22 November 2022

AO WORLD PLC

INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2022

FOCUS ON CASH AND PROFIT RESULTING IN SOLID PROGRESS IN A TOUGH ENVIRONMENT

Sales on track, profit for FY23 now expected to be around the top end of guidance, and issuing FY24 profit guidance above current consensus

AO World PLC ("the Group" or "AO"), a leading online electrical retailer in the UK, today announces its unaudited financial results for the six months ended 30 September 2022 ("HY23").

The six months to September 2022 represented solid progress in the plan to pivot the business to focus on profit and cash generation. As a result, FY23 sales are forecast to be within the range guided, FY23 profit is now expected to be around the top end of previous guidance, and guidance for FY24 has been set above current consensus.

Operational highlights

- Over 410,000 new customers[5] experienced the AO Way, with an increase in the repeat customer purchase rates
- Closing the Germany operation quickly and efficiently with minimal cash impact to the Group total cash costs for the closure now expected to be around zero against original estimate of up to £15m
- Simplified the UK business focusing on more profitable lines of business that fit our core model
- Customer satisfaction scores remain outstanding, with Net Promoter Scores[6] averaging c. 86, and over 370,000 Trustpilot reviews averaging 4.6 out of 5 stars – continuing to position AO as the UK's most trusted electrical retailer
- AO remains a UK market leader in major domestic appliances ("MDA") with an 18%[8] market share and 34%[8] overall online market share

Financial highlights

We are rationalising, simplifying and refocusing our operations, exiting some lines of business that do not fit our model, and driving operational efficiencies and overhead reduction.

- A reduction in the overall electricals market, as well as actions we have taken to remove non-core channels and loss-making sales, has resulted in a revenue decline YoY of 17%
- SG&A costs reduced significantly by £17m. Detailed overhead review and property rationalisation expected to lead to annual cost savings of at least £30m FY24 vs FY22
- Adjusted EBITDA margin was maintained at 1.6%
- Statutory loss before tax of £12m (HY22: £4m)
- Overall liquidity[4] of £68m (31 March 2022: £50m; 30 September 2021: £66m). Net debt at 30 September 2022 reduced to £19m (31 March 2022: £33m)

£m[1]	HY23	HY22	Mvmt
Revenue	546	661	(17%)
Adjusted EBITDA[2]	9	10	(11%)
Operating loss	(9)	(3)	(215%)
Loss before tax	(12)	(4)	(168%)
Basic loss per share	(2.14)	(0.45)	(377%)
Net debt [3]	(19)	(18)	(5%)

Outlook

The plan focused on cash generation and profitability that we set out at the full year results remains on track and our execution of the strategic pivot is accelerating. However, we are of course not immune to the challenging and uncertain consumer environment, and we expect to continue to be impacted by both the cost of living crisis affecting consumer spending, as well as by ongoing supply chain issues.

The whole of the electricals market, is down year on year and in light of this we continue to have a laser focus on profit and cash which will see us driving only profitable sales and channels. We have initiated a number of cost reduction initiatives during the first half of the year which will see the cost base of the business reduce, giving an annualised run rate saving of at least £30m in FY24 vs FY22. We will continue to 'right size' our cost base to market conditions and outlook.

At the full year results we guided to Adjusted EBITDA in the range of £20-30m. Whilst mindful of the current economic challenges we expect to be around the top end of the range.

Our medium-term ambitions, as set out in our full year results (i.e. to deliver average revenue growth of 10+% per annum, with an EBITDA margin of 5+% and improved cash generation), remain unchanged; we expect to achieve the first ambition (5% EBITDA) in the next financial year.

In the longer-term, our addressable market in the UK stands at c£23.4bn[7] as we look to deepen our presence in categories such as televisions, laptops, audio visual and small domestic appliances ("SDA"). The online segment of the market in those categories remains a key opportunity for us as the long-term structural migration to online retailing continues.

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

"During the first six months of the year, we've made good progress with our strategic realignment as we focus on profitability and cash generation, all of which is yielding the results we expected.

"We've now closed the loss making and cash consumptive parts of our operations meaning the remaining UK business is cash generative, and are successfully closing our German business with a minimal cash impact to the wider Group.

"I'm pleased with this progress, particularly against the backdrop of an extraordinarily difficult macro-economic climate.

"As ever, I'm hugely grateful for the hard work of all our AOers over the last six months. It hasn't been easy and I'm extremely proud of their commitment to delivering our plan particularly during this peak trading period. Our collective obsession with amazing our customers through outstanding service never falters, however tough the external trading conditions become.

"Over the last 22 years, the team has built and nurtured trusted relationships with some of the world's leading electrical manufacturers and I'm also grateful to them for their continued support.

While the short-term outlook remains challenging, I'm confident that our strategy is the right one, and as we position ourselves to be the UK's most trusted electrical retailer we look to the future with cautious optimism."

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Webcast details

A results presentation will be held for analysts and investors at 08.30 GMT, today, 22 November 2022 at AO's London office. A playback of the presentation will be available on AO's investor website at www.ao-world.com later today. If you wish to attend please email AO@powerscourt-group.com.

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 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. We offer major and small domestic appliances and a growing range of mobile phones, AV, consumer electricals and laptops. We also provide ancillary services such as the installation of new and collection of old products and offer product protection plans and customer finance. AO Business serves the B2B market in the UK, providing electricals and installation services at scale. AO also has a WEEE processing facility, ensuring customers' electronic waste is dealt with responsibly.

[1] Unless otherwise stated all numbers, including any restated comparatives, relate to the continuing operations of the Group and therefore exclude the impact of Germany. Refer to note 11 for further details.

[2] 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 (including restructuring costs).

[3] Net debt is defined as cash less borrowings less owned asset lease Liabilities but excluding right of use asset lease liabilities. Net debt also includes any cash overdrafts and owned asset lease Liabilities in Germany.

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

[5] A customer is defined as an individual customer who has purchased via ao.com.

[6] Net Promoter Score or "NPS" is an industry measure of customer loyalty and satisfaction. NPS comprises ao.com and mobilephonesdirect.com and is calculated on a revenue weighted average basis.

[7] Total electricals market data from GfK, for the 12 months to 2 April 2022. AO's value is from company data, net value.

[8] H1, FY23 GfK data. AO's value is from company data.

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 represented a period of significant strategic realignment as we adopt a UK focus and pivot to focus on profitability and cash generation. Global economies continue to be challenging and UK inflation is running at its highest level in 40 years.

Against that backdrop, during the first six months of the year the total major domestic appliance ("MDA") market declined 11%[8] YoY and the online market witnessed an 18%[8] decline YoY.

As we head into H2, we continue to drive our profit actions further, focusing our efforts on improving our acquisition cost efficiencies. We are pleased with the profit improvements this has delivered so far.

Strategic overview

As part of the strategic realignment that we set out at our full year results, we have removed parts of the business because they no longer fit with our priorities. For example, we chose to cease the trial with Tesco and have also ended our business in the housebuilding sector.

We have also introduced delivery charges for all orders to offset the growing costs of delivering for our logistics business. We have been pleased with the reaction from our customers, who continue to see the value in the exceptional quality of the delivery service we provide.

We have accelerated our pricing structure development, particularly in non MDA categories that have been in an investment and growth phase over the last few years.

As a result, very few products are now loss making and the corresponding margin drag has been removed. We expect and are planning for this to affect overall sales volumes over the remainder of this year.

Following these strategic decisions we have both deliberately removed sales that are loss making or making low contributions, and also indirectly reduced sales by implementing delivery charging and reducing cashback incentives. Despite these changes, we still delivered three year growth of c36% in the UK against the comparable period before Covid.

Throughout this period, we have continued to identify and drive increased operational efficiencies. This has included removing c158,000 sq ft of warehousing and outbases, rationalising vehicles, reducing our office footprint and lowering our stock holding.

We have also reduced our overheads including the completion of a major restructuring, which has reduced headcount particularly in the senior and middle management layers. Combined,

these actions have significantly reduced our cost base by at least £30m of overhead cost in FY24 vs FY22 with a one off cash cost of £2.6m.

We will start to realise the full benefit of all these actions during the second half and fully into the next financial year.

Germany

Since we announced the closure of our operations in Germany in June, we have been managing an orderly closure of the business.

Trading ceased on 1 July and physical operations largely ceased a month later.

The main warehouse in Bergheim is now fully vacated and sublet to a new tenant. There is a strong level of interest in the two remaining owned properties. By March 2023, we expect to have materially exited Germany, and the remaining small number of property leases and contracts will wind down throughout FY24.

We now expect total cash costs for the closure to be negligible against our original estimate of up to £15m.

FINANCIAL REVIEW

Unless otherwise stated, the below relates to continuing operations in the UK only.

Revenue

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	% change
Product revenue	432.5	538.3	*(19.7%)*
Services revenue	23.3	25.1	*(7.3%)*
Commission revenue	65.9	75.6	*(12.9%)*
Third-party logistics revenue	12.9	9.7	*32.4%*
Recycling revenue	11.7	11.8	*(1.1%)*
	546.3	**660.6**	*(17.3%)*

For the six months ended 30 September 2022, UK revenue decreased 17.3% to £546.3m (2021: £660.6m).

Product revenue

Total Product revenue, comprising sales generated from ao.com, marketplaces and third-party websites, decreased 19.7%. The change in strategy with a pivot to prioritise profit over revenue accompanied by supply chain issues and a decline in the online MDA market value of 18% (11% in the total market) have contributed to the decline in revenue. 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.

Services

Services revenues, which includes delivery and customer installation services, reduced less than product revenue at 7.3%, as there was a partial offset with charging for MDA deliveries since August 2022.

Commission

Commission revenue includes commissions generated by network connections in our Mobile business and from the promotion of AO Care warranties for Domestic and General. Commissions from the sale of warranties decreased in line with product sales. In our Mobile business, the number of new contract connections has fallen as the business looks to maximise margins; this has been partly offset with improvements in the average life of new contracts and the impact of some RPI increases.

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. This revenue delivers incremental profitability. We will continue to maximise this revenue opportunity to leverage our operational gearing, without it distracting from our core business.

Recycling

Recycling revenue has stayed flat. Processed volumes have decreased overall year on year which have been offset by the business benefitting from a strong improvement in output material prices.

Gross margin

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	% change
Gross profit	106.5	130.3	*(18.3%)*
Gross margin	19.5%	19.7%	*(2 ppts)*

Gross profit, including product margins, services and delivery costs, decreased by 18.3% to £106.5m (2021: £130.3m). Gross margin was broadly consistent despite significantly lower sales, showing the benefit from pricing actions and the focus on profitable sales.

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

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	% change
Advertising and marketing	17.7	22.5	*(21.3 %)*
% of revenue	*3.2%*	*3.4%*	
Warehousing	31.3	32.7	*(4.3 %)*
% of revenue	*5.7%*	*4.9%*	
Research and development	4.2	10.2	*(58.9 %)*
% of revenue	*0.8%*	*1.5%*	
Other admin	61.2	69.6	*(12.1 %)*
% of revenue	*11.2%*	*10.5%*	
Adjusting items	3.6	-	*100.0 %*
% of revenue	*0.7%*		
Administrative expenses	**118.0**	**135.0**	***(12.6 %)***
% of revenue	*21.6%*	20.4%	

Group SG&A costs have decreased YoY by 12.6%; as a percentage of revenue there has been a small increase during the period from 20.4% to 21.6% as we continue to adjust the cost base to be appropriate relative to the current level of sales.

Advertising and marketing costs decreased as we improved the efficiency of acquisition spend and reduced tv advertising.

Warehousing costs were materially flat in cash terms but increased as a percentage of sales and remains a key area of cost focus for us.

Research and development costs decreased by £6.0m compared to the prior period which included ERP and transformation costs not in the current year. The business continues to invest in the capability development.

Other admin costs, which includes staff costs, decreased by £8.4m to £61.2m as we look to reduce complexity and right size overheads. Further savings will be seen in the second half of the year.

Operating loss

Our operating loss for the period was £9.3m (2021: £3.0m), for the reasons explained above.

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) from continuing activities before interest, tax, depreciation, amortisation, profit/loss on the disposal of fixed assets and impairment of assets.

Adjusted EBITDA

Adjusted EBITDA is calculated by adding back or deducting Adjusting items to EBITDA. Adjusting items are those items that the Group excludes in order to present a further measure of the Group's performance. Each of these items, costs or incomes is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods.

Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Chief Operating Decision Maker.

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

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	% change
Operating loss from continuing activities	**(9.3)**	**(3.0)**	*(217.4%)*
Depreciation	12.5	11.7	*(7.0%)*
Amortisation	1.3	1.7	*22.1%*
Loss on disposal	0.7	0.3	*(144.0%)*
EBITDA	**5.2**	**10.6**	***(51.6%)***
Adjusting items	3.6	-	*(100.0%)*
Adjusted EBITDA	**8.8**	**10.6**	***(17.7%)***
Adjusted EBITDA as % of Revenue	1.6%	1.5%	

Adjusting items

In the six months ended 30 September 2022, following the Group's change of strategy to focus on the UK business, the Group has started a simplification of its operations which has included exiting various loss-making parts of the business including the trial with Tesco, simplifying the organisational structure and associated contracts. As a consequence, the Group has recognised an expense of £3.6m relating to the restructuring which, due to its size and nature, has been added back in arriving at Adjusted EBITDA.

Taxation

The tax credit is recognised based on management's best estimate of the weighted-average annual corporation tax rate expected for the full financial year multiplied by the pre-tax results of the interim reporting period. The Group's tax credit for the period is £1.1m (2021: £2.2m credit) as a result of the expected effective tax rate for the year of (4.47%) relating to continuing activities in entities taxable in the UK.

After discrete tax adjustments relating to the period ended 30 September 2022 only, which include non-taxable foreign exchange gains arising on intercompany balances, the closure of the German business, the utilisation of losses brought forward and the net disallowable in relation to share options the combined effective tax rate for the period ended 30 September 2022 is 5.65% (2021: 22.26%).

The effective tax rate of 5.65% is lower than the UK corporation tax rate for the period of 19% due to discrete items noted above.

Discontinued Operations

In June 2022, the Group announced the closure of its German operations. The website was closed on 1 July and in August AO Deutschland completed the final deliveries on behalf of its third party customers. Post closure, the majority of German employees have now left the business and we are in the process of exiting from the company's property portfolio which we anticipate to have materially exited by the end of the financial year.

The German business is clearly distinguishable from the rest of the Group and its numbers have been reported separately as an operating segment in the FY22 Annual Report and Accounts. Therefore, it meets the definition of a component of an entity and as the plan is to dispose of all its assets via sale rather than recovery through future use it meets the definition of a discontinued operation. As a consequence the German business has been classified as a discontinued operation in the income statement and cashflow and the comparatives have been restated accordingly.

Management continue to expect that the overall cash cost of closure will be materially around zero.

Retained loss and loss per share

Retained loss for the period, including the loss from discontinued operations, was £18.9m (2021: £8.2m).

Basic loss per share from continuing operations was 2.14p (2021: 0.45p) and diluted loss per share from continuing operations was 2.14p (2021: 0.45p).

Basic loss per share from continuing and discontinued operations was 3.65p (2021: 1.72p) and diluted loss per share from continuing and discontinued operations was 3.65p (2021: 1.72p).

The calculations for loss per share are shown in the table below:

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
Loss attributable to owners of the parent company from continuing operations	**(11.1)**	**(2.1)**	**(3.6)**
Loss attributable to owners of the parent company from discontinued operations	**(7.9)**	**(6.1)**	**(26.8)**
Loss attributable to owners of the parent company	**(19.0)**	**(8.2)**	**(30.4)**
Number of shares			
Basic weighted average number of ordinary shares	521,677,418	478,307,791	478,558,948
Potentially dilutive shares options	12,865,785	6,659,994	7,028,898
Diluted weighted average number of ordinary shares	**534,543,203**	**484,967,785**	**485,587,846**
Loss per share (in pence) from continuing operations			
Basic loss per share	**(2.14)**	**(0.45)**	**(0.75)**
Diluted loss per share	**(2.14)**	**(0.45)**	**(0.75)**
Loss per share (in pence) from continuing and discontinued operations			
Basic loss per share	**(3.65)**	**(1.72)**	**(6.33)**
Diluted loss per share	**(3.65)**	**(1.72)**	**(6.33)**

The diluted loss per share has been restricted to the basic loss per share to prevent having an anti-dilutive effect.

Cash resources and cash flow

At 30 September 2022, the Group's net debt was £18.6m (31 March 2022: £32.8m; 30 September 2021: £17.7m). Net debt comprises cash balances less borrowings and owned asset lease liabilities.

At 30 September 2022, the Group's total net debt, being net debt less right of use lease liabilities, was £102.3m (31 March 2022: £134.1m; 30 September 2021: £102.2m).

Cash balances at 30 September 2022 were £42.9m (31 March 2022: £19.5m; 30 September 2021: £11.1m). The increase was largely driven by the successful share placing in July 2022 which more than offset the repayment of lease liabilities and the operating cash outflow in the period.

Borrowings of £55.0m (31 March 2022: £45.0m; 30 September 2021: £20.0m) relate to short term funding drawn from the Group's revolving credit facility.

Lease liabilities of £90.2m (31 March 2022: £108.6m, 30 September 2021: £93.3m) with the reduction in the period due to cash repayments in both the UK and Germany (the latter including settlement of some leases following the closure of operations and the reassessment of remaining lease terms for those properties still held by the German business at 30 September 2022).

At 30 September 2022 the Group had £24.8m available on its revolving credit facility. The amount utilised represents £55.0m of cash borrowings (see above) and £0.2m of letters of credit/guarantees.

Working Capital

	30 September 2022			31 March 2022			30 September 2021		
£m	**UK**	**Germany**	**Total**	**UK**	**Germany**	**Total**	**UK**	**Germany**	**Total**
Inventories	69.9	-	69.9	82.0	15.0	97.0	93.7	22.6	116.3
Trade and other receivables	236.2	2.3	238.5	243.9	18.2	262.1	240.7	17.0	257.7
Trade and other payables	(261.7)	(4.5)	(266.2)	(296.9)	(23.4)	(320.3)	(314.9)	(22.5)	(337.4)
Net working capital	**44.4**	**(2.2)**	**42.2**	**29.0**	**9.8**	**38.8**	**19.4**	**17.1**	**36.5**
Change in net working capital	15.4	(12.0)	3.4	9.6	(7.3)	2.3	65.7	(0.7)	65.0

At 30 September 2022, UK inventories were £69.9m (31 March 2022: £82.0m) and UK stock days were 33 days (31 March 2022: 34 days). We continue to run an efficient stock holding model balancing a sensible level of inventory to maintain customer availability, with continuing challenges in supply chain availability.

UK trade and other receivables (both non-current and current) were £236.2m as at 30 September 2022 (31 March 2022: £243.9m). The decrease is reflective of the reduction in revenue and the resultant impact on manufacturer rebates as well as accrued income for mobile commissions and product protection plans.

UK trade and other payables were £261.7m at 30 September 2022 (31 March 2022: £296.9m). Trade payables days at 30 September 2022 were 50 days (31 March 2022: 47 days). As with inventories, the reduction in trade payables since year end is primarily as a result of the lower trading levels seen in the period.

The changes in working capital in Germany are all reflective of the decision to close operations in June 2022 and any remaining balances are expected to be settled in the second half of the year.

Capital expenditure

Cash capex was relatively low in the first half of the financial year at £1m (30 September 2021: £4.4m) and mainly related to costs for our London Creative Studio. In the second half of the financial year we expect to finalise an agreement to purchase the leased land and property from which our Recycling business operates, funded mainly through a commercial mortgage. Apart from this, other capex will be at a similar level to the first half of the financial year.

Post balance sheet event

Since the period end the Company has exercised its final call option to acquire the remaining shares in AO Recycling Limited from its founders for consideration of £2.4m. Accordingly, AO Recycling is now a wholly owned subsidiary.

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

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 30 September 2022

£m	Note	6 months ended 30 September 2022	6 months ended 30 September 2021 [1]	Year ended 31 March 2022 [1]
Revenue	2	**546.3**	**660.6**	**1,368.3**
Cost of sales	3	(439.8)	(530.3)	(1,104.9)
Gross profit		**106.5**	**130.3**	**263.5**
Administrative expenses	3	(118.0)	(135.0)	(272.7)
Other operating income	3	2.2	1.7	1.8
Operating loss		**(9.3)**	**(3.0)**	**(7.5)**
Finance income	4	1.5	1.3	2.6
Finance costs	5	(3.8)	(2.6)	(5.6)
Loss before tax		**(11.6)**	**(4.3)**	**(10.5)**
Taxation		0.6	2.2	7.2
Loss after tax for the period from continuing operations		**(11.0)**	**(2.1)**	**(3.3)**
Loss for the period from discontinued operations	11	(7.9)	(6.1)	(26.8)
Loss for the period		**(18.9)**	**(8.2)**	**(30.1)**
Loss for the period attributable to:				
Owners of the parent company		(19.0)	(8.2)	(30.4)
Non-controlling interest		0.1	-	0.3
		(18.9)	(8.2)	(30.1)
Loss per share (pence) from continuing operations				
Basic loss per share		(2.14)	(0.45)	(0.75)
Diluted loss per share		(2.14)	(0.45)	(0.75)
Loss per share (pence) from continuing and discontinued operations				
Basic loss per share	6	(3.65)	(1.72)	(6.33)
Diluted loss per share	6	(3.65)	(1.72)	(6.33)

[1] Comparatives have been restated to present Germany as discontinued operations. Refer to note 11 for further details.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 September 2022

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
Loss for the period	(18.9)	(8.2)	(30.1)
Items that may be subsequently recycled to Income Statement			
Exchange differences on translation of foreign operations	(8.3)	(1.6)	1.0
Total comprehensive loss for the period	**(27.2)**	**(9.8)**	(29.1)
Total comprehensive loss for the period attributable to:			
Owners of the Company	(27.3)	(9.8)	(29.4)
Non-controlling interests	0.1	-	0.3
	(27.2)	**(9.8)**	(29.1)
Total comprehensive loss attributable to owners of the parent arising from:			
Continuing operations	(11.1)	(2.1)	(3.6)
Discontinued operations	(16.2)	(7.7)	(25.8)
	(27.3)	**(9.8)**	(29.4)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

£m	Note	30 September 2022	30 September 2021	31 March 2022
Non-current assets				
Goodwill	6	28.2	28.2	28.2
Other intangible assets		10.8	14.6	12.2
Property, plant and equipment		24.4	33.4	32.7
Right of use assets		73.1	75.3	86.6
Trade and other receivables	7	89.1	84.6	92.4
Deferred tax asset		10.1	5.7	9.0
		235.7	**241.8**	**261.1**
Current assets				
Inventories		69.9	116.3	97.0
Trade and other receivables	7	149.4	173.1	169.7
Corporation tax receivable		1.8	3.7	1.9
Cash and cash equivalents		42.9	11.1	19.5
		264.0	**304.2**	**288.1**
Assets held for sale	11	3.9	-	-
		267.9	**304.2**	**288.1**
Total assets		**503.6**	**546.0**	**549.2**
Current liabilities				
Trade and other payables	8	(262.6)	(331.1)	(313.9)
Borrowings	9	(55.0)	(20.0)	(45.0)
Lease liabilities	9	(18.8)	(19.9)	(20.3)
Provisions		(2.7)	(0.2)	(0.4)
		(339.1)	**(371.2)**	**(379.6)**
Net current liabilities		**(71.2)**	**(67.0)**	**(91.5)**
Non-current liabilities				
Trade and other payables	8	(3.6)	(6.3)	(6.4)
Lease liabilities	9	(71.4)	(73.4)	(88.3)
Deferred tax liability		-	(2.7)	-
Provisions		(3.1)	(2.3)	(2.5)
		(78.1)	**(84.7)**	**(97.2)**
Total liabilities		**(417.2)**	**(455.9)**	**(476.8)**
Net assets		**86.4**	**90.1**	**72.4**
Equity attributable to owners of the parent				
Share capital	10	1.4	1.2	1.2
Investment in own shares		-	-	-
Share premium account	10	108.2	104.4	104.4
Other reserves	10	57.5	24.5	28.5
Retained losses		(79.8)	(38.7)	(60.7)
Total		**87.3**	**91.4**	**73.4**
Non-controlling interest		**(0.9)**	**(1.3)**	**(1.0)**
Total equity		**86.4**	**90.1**	**72.4**

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

At 30 September 2022

				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 2022	1.2	-	104.4	22.2	0.5	11.8	(3.0)	(3.0)	(60.7)	**73.4**	(1.0)	**72.4**
(Loss) / Profit for the period	-	-	-	-	-	-	-	-	(19.0)	**(19.0)**	0.1	**(18.9)**
Issue of share capital (net of expenses)	0.2	-	3.8	37.0	-	-	-	-	(2.0)	**39.0**	-	**39.0**
Foreign currency loss arising on consolidation	-	-	-	-	-	-	(8.3)	-	-	**(8.3)**	-	**(8.3)**
Share-based payments charge (net of tax)	-	-	-	-	-	2.2	-	-	-	**2.2**	-	**2.2**
Movement between reserves	-	-	-	-	-	(1.9)	-	-	1.9	**-**	-	**-**
Balance at 30 September 2022	**1.4**	**-**	**108.2**	**59.2**	**0.5**	**12.1**	**(11.3)**	**(3.0)**	**(79.8)**	**87.3**	**(0.9)**	**86.4**

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**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 months ended 30 September 2022

£m	6 months ended 30 September 2022	6 months ended 30 September 2021 [1]	Year ended 31 March 2022 [1]
Cash flows from operating activities			
Loss for the period in continuing operations	(11.0)	(2.1)	(3.3)
Net cash used in operating activities in discontinued operations	(6.9)	(5.2)	(7.3)
Adjustments for:			
Depreciation and amortisation	14.5	13.4	28.5
Loss on disposals	0.7	0.3	0.4
Finance income	(1.5)	(1.3)	(2.6)
Finance costs	3.8	2.6	5.6
Taxation	(0.6)	(2.2)	(7.2)
Share-based payment charge	2.2	2.8	5.8
Increase in provisions	3.2	0.2	0.5
Operating cash flows before movement in working capital	**4.4**	**8.5**	**20.4**
Decrease in inventories	12.2	21.3	33.0
(Decrease) / Increase in trade and other receivables	9.2	(7.5)	(10.8)
Decrease in trade and other payables	(35.3)	(78.6)	(96.7)
Net movement in working capital	**(13.9)**	**(64.8)**	**(74.5)**
Taxation received	0.7	0.7	1.7
Cash used in operating activities	**(8.8)**	**(55.6)**	**(52.4)**
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment	0.1	-	-
Acquisition costs relating to right of use assets	-	-	(1.0)
Acquisition of property, plant and equipment	(1.0)	(3.5)	(7.4)
Acquisition of intangible assets	-	(0.9)	(1.0)
Net cash (used in) investing activities by discontinued operations	(0.3)	(0.1)	(0.2)
Cash (used in) investing activities	**(1.2)**	**(4.5)**	**(9.6)**
Cash flows from financing activities			
Proceeds from issue of ordinary share capital (net of costs)	39.0	0.1	0.1
New borrowings	10.0	20.0	45.0
Interest paid	(1.7)	(0.7)	(1.6)
Interest paid on lease liabilities	(2.1)	(1.9)	(4.3)
Repayment of lease liabilities	(8.1)	(11.8)	(21.2)
Net cash used in financing activities by discontinued operations	(3.7)	(1.6)	(3.6)
Net cash generated from financing activities	**33.6**	**4.1**	**14.4**
Net increase / (decrease) in cash	**23.4**	**(56.0)**	**(47.6)**
Cash and cash equivalents at beginning of period	**19.5**	**67.1**	**67.1**
Exchange gains on cash & cash equivalents	-	-	-
Cash and cash equivalents at end of period	**42.9**	**11.1**	**19.5**

[1] Comparatives have been restated to present Germany as discontinued operations. Refer to note 11 for further details.

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The interim financial information was approved by the Board on 21 November 2022. The financial information for the 6 months ended 30 September 2022 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 2022 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 2022 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 2022 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 £71.2m as at 30 September 2022, 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 £80m revolving credit facility (which was extended by 12 months to now expire in April 2024). At the date of approval of these financial statements total liquidity amounted to £71.6m.

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. The forecasts take account of current trading, management's view on future performance and their assessment of the impact of market uncertainty and volatility. Whilst outside of the going concern period, management are also mindful that the revolving credit facility expires in April 2024 and assume that a like for like facility is obtained during the first half of 2023.

In assessing the going concern basis, the Directors have taken into account severe but plausible downsides to sensitise its base case and have run these in combination. These primarily include:

- a downside of negative growth in the financial year ending 31 March 2023 and in the subsequent periods to account for how the overall electrical online market could be impacted by the continuing macro-economic factors exacerbated by the conflict in Ukraine, such as inflation, consumer confidence and interest rate increases;
- the impact of higher interest rates on the Group's borrowings;
- product protection plan cancellation increases as a result of macroeconomic trends;
- cost inflation being higher than anticipated particularly in relation to wages; and

- a tightening of credit terms with suppliers as a result of potential withdrawals or reductions of credit insurance which could in turn, result in a reduction in trade creditor days. The severe but plausible downside has been considered at a reduction of 34% on the cumulative average trade creditor days over the previous 5 years.

Under this severe but plausible downside scenario the Group continues to demonstrate headroom on its banking facilities and remains compliant with quarterly covenants which are linked to interest cover, dividend cover and leverage and its annual covenant linked to net assets.

Consequently, the Directors are confident that the Group and the 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.

Basis of preparation and accounting policies

This condensed set of financial statements has been prepared in accordance with *IAS 34 Interim Financial Reporting* under UK-adopted international accounting standards. The annual financial statements of the Group for the year ending 31 March 2023 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, judgements and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 March 2022.

Discontinued Operations and restatement of comparatives

In June 2022, the Group announced that it had taken the decision to close its business in Germany. As a consequence, the German operations are treated as a discontinued activity under IFRS5 and the results and cashflows are therefore shown separately on the face of each of these primary statements; comparatives have been restated accordingly.

Any remaining assets and liabilities continue to be shown in the appropriate category on the face of the balance sheet except for those assets held for resale which are expected to recover their value via sale rather than in the normal course of business,

Further details are included in note 11.

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 disclose 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. In aggregate as at 30 September 2022 these amounted to £24.3m.

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 30 September 2022 the Directors have concluded that there have been no events which would require a full impairment review to be undertaken, and therefore that the carrying value of the intangibles and goodwill is appropriate, relatively small changes in any of the assumptions used in the annual review, which could be driven by the end customer behaviour with the Mobile Network Operators, could give rise to an impairment in the carrying value.

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 key inputs, including:

- the contractual agreed margins;
- the number of live plans;
- the discount rate;
- the estimated length of the plan;
- the estimated historic rate of attrition; and
- the estimated 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 attrition within the contract period and expected levels of customer spend. 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., changes seen in the previous year 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 after 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. During the year, management have refined the estimations in relation to claims (which impacts profit share) based on more granular information from Domestic & General regarding the claims performance of specific cohorts. This has resulted in an increase in revenue recognised of £2.7m. As with all years, other small refinements have been made but have had an immaterial impact on the revenue recognised.

The commission receivable balance as at 30 September 2022 was £92.6m (31 March 2021: £90.7m). The rate used to discount the revenue for the FY23 cohort is 5.13% (2022: 3.54%). The weighted average of discount rates used in the years prior to FY23 was 3.91% (2022: 4.12%).

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 estimates based upon a number of key inputs, including:

- The contractually agreed revenue share percentage – the percentage of the consumer's spend (to MNOs) to which the Group is entitled;
- The discount rate using external market data (including risk free rate and counter party credit risk) – 2.20% (2022: 0.53%);
- The length of contract entered into by the consumer (12 – 24 months); and
- The estimated 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 (c4%).

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 and any additional churn expected as a result of recent price increases announced and applied by the MNO's, for which a reduction to revenue is made 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 product protection plans, the Directors compare the cash received to the initial amount recognised in assessing the appropriateness of the assumptions used.

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. During the year, management have refined the estimations in relation to the assumed collection of commissions utilising more recent trends (and ignoring the unusual factors seen during FY21). This has resulted in an increase in revenue recognised of £1.4m. Other small refinements have been made which have had an immaterial impact on the revenue recognised.

The commission receivable balance as at 30 September 2022 was £75.1m (31 March 2021: £83.4m). The rate used to discount the current year revenue is 2.20% (2022: 0.53%).

Impairment of assets in AO Deutschland

In the prior year, due to the continued losses in Germany, management commenced a strategic review of the operations in the country. An impairment assessment as at 31 March 2022 was undertaken and this resulted in the write down of certain assets at the year-end.

In the current year, the Group has successfully negotiated the exit from most of its existing lease commitments and where possible managed to recover part of their valuation via third party-settlements. This partial recovery has been reflected as a reversal of a previous impairment in note 11. Any leases that the Group has been unable to return to the landlord or sublease during the period have been assessed for impairment as at 30 September 2022 and this resulted in the further write down of certain assets. In addition, two properties owned by the company are for sale and their carrying value is based on information at the time of preparing this report. Should external factors change, this could impact on the values reflected in the balance sheet.

Furthermore, negotiations with suppliers with regards to the amounts due to or from the German business with regards to trading have been ongoing throughout the period. At 30 September 2022, following the conclusion of virtually all negotiations, the Group is satisfied that amounts included in the balance sheet regarding suppliers are either contractually due or payable.

Recoverability of Deferred tax assets

The group continues to recognise a deferred tax asset in respect of UK tax losses brought forward. Tax losses brought forward previously arising in the UK have been utilised against the current period tax profit. The business expects to be profitable in the future and therefore has assessed that continuing to utilise the losses is probable, and as such the asset continues to be recognised.

In recognising the asset, management have taken account of the historic profitability of the UK business together with its forecasts (utilising the same information as in the going concern and viability statement). Management acknowledge that the economic environment is providing a difficult backdrop on which to forecast but believes that its forecasts reflect the impact of the current challenges. However, as a consequence of the significance of the asset, this is disclosed as a significant area of accounting judgement.

2. Revenue

The table below shows the Group's revenue by each 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 2022	6 months ended 30 September 2021	Year ended 31 March 2022
Product revenue	432.5	538.3	1,114.4
Service revenue	23.3	25.1	50.3
Commission revenue	65.9	75.6	156.8
Third-party logistics revenue	12.9	9.7	22.7
Recycling revenue	11.7	11.8	24.1
	546.3	**660.6**	**1,368.3**

3. Segmental analysis

In the periods prior to the current period, the Group had 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. Following the decision in June 2022 to close the German operations (which are now treated as discontinued), the UK operation is the only reportable segment.

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 remains as geographical by customer location, based on the Group's management and internal reporting structure.

4. Finance income

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
Unwind of discounting on non-current contract assets	1.5	1.3	2.6
	1.5	**1.3**	**2.6**

5. Finance costs

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
Interest on lease liabilities	2.1	2.0	4.3
Interest on borrowings	1.4	0.5	0.6
Other finance costs	0.3	0.1	0.7
	3.8	**2.6**	**5.6**

6. Goodwill

	£m
Carrying value at 30 September 2022 and 30 September 2021	**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) by AO Limited.

Impairment of goodwill

UK CGU - £13.5m

At 30 September 2022, goodwill acquired through UK business combinations (excluding Mobile Phones Direct 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 2022. The recoverable amount of the CGU was determined based on the value in use calculations. The Group prepared cash flow forecasts derived from the 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.

During the six months ended 30 September 2022, 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 2022.

AO Mobile Limited - £14.7m

At 30 September 2022, the goodwill allocated to the Mobile cash generating unit was £14.7m.

The Group performed its annual impairment test as at 31 March 2022 which showed there was headroom against the carrying value of £0.7m 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 at 3% per annum per year and EBITDA that was assumed to stay flat at c2% and the discounted rate.

The Directors performed sensitivity analysis on the numbers included in the three-year strategic plan for the business in assessing the value in use.

During the six months ended 30 September 2022, 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 2022.

7. Trade and other receivables

£m	30 September 2022	30 September 2021	31 March 2022
Trade receivables	26.7	23.8	25.8
Contract assets	167.7	173.6	174.1
Prepayments and accrued income	43.5	49.5	50.0
Other receivables	0.6	10.8	12.2
	238.5	**257.7**	**262.1**

The trade and other receivables are classified as:

£m	30 September 2022	30 September 2021	31 March 2022
Non-current assets	89.1	84.6	92.4
Current assets	149.4	173.1	169.7
	238.5	**257.7**	**262.1**

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:

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
Balance brought forward	174.1	172.2	172.2
Revenue recognised	61.2	70.6	145.9
Cash received	(71.2)	(73.7)	(151.0)
Revisions to estimates	2.1	3.2	4.4
Unwind of discounting	1.5	1.3	2.6
Balance carried forward	**167.7**	**173.6**	**174.1**

Included in the contract asset balance in relation to product protection plans at 30 September 2022 was an amount of (£0.9m) in relation to variable consideration recognised as revenue up to 31 March 2022 which has reversed in the period ended 30 September 2022. This is included in the revisions to estimates above.

Included in the contract asset balance in relation to Network Commissions at 30 September 2022 was an amount of £3.0m in relation to previously constrained revenue which has now been recognised in the period ended 30 September 2022. This is included in the revisions to estimates above.

The Group still recognises that there is inherent risk in the amount of revenue recognised as it is dependent on future customer behaviour which is outside of the Group's control and therefore at 30 September 2022 an amount of £8.2m has been constrained in relation to revenue recognised relating to network commissions.

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 – 5.13% (31 March 2022: 3.54%);
- 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 9.1% 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 15 years from c.2.9m plans that have been sold. Of these, c.1.05m 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 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 2, 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 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.

	Impact on contract asset and revenue
Sensitivity	**£m**
Cancellations increase by 2%	(1.9)
Cancellation rate reduces by 2%	1.9
Profit share increases or (decreases) by 10%	1.8 / (1.8)

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 and changes in consumer behaviour. The impact of reasonable potential changes is shown in the sensitivities above.

Profit share

The profit share attaching to the overall scheme is dependent on factors such as the price of the plan, the cost of claims and the administration of the scheme itself. Given changes in macroeconomic conditions, there is an increased risk that claims cost could increase but this would be countered by an increase in the price per plan. The above sensitivity considers what any reasonable change in either of these could mean to the overall profit share.

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. Revenue is recognised at the point the individual consumer signs a contract and is connected 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 – 2.20% (31 March 2022: 0.53%);
- 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 revenue.

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 may continue and 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 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 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
2% increase in cancellations	(1.1)
2% decrease in cancellations	1.1
6% increase in contractual entitlement	1.2

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, interest rates and inflation. The impact of reasonable potential changes is shown in the sensitivities above.

Contractual entitlement

The entitlement from the MNOs is based on our percentage share of the customers spend. As monthly spend may increase given prices are linked to RPI the Group's potential share of spend could increase. Countering this, any increase in prices may result in increased churn and therefore the above sensitivity aims to provide a reasonable estimate of what any further change in RPI (primarily from April 2023) could have on our contractual entitlement.

Prepayments and accrued income

At 30 September 2022, included in prepayments and accrued income is £12.3m (30 September 2021: £15.7m) in relation to volume rebates receivable. The amounts are largely coterminous and are mainly agreed in the month after recognition.

At 31 October 2022, the balance outstanding was £3.5m (31 October 2021: £4.4m).

8. Trade and other payables

£m	30 September 2022	30 September 2021	31 March 2022
Trade payables	172.8	208.3	205.0
Accruals	25.1	36.4	28.9
Contract liabilities	34.4	47.9	44.1
Deferred income	17.3	24.4	18.1
Other payables	16.6	20.4	24.2
	266.2	**337.4**	**320.3**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 days (31 March 2022: 47 days; 30 September 2021: 47 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.

The trade and other payables are classified as:

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
Current liabilities	262.6	331.1	313.9
Long-term liabilities	3.6	6.3	6.4
	266.2	**337.4**	**320.3**

9. Net debt and movement in financial liabilities

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
Cash and cash equivalents	42.9	11.1	19.5
Borrowings – Repayable within one year	(55.0)	(20.0)	(45.0)
Finance lease liabilities – Repayable within one year	(1.9)	(2.9)	(2.0)
Finance lease liabilities – Repayable after one year	(4.6)	(5.9)	(5.3)
Net debt (excluding leases relating to right of use assets)	(18.6)	(17.7)	(32.8)
Right of use asset lease liabilities – Repayable within one year	(16.9)	(17.0)	(18.3)
Right of use asset lease liabilities – Repayable after one year	(66.8)	(67.5)	(83.0)
Net debt	**(102.3)**	**(102.2)**	**(134.1)**

Whilst not required by IAS 1 Presentation of Financial Statements, the Group has elected to disclose its lease liabilities split by the nature of the asset that they relate to. This is to give the users of these Financial Statements additional information that the Directors feel will be useful to the readers understanding of the business.

The movement in financial liabilities in the period ending 30 September 2022 was as follows:

£m	Borrowings	Lease Liabilities
Balance at 1 April 2022	45.0	108.6
Changes from financing cash flows		
New Borrowings	10.0	-
Repayment of lease liabilities	-	(8.1)
Capital repayments of lease liabilities in Germany	-	(7.2)
Payment of interest	(1.4)	(2.1)
Total changes from financing cash flows	**8.6**	**(17.4)**
Other changes		
New leases	-	3.1
Interest expense	1.4	2.1
Reassessment of lease terms	-	(7.2)
Foreign exchange differences	-	1.0
Total other changes	**1.4**	**(1.0)**
Balance at 30 September 2022	**55.0**	**90.2**

£m	Borrowings	Lease Liabilities
Balance at 1 April 2021	-	95.3
Changes from financing cash flows		
New Borrowings	20.0	-
Repayment of lease liabilities	-	(11.8)
Capital repayments of lease liabilities in Germany	-	(1.2)
Payment of interest	(0.5)	(2.0)
Total changes from financing cash flows	**19.5**	**(15.0)**
Other changes		
New leases	-	10.9
Interest expense	0.5	2.0
Foreign exchange differences	-	0.1
Total other changes	**0.5**	**13.0**
Balance at 30 September 2021	**20.0**	**93.3**

On 6 April 2020, AO Limited, a direct subsidiary of AO World PLC entered into an £80m revolving credit facility. The facility is secured by a debenture over the assets of the companies party to the agreement, a charge over the relevant company shares and a charge over the AO.com domain name. During the year ended 31 March 2022, the facility expiry date was extended by 12 months to 6 April 2024.

At 30 September 2022, AO Limited had undrawn amounts on its revolving credit facility of £24.8m (31 March 2022: £30.1m). The amount utilised at 30 September 2022 represents £55.0m of cash drawings and £0.2m of letters of credit/guarantees.

10. Share Capital and other reserves

During the year, the Company completed a Capital raise through the issue of 95,856,552 new ordinary shares of 0.25p each in the Company raising £40.3m (before expenses). The net proceeds of the Capital raise, which amounted to £39.0m, strengthened the balance sheet and increased liquidity back to historic levels (relative to revenue base), and provide the flexibility to capitalise on market opportunities. The shares were issued by the Company in consideration for the transfer of 100% of the issued share capital of the cash box company. As a consequence, the Company has applied the guidance included in section 612 of the Companies Act with regard to merger relief and the difference between the nominal value of the shares and their fair value has been taken to the merger reserve.

In August 2022, the Company issued 1,541,911 ordinary shares of 0.25p each to satisfy options granted in July 2018 under the AO 2018 Incentive Plan.

The movement in Share Capital and other reserves, as a result of the Capital raise and other share issues, during the period was as follows:

£m (Unless stated)	**Number of shares (m)**	**Share Capital**	**Share Premium**	**Merger Reserves**
Balance at 1 April 2022	479.5	1.2	104.4	22.2
Share Placing	95.9	0.2	3.8	37.0
Other share issues	1.5	-	-	-
Balance at 30 September 2022	**576.9**	**1.4**	**108.2**	**59.2**

11. Discontinued operations

Due to the continued losses in Germany, in the latter part of FY22, management commenced a strategic review of the operations in that country. Following this review a decision was taken in June 2022 to close that business and in line with IFRS5 the business has been treated as a discontinued operation in the six months ended 30 September 2022. The tables below show the results of the German operation for the relevant reporting periods

Income Statement of discontinued operations

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
Revenue	**36.4**	**99.0**	**189.0**
Expenses	(47.4)	(105.1)	(208.4)
Loss profit before tax	**(11.0)**	**(6.1)**	**(19.4)**
Taxation credit / (charge)	0.5	-	(0.1)
Loss after tax	**(10.5)**	**(6.1)**	**(19.5)**
Gain / (Loss) on remeasurement of assets	2.6	-	(7.3)
Loss after tax of discontinued operations	**(7.9)**	**(6.1)**	**(26.8)**

The gain/(loss) on the remeasurement of assets arose following the decision to close the business in June 2022. The balance sheet at 31 March 2022 reflected management's initial view of the impact on assets held based on information available at that date. As the closure proceeded during FY23 and leases were exited, management have been able to true up the original estimates and this has given rise to a £2.6m reversal of previous impairments during the period.

Cash flow statement

£m	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
Net cash flows from operating activities	(6.9)	(5.2)	(7.3)
Net cash flows from investing activities	(0.3)	(0.1)	(0.2)
Net cash flows from financing activities	(3.7)	(1.6)	(3.6)
Net cash flows from discontinued operations	**(10.9)**	**(6.9)**	**(11.1)**

12. Share-based payments

AO Incentive Plan

On 25 August 2022, the Company made awards to participants under the AO 2018 Incentive Plan (2022 grant). The full details of these grants can be found in the Group's most recent annual financial statements.

Income Statement

The total charge in the Income Statement in relation to the AO Incentive Plan and the original Value Creation Plan 2020, was £2.1m (2021: £2.3m) and SAYE Schemes was £0.7m (2021: £0.6m).

13. Post balance sheet event

Since the period end the Company has exercised its final call option to acquire the remaining shares in AO Recycling Limited from its founders for consideration of £2.4m. Accordingly AO Recycling is now a wholly owned subsidiary.

14. 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 leases 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 2022.

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, leases 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.

15. Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected or historical results. The Directors do not consider that the principal risks and uncertainties have changed materially since the publication of the Annual Report for the year ended 31 March 2022.

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 54-65 inclusive of the Annual Report and Accounts 2022 which can be found at www.ao-world.com:

- Risks relating to our culture and people.
- Risk relating to IT systems resilience, cyber security and agility.
- Risks relating to compliance with changes in laws and regulations, in particular Data protection and privacy legislation.
- Risks of business interruption.
- Risks relating to the macro-economic environment and competitive conditions
- Risks relating to our key commercial relationships and supply chain
- Risk relating to our funding and liquidity
- Risks in relation to significant accounting matters including revenue recognition and contract asset recoverability in relation to product protection plans, revenue recognition and contract asset recoverability in relation to network commissions, the carrying value of goodwill and intangible assets arising on the acquisition of AO Mobile Ltd, impairment of assets in relation to AO Deutschland and going concern and viability assessments.

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

21 November 2022

Mark Higgins

CFO

21 November 2022

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 2022 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 2022 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").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

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, the annual financial statements of the group are 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.

In preparing the condensed set of financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

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. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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

15 Canada Square

London

E14 5GL

21 November 2022