FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

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AO WORLD PLC

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

DELIVERING A STEP CHANGE IN FINANCIAL PERFORMANCE, DRIVEN BY STRATEGIC PIVOT TO PROFIT & CASH GENERATION

CONTINUING AS THE UK'S MOST TRUSTED ELECTRICALS RETAILER

AO World plc ("the Group" or "AO"), the UK's most trusted electrical retailer, today announces its audited financial results for the financial year ended 31 March 2023 ("FY23").

The strong performance over the year illustrates the excellent progress against the Group's plan to pivot the business to focus on profit and cash generation.

£(m) [1]	FY23	FY22	% Mvmt
Revenue	1,139	1,368	(17%)
Adjusted EBITDA[2]	45	23	102%
Operating profit/(loss)	13	(8)	NM%[4]
Profit / (Loss) before tax	8	(11)	NM%
Basic earnings/ (loss) per share	1.13	(0.75)	NM%
Net funds / (debt) [3]	4	(33)	NM%

Financial highlights

- Step change in profitability YoY as we rationalise, simplify and refocus our operations
- Statutory profit before tax of £7.6m (2022: loss of £10.5m)
- Adjusted EBITDA of £45m, achieving an adjusted EBITDA margin of 4.0%
- Overall liquidity[5] of £89m (2022: £50m) at 31 March 2023 with net funds of £4m (2022: £33m net debt); balance sheet position strengthened with £40m share placing
- £80m Revolving Credit Facility renewed now expires in April 2026
- Revenue performance in line with our pivot plan, driven by actions taken to remove non-core channels and loss-making sales, also reflecting weak consumer sentiment attributed to cost of living pressures

Operational highlights

- Strategic pivot delivered: exited some business lines and delivered operational efficiencies and overhead reductions ahead of original plans
- AO remains a UK market leader in Major Domestic Appliances ("MDA") with a 16% total market share and a 30% online share
- Over 800,000 new customers[6] experienced the AO Way during the year, with repeat customers taking an increasing share of overall business
- Customer satisfaction scores remain outstanding, with Net Promoter Scores averaging c85[7] and over 400,000 Trustpilot ratings, averaging an "Excellent" 4.6/5 stars - as we continue to be the UK's most trusted electrical retailer
- Simplified the UK operations focusing on more profitable lines of business that fit our core model
- Ceased trading in Germany and completed its closure in all material respects with minimal cash impact to the Group
- Recycled or given new life to our six millionth appliance at our AO Recycling facility and we are continuing to work with manufacturers to use our recycled plastic in new products
- Cultural improvements as we bring AOers back together at our sites, enabling the business to benefit from better cohesion across the group

Outlook

Looking forward to FY24 we are confident in our ability to deliver on our 5% EBITDA ambition in the short term and returning to top line growth in the medium term. Our strategy now is to invest prudently in the business, seize the significant market opportunities that we see in front of us, leveraging our growing and loyal customer base.

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

"We are delighted with the demonstrable progress that we've made with the strategic realignment of AO towards profitability and cash generation. The significant improvement in our profit performance speaks for itself and has been achieved by focusing on our core strengths and simplifying our operations, while still delivering the outstanding customer service for which we're famous.

"Looking ahead, we intend to continue with this focus whilst also retaining the flexibility to drive growth through disciplined investment at the right pace and at the right time.

"Over five million new customers experienced the AO Way over the last three years, during which time we've maintained our "excellent" Trustpilot rating from more than 400,000 Trustpilot reviews, making AO the most trusted electricals retailer in the UK.

"I'd also like to thank all AOers for their support and commitment over the last 12 months I'm always very proud of the way in which they rise to the challenges and maintain our fantastic culture, which is ultimately how we deliver for customers. I'm also grateful to our manufacturer partners for their continued support as we navigate this hugely unpredictable trading period together."

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Webcast details

An in-person results presentation and Q&A will be held for analysts and investors at 09:00 with registration opening at 08.30 BST today, 5 July 2023 at our London Creative Hub. Advance registration prior to arrival is required via Powerscourt. A playback of the presentation will be available on AO World's investor website at www.ao-world.com in the afternoon.

About AO

AO World plc, headquartered in Bolton and listed on the London Stock Exchange, is the UK's most trusted online electricals 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 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.

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[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 12 for further details.

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

[3]Net funds/ (debt) is defined as cash and cash equivalents less borrowings less owned asset lease liabilities but excluding right of use asset lease liabilities.

[4]Where comparison change is a swing from negative to positive, this is judged to be a non-meaningful ("NM") comparison.

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

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

[7]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. Trustpilot scores sourced from their website, June 2023.

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.

STRATEGIC REVIEW

As we began the 2023 financial year, it was abundantly clear that a further period of economic uncertainty lay ahead. Our number one priority was to prepare AO to trade its way successfully and resiliently through whatever economic climate prevailed, and so we began the process of pivoting the focus of the business towards cash and profit generation.

The team's deep understanding of the dynamics and drivers of the business made it relatively straightforward to identify both the opportunities and the challenges that we needed to tackle, and also enabled us to move quickly and decisively.

Our core UK business has always been a strong, profitable, cash generative operation. As part of our plan, we also undertook a successful capital raise to strengthen our balance sheet. Our cash position continued to improve through the second half of the year as our actions to improve profitability gained traction.

With those economic clouds on the horizon, we decided to only continue with operations or initiatives where we had line of sight to profitability or cash generation.

Our decision-making process took us back to our fundamentals and made us carefully consider what drives our flywheel and what adds grit to the AO machine.

Specifically, the output of our strategic review resulted in the closure of our operations in Germany, our housebuilders contracts and our store-within-a-store trial with Tesco. While each had good long-term potential, their complexity, short and medium term cash consumption and opportunity cost meant that they were no longer compatible with the pressing priorities of 2023.

We have also simplified aspects of our operations, consolidated several teams and realised more of the value we deliver for customers. We've rationalised relevant ranges and raised the bar of what we're willing to accept in our supply chains. Inevitably these actions have cumulatively reduced sales, but we believe the best businesses are often defined by what they decide not to do, rather than always just chasing every opportunity.

Rationalisation and simplification also meant that we needed fewer people. We had to say goodbye to a number of AOers which is never an easy decision, but nonetheless a necessary one. While the economic element of those choices may have been relatively straightforward, the human element was, of course, much harder.

Our priority now is to cement the progress that we've made with our pivot to profitable growth and cash generation by focusing on brilliant execution and investing to deepen our relationships, while growing our brand and share of wallet.

During the last three years, over five million new customers experienced the AO Way and we now have over 400,000 Trustpilot reviews and counting. We are looking forward to building on that fantastic foundation in the years ahead to maintain our position as the most trusted electricals retailer in the UK.

Our strategy will always be centred around our obsession with customers and treating them like our grans. This obsession is a moat around our business and makes repeating what we do - and the way that we do it - ever more difficult for competitors to replicate, meaning that its value to our customers will only increase.

This is true across a whole host of areas from culture, customer service, loyalty, brand relationships and our B2B partnerships.

During FY24, having embedded the changes from our pivot year, our focus will move back to profitable and cash generative growth through disciplined investment at the right pace and at the right time.

We'll drive our structural advantage of having an extremely well invested, more efficient model with better unit economics, built for the future not the past, leveraging our scale centred around trust and excellence.

We expect the output of this to be that we will deliver over 5% EBITDA margin for the current year and that we will be back to driving profitable, top line growth by the end of this financial year.

OPERATIONAL AND FINANCIAL REVIEW

Operational highlights

Over the last 12 months we have executed a significant reorganisation and simplification of the business. The closure of our Germany business in the year has enabled us to focus on the UK business and really drive the efficiencies from our vertically integrated model.

UK Retail

Our UK retail business is one of the market leaders in MDA retailing and generates strong and sustainable cashflows. We serve customers through both B2B and B2C channels. Established over 20 years ago we offer customers a full range of MDA products complemented by a range of smaller domestic appliances, computing, AV, mobile phones, consumer electronics, gaming and smart home products.

Our UK website, ao.com, is the main business in UK retail and is usually the first introduction that customers have to our brilliant customer service, range of products and competitive pricing. We continually seek to improve our customer experience through enhanced product information, payment options, flexible delivery and installation options, and recycling services. By sweeping the market several times a day we keep our prices appropriately competitive.

Over 800,000 new customers experienced the AO Way this year, bringing the total historical number of customers who have shopped on ao.com in the UK to 11.3 million. Of the customers who shopped with us during FY23, over 58% were repeat. In line with our profit plan we continue to drive growth in product categories in which we can leverage our whole ecosystem and deliver a desired level of profit from the sale of these goods. Accordingly, we expected our pivot to profitability and cash generation to impact our market share and it has. Our share of the MDA online market fell 2ppt to 30% for FY23 with our overall market share falling slightly year on year to 16%. We once again reported market-leading, outstanding customer satisfaction scores averaging c85 on NPS and 4.6/5 on Trustpilot, based on over 400,000 reviews. This is a clear demonstration that our laser focus on outstanding service and customer satisfaction remains excellent, notwithstanding our pivot to profit and cash.

The first half of the year was impacted by supply chain issues and customer demand also weakened as a result of political uncertainty in Ukraine, rising inflation and increasing cost of living pressures. The business invested heavily in chasing market share in the first quarter of the year in order to combat these issues, which was not sustainable in the long term.

The strategic realignment saw us removing parts of the business that didn't fit our priorities. We ended the trial of a store-in-store format with Tesco and have also terminated our business in the housebuilder sector.

We introduced delivery charges for all orders to offset the growing costs of delivering for our logistics business. 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 incrementally loss making and the corresponding margin drag has been removed. We expected that this would impact our overall sales volumes in the second half of the year, but it has delivered the planned step change in profitability and cash generation.

We have completed a major staffing restructure, which has seen a significant reduction in headcount and subsequent saving in the cost of senior and middle management layers. A detailed review of our office footprint was completed in the year which has seen the business close three offices across the Group.

Our Financial Services business performed resiliently as our customers continue to recognise the value and peace of mind that our warranties offer. Our long-term successful partnership with Domestic & General (AO Care) and NewDay (AO Finance) helped us ensure high customer service levels, and we continue to work closely with both partners to enhance our customer proposition.

There has been no material impact to warranty cancellation rates as a result of the underlying macroeconomic conditions.

Mobile

AO Mobile (Mobile Phones Direct) continues to focus its customer proposition on traditional network contract connections through our network partners, O2, Vodafone and Three. Our focus is on being affordable, providing value for money offers, connecting through robust eligibility gateways, and appealing to a genuine customer grouping/base.

Rising inflation costs have impacted the market, with the margins being squeezed as consumers become more cost conscious. The business has concentrated on the quality of its connections that it makes rather than choosing to compete purely on price. In doing so it has given up some market share, however the value of customer tenures has improved in the year which has served to offset some of this decline.

Logistics

Our market leading in house logistics infrastructure enables the delivery of millions of products a year nationwide, seven days a week, to customers on behalf of AO's retail business and a number of third-party logistics clients. Our delivery network operates from our hub in Crewe, comprising our warehouses and distribution centres with a total of over 1.2 million square foot of space and via a network of 17 delivery depots across the UK.

As the business pivoted to profit and cash, the logistics operation was able to flex the driver resource down, rationalise our warehouse and outbase requirements and leverage our operational gearing through third party logistics. We are able to leverage our expertise in complex two-person delivery, which is highly valued in our industry, to deliver incremental profitability. We will continue to leverage this opportunity without it distracting from our core business.

A new logistics routing system was introduced in the year to develop our delivery routing process which has enabled the operation to further its efficiencies and expand our capacity, to continue to provide our customers with brilliant service.

Recycling

Our recycling plant in Telford is one of the largest fridge recycling plants in Europe, and it operates to the highest UK and European standards. This ensures that gases and oils that are harmful to the environment are safely and efficiently captured. Refrigeration products including large American style fridges are our speciality, but we collect all old fridges and other white goods (also known as "WEEE" - waste electrical and electronic equipment). We have our own highly skilled repairs team which refurbishes appliances delivered to the plant that still have a useful life. These are then sold with a warranty through our established base of trade customers.

During the year we achieved a key milestone of recycling or reusing our six millionth appliance. Even though overall volumes processed in the year were lower due to the slowing of the overall market for MDA, strong pricing across all key metals and plastic outputs compensated for the lower recycling volumes.

Over the past few years, our Recycling operations have been working to perfect the recycling of plastics into new white goods components to complete true circularity of recycling. During FY23 the throughput of plastic to our recycling plant grew by 20%, with the output quality of materials continuously improving. We were able to demonstrate REACH and RoHS compliance, and progressed external laboratory testing for mechanical specifications, taking us a step closer to our strategic objective of 'Closing the Loop' partnership with key manufacturers to supply recycled products to make electrical appliances.

This quality in plastics recycling has been recognised by the Awards in Excellence in Recycling and Waste Management 2023, where the business was awarded Recycled Product of the Year. In partnership with Volution Group our high-quality plastics output has been used to manufacturer over 330,000 ventilation fan units (domestic and commercial). This again brings us closer to our goal of seeing our recycled plastics back into products for sale on AO.com.

We continue to collect third-party volumes using our own logistics network, again providing efficient service from council amenity sites, whilst reducing the amount of miles driven.

Closure of International Operations

As we reported in last year's annual report we made the decision to close our German business and ceased trading there in early July 2022. During the remainder of the year we then closed down our operations, terminated leases and agreements and concluded other arrangements. As expected the total cash impact from the closure of our operations was minimal in FY23. As we move in to FY24 there remains only one outbase lease to exit.

Financial performance

We started the 2023 financial year facing a difficult market as a result of inflation pressures on both our customers and our cost base and saw a continued post covid drag of customers returning to offline purchasing. Initially we reacted by discounting sales prices to maintain market share through the short term volatility. In Q1 our strategic pivot towards cash and profit generation fundamentally realigned the business during the rest of the year. This has entailed a rigorous and wide-reaching programme aimed at simplifying our operations and optimising our cost base, completed through the following key steps:

1. Improving Gross Margin
Delivery charges were introduced for all orders to offset the growing costs of delivering for our logistics business, and pleasingly the customer response was good, as customers accepted that delivery has a cost. In addition, we also accelerated our pricing structure development, particularly in non MDA categories that have been in an investment and growth phase over the last few years, which served to reduce margin drag.

2. Simplifying our operation
We closed our operations in Germany, brought an end to our trial with Tesco and terminated our activities in the housebuilding sector, as those initiatives were non-core, loss making, cash consumptive and no longer fit with our focused priorities.

3. Optimising our cost base and overhead reduction
Throughout the year we identified and implemented a wide range of opportunities to increase operational efficiencies, particularly in light of our simplified operations. These have included removing 158,000 sq ft of warehouse and outbases, rationalising vehicles, reducing our office footprint and lowering our stock holding. We also undertook an organisational restructure, which resulted in a reduction in headcount particularly in senior and middle management roles.

Our cashflow strengthened in the year as a result of the impact of operational changes and further supported by the capital raising with gross proceeds of approximately £40m. Subsequent to the 2023 year-end we also renewed our £80m Revolving Credit Facility, which is now due to expire in April 2026.

Our priorities for the current financial year are to leverage our cost base and strong balance sheet for profitable growth. AO remains a market leader in MDA in the UK with a 16% share of the total market and a 30% share of the online market, which provides us with a strong and resilient base from which to grow. Our strategy is to invest prudently in the business, seize the significant market opportunities that we see in front of us, and leverage our growing and loyal customer base.

The following commentary, unless stated otherwise, covers our UK business only.

Revenue

Table 1

Year ended £m	**31 March 2023**	**31 March 2022**	**% Change**
Product revenue	874.8	1,114.4	*(21.5%)*
Services revenue	56.2	50.3	*11.7%*
Commission revenue	156.4	156.8	*(0.2%)*
Third-party logistics revenue	27.6	22.7	*21.2%*
Recycling revenue	23.6	24.1	*(2.1%)*
	1,138.5	**1,368.3**	***(16.8%)***

For the 12 months ended 31 March 2023, revenue decreased by 16.8% to £1,138.5m (2022: £1,368.3m).

Product revenue

Product revenue, comprising sales generated from ao.com, marketplaces and third-party websites, decreased by 21.5% as the impact of our actions to improve profitability took hold combined with the impacts of the cost of living crisis on consumer spending, and the market normalised post Covid. H1 was also impacted by supply chain issues, which were subsequently materially resolved by H2.

Our revenues reduced in line with our change in strategy and pivot to prioritise profit over revenue as set out above. Our MDA revenue decreased YoY by 18.2%, with the total UK MDA market value falling 6.3% and the online MDA market value falling by 11.7%. Our non MDA revenues, comprising SDA, computing and gaming but excluding AV, declined by 14.7%. Our AV revenue, which includes televisions and audio visual, saw a decline YoY of 35.6%.

Services revenue

Services revenues, which includes fees for delivery, recycling, installation and related services, was impacted by the reduction in product revenue. However, this was offset by the introduction of delivery charges on all orders to counteract the growing costs of delivery for our logistics business. The net result was that services revenue increased by 11.7%.

Commission revenue

Commission revenue, which includes commissions generated by network connections in our Mobile business and from AO Care warranties remained broadly flat against prior year revenues.

In Mobile, the number of connections increased in FY23 which, coupled with further RPI increases imposed by the networks resulted in an increase in Mobile commission revenue in the year.

In AO Care, the number of plans sold in FY23 reduced from FY22 in line with the drop in product revenue and consequently commissions from the sale of warranties reduced against the prior year. This was partly offset by an increase in certain plan prices in the period in order to counter the increased costs incurred by Domestic & General in running the scheme.

Third-party logistics revenue

Third-party logistics performed well, with YoY revenue growth of 21.2%, albeit off a modest base. Our expertise in complex two-person delivery is highly valued in our industry, and we undertake a number of deliveries and other services on behalf of third-party clients in the UK including Hisense and Simba. This revenue delivers incremental profitability. The business will continue to maximise this revenue opportunity to leverage our operational gearing, without it distracting from the core business.

Recycling revenue

Recycling revenues decreased 2.1% over the year, which again was a pleasing performance when taking into account the wider trading environment. Processed volumes decreased overall year on year, although this was offset by an increased output from the plastics plant, as well as improvements in output prices for recycled materials.

Gross margin

Table 2

Year ended **£m**	**31 March 2023**	**31 March 2022**	**% Change**
Gross profit	238.2	263.4	(9.6%)
Gross margin	20.9%	19.3%	+ 1.6 ppts

Gross profit, including product margins, services and delivery costs, decreased by 9.6% to £238.2m (2022: £263.4m), against a sales decrease of 16.8%. Gross margin increased by 1.6ppts to 20.9%. This increase reflects the significant steps taken by the business to offset inflationary increases in operational costs through pricing actions and the focus on profitable sales.

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

Table 3

Year ended **£m**	**31 March 2023**	**31 March 2022**	**% Change**
Advertising and marketing	38.0	46.1	*(17.5%)*
% of revenue	*3.3%*	*3.4%*	
Warehousing	59.8	69.6	*(14.1%)*
% of revenue	*5.2%*	*5.1%*	
Other admin	124.1	156.1	*(20.5%)*
% of revenue	*10.9%*	*11.4%*	
Adjustments	4.5	0.9	*395.7%*
% of revenue	*0.4%*	*0.1%*	
Administrative expenses	**226.4**	**272.7**	***(17.1%)***

Year ended £m	31 March 2023	31 March 2022	% Change
% of revenue	19.9%	19.9%	

SG&A costs decreased during the period to £226.4m (2022: £272.7m), but as a percent of revenues remained flat at 19.9%. The largest cost decreases were seen in warehousing and other admin.

Warehousing costs which include the costs of running our central warehouses for both our customers and for our third-party customers as well as the outbase infrastructure and our recycling operation came under focus during the period. Savings were made through both third-party leasing and efficiency improvements at the sites themselves. This resulted in a reduction to warehousing costs in cash terms to £59.8m (2022: £69.6m). However, warehousing as a percentage of sales increased slightly year on year, given the drop in sales volume.

Other admin costs decreased to £124.1m (2022: £156.1m), or from 11.4% to 10.9% as a percentage of revenues. This primarily reflects the actions that the business has taken as part of the detailed overhead review and property rationalisation. The headcount of the business entering into FY23 was aligned with expected international growth. Therefore, following the decision to focus exclusively on the UK operation, a rightsizing of headcount was necessary during the year. With reduced headcount and a move to remote working for some areas of the group, the need for office space has also reduced. As we move into FY24, the annualisation of savings is expected to offset inflationary pressures and should see the business deliver a like for like cost base.

Advertising and marketing costs in the UK decreased to £38.0m (2022: £46.1m) and remained relatively flat as a percent of revenues. Spend decreased as the business focussed on the efficiency of acquisition spend.

Operating profit and Adjusted EBITDA

As a result of the above actions and dynamics, our operating profit for the period was £12.5m (2022: £7.5m loss).

Alternative Performance Measures

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

EBITDA

EBITDA is defined by the Group as Profit/(Loss) from continuing activities before interest, tax, depreciation, amortisation, 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 which the Group excludes in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods.

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

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

Table 4

Year ended £m	31 March 2023	31 March 2022	% Change
Operating profit / (loss)	**12.5**	**(7.5)**	NM%
Depreciation	25.6	24.9	2.9%
Amortisation	2.6	3.8	(31.9%)
Loss on disposal of non-current assets	0.2	0.4	(49.0%)
EBITDA	**40.9**	**21.6**	89.6%
Adjusting items	4.5	0.9	395.7%
Adjusted EBITDA	**45.4**	**22.5**	101.9%
Adjusted EBITDA as % of Revenue	4.0%	1.6%	

The Adjusting Items for the current year are:

- Following the Group's change of strategy to focus on the UK business, the Group started a simplification of its operations which has included removing areas of the business that didn't fit our priorities, including the trial with Tesco and housebuilder contracts; simplifying the organisational structure and associated contracts and exiting surplus properties. As a consequence, the Group has recognised an expense of £4.5m relating to the restructuring which, due to its size and nature, has been added back in arriving at Adjusted EBITDA.

The Adjusting Items for the prior year were as follows:

- Due to the continued losses in the German business, the Group undertook a strategic review during the prior year. Legal advice and other costs of the review totalled £0.9m during the year and given the nature of these costs, they were added back in arriving at Adjusted EBITDA. All other charges arising as a result of the review, principally relating to the impairment of assets in the German business, were included in the result for that business which is shown as a discontinued operation in these financial statements.

Taxation

The tax charge for the year was £1.2m (2022: tax credit of £7.2m) resulting in an effective rate of tax for the year of 16.4% in continued operations.

The Group is subject to taxes in the UK and Germany. The Group continued to be able to offset a proportion of its German losses against profits arising within the UK in the relevant overlapping period through its registered branch structure in Germany. No overseas tax is attributable to Germany in the year due to its trading results.

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

Retained loss and earnings/ (loss) per share

The calculations for earnings/ (loss) per share are shown in the table below

Table 5

2 months ended £m	31 March 2023	31 March 2022
Profit / (Loss)		
Profit/ (Loss) attributable to Owners of the Parent Company from Continuing operations	6.2	(3.6)
Loss attributable to Owners of the Parent Company from Discontinued operations	(8.8)	(26.8)
	(2.6)	(30.4)
Number of shares		
Weighted average shares in issue for the purposes of basic earnings/ (loss) per share	548,947,969	478,558,948
Potentially dilutive share options	15,509,762	7,028,898
Diluted weighted average number of shares	564,457,731	465,587,847
Earnings / (loss) per share from continuing operations (pence per share)		
Basic earnings / (loss) per share	1.13	(0.75)
Diluted earnings / (loss) per share	1.10	(0.75)
Loss per share from continuing and discontinued operations (pence per share)		
Basic loss per share	(0.48)	(6.33)
Diluted loss per share	(0.47)	(6.33)

In the prior year, 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 31 March 2023, the Group's available liquidity, being Cash and cash equivalents plus amounts undrawn on its revolving credit facility, was £88.9m (2022: £49.6m). Group liquidity was strengthened via a successful share placing in July 2022 which raised net proceeds of £39.1m.

Net funds, which comprise cash balances less borrowings and owned asset lease liabilities, were £3.6m (2022: £32.8m net debt). Cash balances at 31 March 2023 were £19.1m (2022: £19.5m). The movement in net funds represents a cash inflow from operations generated by the improved profitability partly offset by a working capital outflow (see below), the inflow from the proceeds of the share placing offset by the repayment of borrowings, interest and lease liabilities. Borrowings of £10.0m (2022: £45.0m) relate to short term funding drawn from the Group's revolving credit facility.

At 31 March 2023, the Group's Total net debt, being net funds less all right of use asset lease liabilities, was £76.1m (2022: £134.1m)

Lease liabilities decreased by £23.3m to £85.3m (2022: £108.6m) principally reflecting capital repayments of £26.1m and the early exit or reassessment of leases of £8.2m offset by new lease liabilities of £11.0m. New leases in the year principally relate to the replenishment of the delivery fleet with newer vehicles replacing older obsolete models. As expected, following the decision to close its business in Germany, almost all of the Group's liabilities in Europe have either been settled or terminated early.

On 5 April 2023, the Group renewed its £80m revolving credit facility and this now expires in April 2026. At 31 March 2023, the Group had £69.8m available on its old facility. The amount utilised represents £10.0m of cash borrowings (see above) and £0.2m of guarantees.

Working Capital

As at £m	31 March 2023			31 March 2022		
	UK	Germany	Total	UK	Germany	Total
Inventories	73.1	-	73.1	82.0	15.0	97.0
Trade and other receivables	230.9	0.2	231.1	243.9	18.2	262.1
Trade and other payables	(253.5)	(0.8)	(254.3)	(296.9)	(23.3)	(320.3)
Net working capital	**50.5**	**(0.6)**	**49.9**	**29.0**	**9.8**	**38.8**
Change in net working capital	21.5	(10.4)	11.1	75.2	(8.0)	67.2

At 31 March 2023, the Group had net current liabilities of £47.9m (2022: £91.5m).

At 31 March 2023, UK inventories were £73.1m (2022: £82.0m) and UK stock days were 40 days (2022: 34 days). Overall inventory levels reduced in line with the reduction in sales albeit the Group continues to run an efficient stock holding model ensuring that a sufficient and efficient level of inventory is held to maintain customer availability. Inventory days at the end of March were however higher than the previous year as a consequence of the timing of purchasing in our Mobile business to maintain availability across the range.

UK trade and other receivables (both non-current and current) were £230.9m as at 31 March 2023 (2022: £243.9m) reflecting a reduction in trade with B2B customers as we exited loss making business in addition the lower level of sales activity reducing the amount of supplier marketing commissions.

UK trade and other payables were £253.5m at 31 March 2023 (2022: £296.9m). Again, this is reflective of the lower level of activity in the year across the business. Trade payables days at 31 March 2023 were 51 days (2022: 47 days).

The changes in working capital in Germany are all reflective of the decision to close operations in June 2022.

Capital Expenditure

UK cash capital expenditure for the 12-month period was £2.2m (2022: £7.5m), largely related to ongoing investment in IT equipment, company vehicles and leasehold improvements.

Acquisition of Non Controlling Interest

In November 2022, the Company acquired the remaining 18.4% of issued share capital in AO Recycling Limited for consideration of £2.5m. AO Recycling is now a wholly owned subsidiary.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2023

	Note	2023 £m	2022 £m Restated (See note 12)
Revenue	2,3	1,138.5	1,368.3
Cost of sales		(900.3)	(1,104.9)
Gross profit		**238.2**	**263.4**
Administrative expenses		(226.4)	(272.7)
Other operating income		0.7	1.8
Operating profit/ (loss)		**12.5**	**(7.5)**
Finance income	4	2.9	2.6
Finance costs	5	(7.8)	(5.6)
Profit/ (loss) before tax		**7.6**	**(10.5)**
Tax (charge)/ credit	6	(1.2)	7.2
Profit/ (loss) after tax for the period from continuing operations		**6.4**	**(3.3)**
Loss for the period from discontinued operations	12	(8.8)	(26.8)
Loss after tax for the year		**(2.4)**	**(30.1)**
Profit/ (loss) for the year attributable to:			
Owners of the Company		(2.6)	(30.4)
Non-controlling interests		0.2	0.3
		(2.4)	**(30.1)**
Earnings/ (loss) per share from continuing operations (pence)			
Basic earnings/ (loss) per share	7	1.13	(0.75)
Diluted earnings/ (loss) per share	7	1.10	(0.75)

Loss per share from continuing and discontinued operations (pence)

Basic loss per share	7	(0.48)	(6.33)
Diluted loss per share	7	(0.47)	(6.33)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023 £m	2022 £m
Loss for the year	(2.4)	(30.1)
Items that may subsequently be recycled to income statement		
Exchange differences on translation of foreign operations	(6.4)	1.0
Total comprehensive loss for the year	**(8.8)**	**(29.1)**
Total comprehensive (loss)/ profit for the year attributable to:		
Owners of the Company	(9.0)	(29.4)
Non-controlling interests	0.2	0.3
	(8.8)	**(29.1)**
Total comprehensive profit/ (loss) attributable to owners of the company arising from:		
Continuing operations	6.2	(3.6)
Discontinued operations	(15.2)	(25.8)
	(9.0)	**(29.4)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 23

	Note	2023 £m	2022 £m
Non-current assets			
Goodwill	8	28.2	28.2
Other intangible assets		9.6	12.2
Property, plant and equipment		20.9	32.7
Right of use assets		69.4	86.6
Trade and other receivables	9	93.3	92.4
Deferred tax		8.3	9.0
		229.7	261.1
Current assets			
Inventories		73.1	97.0
Trade and other receivables	9	137.8	169.7
Corporation tax receivable		0.6	1.9
Cash and cash equivalents		19.1	19.5
		230.6	288.1
Total assets		**460.3**	549.2
Current liabilities			
Trade and other payables	10	(249.5)	(313.9)
Borrowings	11	(10.0)	(45.0)
Lease liabilities	11	(17.8)	(20.3)
Provisions		(1.2)	(0.4)
		(278.5)	(379.6)
Net current liabilities		**(47.9)**	(91.5)
Non-current liabilities			
Trade and other payables	10	(4.8)	(6.4)
Lease liabilities	11	(67.5)	(88.3)
Provisions		(3.8)	(2.5)
		(76.1)	(97.2)
Total liabilities		**(354.6)**	(476.8)
Net assets		**105.7**	72.4
Equity attributable to owners of the parent			
Share capital		1.4	1.2
Share premium account		108.2	104.4
Other reserves		59.4	28.5
Retained losses		(63.3)	(60.7)
Total		**105.7**	73.4
Non-controlling interest		**-**	(1.0)
Total equity		**105.7**	72.4

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

As at 31 March 2023

				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 31 March 2021	**1.2**	**-**	**104.3**	**22.2**	**0.5**	**9.6**	**(4.0)**	**(3.0)**	**(33.1)**	**97.7**	**(1.3)**	**96.4**
(Loss) / Profit for the period	-	-	-	-	-	-	-	-	(30.4)	(30.4)	0.3	(30.1)
Share-based payment charge (net of tax)	-	-	-	-	-	5.0	-	-	-	5.0	-	5.0
Issue of shares (net of expenses)	-	-	0.1	-	-	-	-	-	-	0.1	-	0.1
Foreign currency gain arising on consolidation	-	-	-	-	-	-	1.0	-	-	1.0	-	1.0
Movement between reserves	-	-	-	-	-	(2.7)	-	-	2.7	-	-	-
Balance at 31 March 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	-	-	-	-	-	-	-	-	(2.6)	(2.6)	0.2	(2.4)
Share-based payment charge (net of tax)	-	-	-	-	-	5.5	-	-	-	5.5	-	5.5
Issue of shares (net of expenses)	0.2	-	3.8	37.0	-	-	-	-	(2.0)	39.1	-	39.1
Foreign currency loss arising on consolidation	-	-	-	-	-	-	(6.4)	-	-	(6.4)	-	(6.4)
Acquisition of minority interest	-	-	-	-	-	-	-	(3.3)	-	(3.3)	0.8	(2.5)
Movement between reserves	-	-	-	-	-	(1.9)	-	-	1.9	-	-	-
Balance at 31 March 2023	**1.4**	**-**	**108.2**	**59.2**	**0.5**	**15.5**	**(9.4)**	**(6.3)**	**(63.3)**	**105.7**	**-**	**105.7**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 12 months ended 31 March 2023

	2023 £m	**2022 £m Restated (See note 12)**
Cash flows from operating activities		
Profit/ (loss) for the year in continuing operations	6.4	(3.3)

Net cash used in operating activities in discontinued operations	(8.8)	(7.3)
Adjustments for:		
Depreciation and amortisation	29.0	28.5
Loss on disposal of property, plant and equipment	0.9	0.4
Finance income	(2.9)	(2.6)
Finance costs	7.8	5.6
Taxation charge / (credit)	1.2	(7.2)
Share-based payment charge	5.3	5.8
Increase in provisions	2.7	0.5
Operating cash flows before movement in working capital	**41.6**	**20.4**
Decrease in inventories	9.0	33.0
Decrease/ (increase) in trade and other receivables	14.7	(10.8)
Decrease in trade and other payables	(43.0)	(96.7)
Total movement in working capital	**(19.4)**	**(74.5)**
Taxation refunded	2.2	1.7
Cash generated from/ (used in) operating activities	24.4	(52.4)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	0.1	-
Acquisition costs relating to right of use assets	-	(1.0)
Acquisition of property, plant and equipment	(2.1)	(7.5)
Acquisition of intangible assets	(0.1)	(1.0)
Net cash generated from/ (used in) investing activities by discontinued operations	9.8	(0.1)
Cash generated from/ (used) in investing activities	**7.7**	**(9.6)**
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	41.1	0.1
Share issue costs	(2.0)	-
Acquisition of non-controlling interest	(2.5)	-
(Repayment of)/ New borrowings	(35.0)	45.0
Interest paid on borrowings	(3.5)	(1.6)
Interest paid on lease liabilities	(4.2)	(4.3)
Repayment of lease liabilities	(17.7)	(21.2)
Net cash used in financing activities by discontinued operations	(8.6)	(3.6)
Net cash (used in)/ generated from financing activities	**(32.3)**	**14.4**
Net decrease in cash	**(0.3)**	**(47.6)**
Exchange loss on cash and cash equivalents	**(0.1)**	**-**
Cash and cash equivalents at beginning of year	**19.5**	**67.1**
Cash and cash equivalents at end of year	**19.1**	**19.5**

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

This financial information has been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards ("UK adopted IFRS").

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

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2023 or 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; the report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) Companies Act 2006.

During the year, the Group made the decision to close its German business which has been treated and presented as a discontinued operation in the year ended 31 March 2023 which includes restating comparatives (see note 12).

Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Adoption of new and revised standards

The accounting policies set out in Note 3 of the Group financial statements have been applied in preparing this financial information.

New accounting standards in issue but not yet effective

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

- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS 17 and IFRS 9 - Comparative Information (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date to be confirmed).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 1 January 2023).
- Amendments to IAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from

a Single Transaction (effective date 1 January 2023).

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

Going concern

Notwithstanding net current liabilities of £47.9 m as at 31 March 2023 and a cash outflow of £0.3m in the year ended 31 March 2023, 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 renewed in April 2023 to now expire in April 2026). At 30 June 2023 total liquidity amounted to £62.8m.

The Directors have prepared base and sensitised cash flow forecasts for the Group covering the period to 31 March 2025 ("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 its 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.

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

- Negative growth in FY24 and in the subsequent periods to account for how the overall electrical online market could be impacted by the continuing macro-economic factors such as inflation, consumer confidence, interest rate increases;
- Changes in margin including the impact of any changes in the Group's policy with regard to charging;
- The impact of a change in product protection plan cancellations as a result of a macroeconomic event e.g., continued interest rate increases, utilising data seen where other events have happened (e.g., Covid outbreak, initial cost of living crisis); and
- Changes in other revenue including the impact of a reduction in logistics third-party income.

Under these severe but plausible downside scenarios the Group continues to demonstrate headroom on its banking facilities and remains compliant with its quarterly covenants which are interest cover (Adjusted EBITDA being at least 4x net finance costs) and leverage (Net debt to be no more than 2.5x EBITDA). The likelihood of a breach of covenants is considered remote and hence headroom against its covenants has not been disclosed.

In addition, the Directors have considered mitigating actions including limiting discretionary spend and managing working capital should there be any pressure on headroom. These would provide additional headroom but have not been built into the going concern forecast. Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are set out in Note 3 of the Group financial statements, 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 that carry a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next 12 months.

As a result of macro-economic factors in recent years, the Directors consider that the revenue recognition in respect of commission for product protection plans and network connections include significant areas of accounting estimation. The Directors have applied the variable consideration guidance in IFRS 15 and as a result of revenue restrictions do not believe there is a significant risk of a material downward adjustment. Revenue has been restricted to ensure that it is only recognised when it is highly probable and therefore subsequently, there could be a material reversal of restrictions.

The information below sets out the estimates and judgements used in recognising revenue in these two areas.

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, 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., changes seen in FY21 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 estimations in relation to plan cancellations which has resulted in a £1.7m reversal of previously recognised revenue. 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 31 March 2023 was £93.1m (2022: £90.7m). The rate used to discount the revenue for the FY23 cohort is 5.45% (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 reliably 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) 2.86% (2022: 0.53%);
- The length of contract entered into by the consumer (12 - 24 months) and the resulting 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 (c2%).

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 MNOs, 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 once customers reach out-of-contract periods. This has resulted in a restriction of revenue in FY23, compared to the prior methodology, of £2.9m. In addition, as a result of the increase in commission rates driven by the significant increase in inflation, previously restricted revenue of £4.4m has been recognised in FY23.

Other small refinements have been made which have had an immaterial impact on the revenue recognised. The total revenue restricted at 31 March 2023 is £8.7m.

The commission receivable balance as at 31 March 2023 was £81.3m (2022: £83.4m). The rate used to discount the current year revenue is 2.83% (2022: 0.53%).

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. At 31 March 2023 these amounted to £23.5m.

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 and the long-term growth rate to be applied beyond this three-year period.

Whilst at 31 March 2023 the Directors have concluded that the carrying value of the intangibles and goodwill is appropriate, significant changes in any of these assumptions, which could be driven by the end customer behaviour with the Mobile Network Operators, could give rise to an impairment in the carrying value.

Recoverability of deferred tax asset

At 31 March 2023, the Group has UK tax losses of £26.1m and accordingly has recognised a deferred tax asset of £6.5m in respect of these losses.

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). In recent years, other than FY22, the UK business has been profitable. The unprecedented circumstances which affected the post Covid trading period had been the prime reason for the result in FY22. Since then, and following the closure of the German business, the Group has changed its strategy to focus on profit and cash generation. The results in the second half of FY23 reflect the measures taken to reduce costs and improve margin despite the ongoing impacts of the cost of living squeeze and difficult macro-economic conditions which have restricted growth. The business therefore expects this profitability to continue in the future and therefore has assessed that utilising the losses is probable and as such the asset has been recognised.

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 an area of accounting judgement.

2. Revenue

The table below shows the Group's revenue by 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	**2023 £m**	**2022 £m Restated (See note 12)**
Product revenue	874.8	1,114.4
Service revenue	56.2	50.3
Commission revenue	156.4	156.8
Third-party logistics revenue	27.6	22.7
Recycling revenue	23.6	24.1
	1,138.5	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 (see note 12)), the UK operation is now 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 UK operations now form three reportable segments after considering the threshold guidance in IFRS 8, being retail, logistics and recycling.

However, having consideration for the economic characteristics of each of these segments including the nature of products and services, the type of customer and methods used to distribute product, the Chief Operating Decision Maker has concluded that the majority of the Group's business is retail related and has determined it is appropriate to aggregate these segments into one reportable segment.

4. Finance income

	2023 £m	**2022 £m**
Unwind of discounting on non-current contract assets	2.9	2.6
	2.9	**2.6**

5. Finance costs

	2023 £m	2022 £m (Restated see note 12)
Interest on lease liabilities	4.2	4.3
Interest on bank loans	2.3	0.6
Other finance costs	1.2	0.7
	7.8	**5.6**

6. Taxation

	2023 £m	2022 £m (Restated see note 12)
Corporation tax on continuing operations		
Current year	0.3	(0.6)
Adjustments in respect of prior years	0.2	-
	0.5	**(0.6)**
Deferred tax on continuing operations		
Current year	0.1	(5.9)
Adjustments in respect of prior years	0.6	(0.6)
	0.7	**(6.5)**
Total tax charge/ (credit) on continuing operations	**1.2**	**(7.2)**

The expected corporation tax charge for the year is calculated at the UK corporation tax rate of 19% (2022: 19%) on the profit/ (loss) before tax for the year.

The charge/ (credit) for the year can be reconciled to the profit/ (loss) in the statement of comprehensive income as follows:

	2023 £m	2022 £m
Profit/ (loss) before tax on continuing operations	7.6	(10.5)
Tax at the UK corporation tax rate of 19% (2022: 19%)	1.5	(2.0)
Ineligible expenses	0.2	0.2
Impact of difference in current and deferred tax rates	(0.7)	(1.2)
Income not taxable	-	(0.1)
Group relief claimed from discontinued operations (see below)	(1.6)	(4.7)
Share-based payments	1.0	1.7
Prior period adjustments	0.8	(0.9)
Tax charge/ (credit) for the year	**1.2**	**(7.2)**

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The impact of the rate change is reflected in the deferred tax asset as at 31 March 2023.

The Group have offset a proportion of its German losses against profits arising within the UK continuing operations, in the relevant overlapping period, through its registered branch structure in Germany.

7. Earnings/ (loss) per share

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

	2023 £m	2022 £m (Restated See note 12)
Profit/ (Loss) attributable to Owners of the Parent Company from continuing operations	6.2	(3.6)
Loss attributable to Owners of the Parent Company from discontinued operations	(8.8)	(26.8)
	(2.6)	(30.4)
Number of shares		
Weighted average shares in issue for the purposes of basic earnings/ (loss) per share	548,947,969	478,558,948
Potentially dilutive shares	15,509,762	7,028,898
Weighted average number of diluted ordinary shares	564,457,731	485,587,846
Earnings/ (loss) per share from continuing operations (pence per share)		
Basic earnings/ (loss) per share	1.13	(0.75)
Diluted earnings/ (loss) per share	1.10	(0.75)

Loss per share from continuing and discontinued operations (pence per share)		
Basic loss per share	(0.48)	(6.33)
Diluted loss per share	(0.47)	(6.33)

In the prior year, the diluted loss per share has been restricted to the basic loss per share to prevent having an anti-dilutive effect.

8. Goodwill

	£m
Carrying value at 31 March 2022 and 31 March 2023	**28.2**

Goodwill relates to 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 31 March 2023, goodwill acquired through UK business combinations (excluding Mobile Phones Direct Limited) was allocated to the UK cash-generating unit ("CGU") which is part of 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 2023. The recoverable amount of the CGU has been determined based on the value in use calculations. The Group prepares cash flow forecasts derived from the most recent financial budget and financial plan for three years. The final year cash flow is used to calculate a terminal value and is based on an estimated growth rate of 1%. This rate does not exceed the average long term growth rate for the market.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this CGU. In arriving at the appropriate discount rate to use, we adjust the CGU's post-tax weighted average cost of capital to reflect the impact of risks and tax effects specific to the cash flows. The weighted average pre-tax discount rate we used was approximately 13.1% (2022: 9.7%).

The key assumptions, which take account of historic trends, upon which management has based their cash flow projections are sales growth rates, selling prices and product margin.

Management do not believe that any reasonable possible sensitivity would result in any impairment to this goodwill.

Mobile Phones Direct Limited - £14.7m

The Group has assessed the goodwill arising on the acquisition of Mobile Phones Direct Limited ("MPD") in December 2018. This was performed based on a value in use calculation in the same way as for the UK business noted previously, but using a pre- tax weighted average cost of capital appropriate for MPD as a standalone business of 19.2% (2022: 14.8%).

The total recoverable amount for this CGU group is greater than its carrying value by £11.9m in management's base case.

The main assumptions underlying the value in use calculation is revenue where growth is forecast at c3% per annum and EBITDA margin, which has been impacted by higher levels of inflation for recent cohorts, and is assumed to be c5%.

The Directors have performed sensitivity analysis on the numbers included in the three-year strategic plan for the business in assessing the value in use. The final year cash flow is used to calculate a terminal value and includes an estimated long term growth rate of 3% per annum which does not exceed the average long term growth rate for the market. Management believes that the key assumptions are revenue and EBITDA margin. If there was no revenue growth post FY26 (i.e. the period beyond the three-year strategic plan), then this would have an impact of (£6.9m) on the amount of headroom.

The sensitivities analysed demonstrate that it would require a total reduction in revenue over the three year strategic plan of £68.8m (c15% of total revenue over the three years), or a total reduction in EBITDA over the three year strategic plan of £4.2m (c19% of total EBITDA over the three years) with, in both cases, a continued reduction into perpetuity to eliminate the headroom on the recoverable amount. This is without considering any mitigating actions.

Management believes that based on the range of possible outcomes noted above and given the value in use is significantly higher than the carrying value, there is no current impairment.

9. Trade and other receivables

	2023	**2022**
	£m	**£m**
Trade receivables	21.6	25.8
Contract assets	174.4	174.1
Prepayments and accrued income	34.9	50.0
Other receivables	0.2	12.2
	231.1	**262.1**

The trade and other receivables are classified as:

	2023	**2022**
	£m	**£m**
Non-current assets	93.3	92.4

Current assets	137.8	169.7
	231.1	**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:

	2023	**2022**
	£m	**£m**
Balance brought forward	174.1	172.2
Revenue recognised*	148.7	145.9
Cash received	(154.0)	(151.0)
Revisions to estimates	2.7	4.4
Unwind of discounting	2.9	2.6
Balance carried forward	**174.4**	**174.1**

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

Included in the contract asset balance in relation to product protection plans at 31 March 2022 was an amount of £1.7m in relation to variable consideration recognised as revenue up to that date which has reversed in the year ended 31 March 2023. This is included in the revisions to estimates above.

Included in the contract asset balance in relation to Network Commissions at 31 March 2022 was an amount of £4.4m in relation to previously constrained revenue which has now been recognised in the year ended 31 March 2023. 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 31 March 2023 an amount of £8.7m has been constrained in relation to revenue recognised in relation 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 - 5.45% (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 for the previous 8 years to form an estimate of the cancellation rates to use by month going forward (range of 0% to 9.0% 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 14 years from c.3.1m plans that have been sold. Of these, c.1.08m are live. Applying all the information above, management calculates 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 1, the Directors do not believe there is a significant risk of a downward 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.

Sensitivity	Impact on contract asset and revenue £m
Cancellations increase by 2%	(1.8)
Cancellation rate reduces by 2%	2.0
Profit share entitlement (increase) or decrease by 10%	(2.0)/2.0

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). 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 macro-economic conditions, there is an increased risk that claims cost could increase but also the possibility that to counter any increase in cost that D&G could further increase 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 - 2.83% (2022: 0.53%);
- the length of contract entered into by the consumer (12 - 24 months) and the resulting estimated 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 input is 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 calculates 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 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. As set out in Note 1, the Directors do not believe there is a significant risk of a downward material adjustment to the revenue recognised in relation to these plans over the next 12 months given the variable revenue constraints applied albeit there could be a material upward adjustment.

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% decrease/ (increase) in expected cancellations - in contract	2.0/ (2.0)
20% decrease/ (increase) in expected cancellations at month 24 - OOC	1.4/ (1.4)

Cancellations - in contract

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 for customers with exit barriers in place.

Cancellations - out of contract ("OOC")
This sensitivity focuses on the period beyond month 24 when customers can exit contracts without penalty. During the year, management restricted £2.9m in revenue related to the assumed collection of commissions once customers reach out of contract periods due to heightened uncertainty of future cancellation rates in the recent inflationary economic environment. This equates to c40% of customers exiting their contract at month 24. The sensitivity reflects what may happen if more or fewer consumers cancel at month 24.

Prepayments and accrued income
At 31 March 2023, there is £14.4m (2022: £19.0m) included in prepayments and accrued income in relation to volume rebates receivable. The amounts are largely coterminous and are mainly agreed in the month after recognition.

At 31 May 2023, the balance outstanding was £2.7m (30 June 2022: £3.3m).

10. Trade and other payables

	2023 £m	2022 £m
Trade payables	163.4	205.0
Accruals	19.4	28.9
Contract liabilities	37.2	44.1
Deferred income	14.2	18.1
Other payables	20.1	24.2
	254.3	**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 51 days (2022: 47 days).

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

Trade and other payables are classified as:

	2023 £m	2022 £m
Current liabilities	249.5	313.9
Non-current liabilities	4.8	6.4
	254.3	**320.3**

11. Net debt and movement in financial liabilities

	2023 £m	2022 £m
Cash and cash equivalents at year end	19.1	19.5
Borrowings - Repayable within one year	(10.0)	(45.0)
Owned asset lease liabilities - Repayable within one year	(1.9)	(2.0)
Owned asset lease liabilities - Repayable after one year	(3.6)	(5.3)
Net funds/ (debt) excluding leases relating to right of use assets	3.6	(32.8)
Right of use asset lease liabilities - Repayable within one year	(15.8)	(18.3)
Right of use asset lease liabilities - Repayable after one year	(63.9)	(83.0)
Net debt	**(76.1)**	**(134.1)**

Whilst not required by IAS 1 Presentation of Financial Statements, the Group has elected to disclose its lease liabilities split by those which ownership transfers to the Group at the end of the lease ("Owned asset lease liabilities") and are disclosed within the Property Plant and Equipment table in note 18 of the Group financial statements, and those leases which are rental agreements and where ownership does not transfer to the Group at the end of the lease as Right of use asset lease liabilities which are disclosed within the Right of use assets table in the Group financial statements. This is to give additional information that the Directors feel will be useful to the understanding of the business.

Movement in financial liabilities in the year was as follows:

	Borrowings £m	Lease Liabilities £m
Balance at 1 April 2022	45.0	108.6
Changes from financing cash flows		
Payment of interest	(2.3)	(4.2)
Repayment of lease liabilities	-	(17.7)
Repayment of borrowings	(35.0)	-
Repayment of lease liabilities by discontinued operations	-	(8.3)

	Borrowings £m	Lease Liabilities £m
Total changes from financing cash flows	(37.3)	(30.2)
Other changes		
New lease liabilities	-	11.0
Reassessment of lease term	-	(8.2)
Interest expense	2.3	4.2
Exchange differences	-	(0.1)
Total other changes	2.3	6.9
Balance at 31 March 2023	**10.0**	**85.3**

Reassessment of lease terms relate to leases the Group have exited during the period.

	Borrowings £m	Lease Liabilities £m
Balance at 1 April 2021	-	95.3
Changes from financing cash flows		
Payment of interest	(0.6)	(4.3)
Repayment of lease liabilities	-	(21.2)
New borrowings*	45.0	-
Repayment of lease liabilities by discontinued operations	-	(3.1)
Total changes from financing cash flows	**44.4**	**(28.6)**
Other changes		
New lease liabilities	-	45.4
Reassessment of lease terms	-	(7.8)
Interest expense	0.6	4.3
Total other changes	**0.6**	**41.8**
Balance at 31 March 2022	**45.0**	**108.6**

* In the prior period, the movement arising from new borrowings was presented within "Other changes". This should have been presented as a change in financing cash flows and as such the comparative analysis has been restated. There is no impact of this to the overall movement or closing balance of financial liabilities or cash flow presentation.

12. Discontinued Operations

On 9 June 2022, it was announced that the Group had taken the decision to close its German business as a result of its continued losses. The website was closed on 1 July 2022 and in August, AO Deutschland completed the final deliveries on behalf of its third party customers. The majority of German employees have now left the business and we have now materially exited from the Company's property portfolio.

The German business is clearly distinguishable from the rest of the Group and its numbers have been reported separately as an operating segment in previous periods. Therefore, it meets the definition of a component of an entity and in line with IFRS 5 "Non-current assets held for sale and discontinued operations", the business has been treated and presented as a discontinued operation in the year ended 31 March 2023 which includes restating comparatives to present Germany as such. The tables below show the results of the German operation for the relevant reporting periods:

	2023 £m	2022 £m
Revenue	36.2	189.0
Cost of sales	(40.4)	(183.0)
Gross (loss)/ profit	(4.2)	6.0
Administrative expenses and other operating income	(13.5)	(23.5)
Operating loss	(17.7)	(17.5)
Finance income	6.4	-
Finance costs	-	(1.9)
Loss before tax	(11.3)	(19.4)
Taxation charge	(0.1)	(0.1)
Loss after tax	(11.4)	(19.5)
Gain/ (loss) on remeasurement of assets	2.6	(7.3)
Loss after tax of discontinued operations	(8.8)	(26.8)

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

Basic loss per share from discontinued operations was 1.61p (2022: 5.58p loss per share). Diluted loss per share from discontinued operations is 1.56p (2022: restricted to basic loss per share of 5.58p to prevent having an anti-dilutive effect).

The table below summarises the cashflows of the German operation for the relevant reporting periods:

	2023 £m	2022 £m
Cash flows from operating activities in discontinued operations		
Loss for the year	(8.8)	(26.8)
Adjustments for:		
Depreciation and amortisation	0.9	3.6
Gain on disposal of property, plant and equipment	(4.5)	(0.1)
Impairment of assets	-	7.2
Finance (income)/ costs	(6.4)	1.8
Taxation charge	0.1	0.1
(Decrease)/ increase in provisions	(0.7)	0.1
Operating cash flows before movement in working capital	**(19.4)**	**(14.0)**
Movement in working capital balances	10.6	6.7
Cash used in operating activities	**(8.8)**	**(7.3)**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	9.8	-
Acquisition of property, plant and equipment	-	(0.1)
Cash generated from/ (used in) investing activities	**9.8**	**(0.1)**
Cash flows from financing activities		
Interest paid on borrowings	(0.3)	(0.6)
Repayment of lease liabilities	(8.3)	(3.1)
Net cash used in financing activities	**(8.6)**	**(3.6)**

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