controlling interest	(1.1)	-	(1.1)
Total equity	94.9	(11.8)	83.1

There is no impact on the overall cash balance as at 30 September 2020 as a result of the restatement.

14. Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected or historical results. The Directors do not consider that the principal risks and uncertainties have changed materially since the publication of the Annual Report for the year ended 31 March 2021, save as set out below.

The principal risks as set out in the Annual Report are summarised below and further information on these together with information as to how the Group seeks to mitigate these risks is set out on pages 57-64 inclusive of the Annual Report and Accounts 2021 which can be found at www.ao-world.com:

- Risks relating to the continued impact of Covid-19 and Brexit
- Risks relating to our culture and people.
- Risk relating to IT systems resilience, cyber security and agility.
- Risks relating to compliance with laws and regulations, in particular Data protection and privacy legislation.
- Risks of business interruption.
- Risks relating to the UK electricals market
- Risks relating to our key commercial relationships
- Risk relating to our funding and liquidity
- Risks in relation to significant accounting matters including revenue recognition in relation to product protection plans, network commission receivable and the carrying value of goodwill and intangible assets arising on the acquisition of AO Mobile Ltd.

The Board continues to monitor the risks and uncertainties associated with Covid-19 and the potential impact these may have on the Group's results and financial position - in particular in relation to driver and warehouse labour shortages and also the effects of the pandemic on global supply chains.

Further, since publication of the Annual Report, the Board has observed an increase in competitive e-commerce trading environment in Germany. This principally relates to consumers reverting to offline channels and an increased focus from bricks and ecommerce retailers in the sector. The Board deems that this has increased the risks to the German business and its journey to profitability and the consequential further international expansion.

Responsibility statement

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

We confirm that to the best of our knowledge:

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

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

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

On behalf of the Board

John Roberts
CEO
22 November 2021

Mark Higgins
CFO
22 November 2021

INDEPENDENT REVIEW REPORT TO AO WORLD PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

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

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

Directors' responsibilities

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

As disclosed in note 1, they were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

Our responsibility

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

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

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

David Neale
For and on behalf of KPMG LLP
Chartered Accountants
1 St. Peter's Square
Manchester
M2 3AE
22 November 2021