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AO World plc - AO. Half Yearly Report
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AO World plc

24 November 2015

AO WORLD PLC

INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2015

STRONG REVENUE GROWTH UNDERLINES PROGRESS ON DELIVERY OF LONG-TERM STRATEGIC GOALS

PLAN TO LAUNCH IN THE NETHERLANDS

AO World plc ("the Company" or "AO"), the UK's leading online retailer of major domestic appliances ("MDA"), today announces its unaudited financial results for the six months ended 30 September 2015.

Financial Highlights¹

- Total revenue for the period increased by 21.7% to £264.3m (2014: £217.1m).
- AO website sales² for the UK³ up 23.7% to £214.8m (2014: £173.7m), with total UK revenue up 14.5% to £248.6m (2014: £217.1m); a further gain in market share.
- Europe⁴ annualised exit run rate revenue of €61.2m (based on September sales)⁵. Europe revenue for the period was €21.7m (2014: €nil).
- Group operating loss of £8.9m (2014: £0.9m profit) reflecting the ongoing investment in

German operations and start-up costs in further Europe territories of £0.9m (2014: £3.3m).

- UK adjusted EBITDA⁶ of £5.1m (2014: £7.3m), with UK adjusted EBITDA margin⁷ decreasing to 2.0% due to investment in marketing to increase brand awareness and investment in overheads to drive margin and ensure resilience across the business (2014: 3.4%).
- Europe adjusted EBITDA loss of £9.6m (2014: £nil) representing trading losses in our European territories from launch bringing Group adjusted EBITDA to a loss of £4.5m (2014: £7.3m profit).
- Group net funds position⁸ as at 30 September 2015 was £29.6m (2014: £43.9m), with cash being £35.6m (2014: £50.1m).
- Loss per share of 1.58p (2014: earnings of 0.12p).

Operational Highlights

- UK NPS⁹ remains at its historically high level of over 80% with AO.de higher still reflecting continued high levels of customer satisfaction.
- UK repeat business metrics have continued to improve during the period, as has unprompted brand recognition, helping us grow the level of new and loyal customers we attract.
- Our UK business was awarded "Best Online Shop" by Which?
- We are pleased with the progress of our audio visual ("AV") and small domestic appliance ("SDA") categories in the UK.
- Overall UK number of completed orders¹⁰ up 23.0% to 0.73m (2014: 0.60m).
- We look forward to opening our new regional office and distribution centre in Bergheim, Germany in 2016 which will provide approximately 35,000 square metres of warehouse space.
- We are pleased to announce we expect to commence trading in the Netherlands in Spring 2016.

Outlook

- The second half has started well although we still have peak trading ahead of us, including Black Friday later this week. In the UK we are on track with our plans for the year as a whole.
- Our early success in Germany has given us the confidence to continue to invest heavily in marketing to drive revenue growth. Given this we expect to maintain at least the level of net P&L investment made in the first half of the year through the second half.
- Whilst we will incur some early set up costs for our operations in the Netherlands this financial year we do not expect a material impact to Group adjusted EBITDA.
- The business is on track with progress against its long term strategic goals.

Commenting on these results, John Roberts, Chief Executive Officer said:

"AO World has made good progress in the first half, continuing to deliver on our long-term strategy. We have continued our mission to redefine retailing in our chosen categories, and we are winning market share in all those categories. The AO branded UK retail business has increased revenue by 23.7%, showing a marked improvement in the second quarter of the year compared to the first. Our brand awareness has increased significantly following successful

investment in marketing; bringing in new customers and helping us improve repeat business metrics. Our customer proposition remains strong - our unbeatable prices, huge range and amazing service mean our customer satisfaction levels have remained exceptional and we will continue to focus on this.

In Germany, our first international market, we are continuing to build scale and remain confident that our business model and customer proposition are working as well on Mainland Europe as they have in the UK. Our confidence means that we are now ready to move into the Netherlands, helping to leverage our German asset, and we continue to review other adjacent markets.

Looking ahead, it is clear that the momentum we built in the second quarter has set us up well for the full year. We remain as confident as ever that the market dynamics are moving in our favour as a pure-play digital operator in a market where customers continue to move rapidly online and our excellent service will only accelerate this. Against that backdrop we are well placed to deliver sustainable long-term growth."

Webcast details

A results presentation hosted by John Roberts, Steve Counce and Mark Higgins for analysts and investors will be held today, 24 November 2015 at 9:00am (GMT) at J.P. Morgan, 1 John Carpenter Street, London, EC4Y 0JP. Please register your attendance in advance with Tulchan Communications using the contact details below.

A webcast of the presentation will be available to watch live and later in the day at www.AO.com/corporate where the results presentation can also be viewed.¹¹

For further information, please contact:

AO World plc
John Roberts
Steve Counce
Mark Higgins

Tel: +44(0) 1204 672403
ir@ao.com

Tulchan Communications
Susanna Voyle
Michelle Clarke
Annabel Clay

Tel: +44(0) 20 7353 4200
ao@tulchangroup.com

¹ The highlights are for the 6 months ended 30 September 2015 and the comparative 2014 period. Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

² This includes AO.com and the UK AO-branded eBay shop.

³ UK is defined by the Group as entities operating within the United Kingdom. (It excludes AO Deutschland Limited which is a company registered in England but operates in Germany and therefore is included in the Europe segment).

⁴ Europe is defined by the Group as entities operating within the European Union but excluding the UK (which for the period under review is Germany but figures also include exploratory costs in other European territories).

⁵ Based on €5.1m sales for September 2015.

⁶ Adjusted EBITDA is defined by the Group as profit/loss before tax, depreciation, amortisation, net finance costs, "adjustments" and exceptional items. Adjustments is defined by the Group as set-up costs relating to overseas expansion and share-based payment charges attributable to the LTIP IPO award which the board considers one-off in nature.

⁷ Adjusted EBITDA margin is defined by the Group as adjusted EBITDA divided by revenue.

⁸ Net funds are defined by the Group as cash as per the consolidated statement of financial position less borrowings.

⁹ NPS is defined by the Group as net promoter score which is an industry measure of customer loyalty and satisfaction.

¹⁰ Total number of orders taken to completion in connection with AO website sales and third-party website sales.

¹¹The content of the AO.com website should not be considered to form a part of or be incorporated into this announcement.

Cautionary statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied upon by any other party or for any other purpose. Nothing in this document should be construed as a profit forecast or an invitation to deal in the securities of the Company.

This IMR contains certain forward-looking statements. 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 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. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying in such statements.

This IMR has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to AO World plc and its subsidiary undertakings when viewed as a whole.

PERFORMANCE AT A GLANCE

Summary Results¹

6 months ended (£m)	30 September 2015			30 September 2014			Change		
	UK	Europe ²	Total	UK	Europe	Total	UK	Europe	Total
Income Statement									
AO website sales	214.8	15.6	230.5	173.7	-	173.7	23.7%	n/a	32.7%
Third-party website sales	26.3	-	26.3	34.1	-	34.1	-22.9%	n/a	-22.9%
Third-party logistics services	7.5	-	7.5	9.3	-	9.3	-18.8%	n/a	-18.8%
Revenue	248.6	15.6	264.3	217.1	-	217.1	14.5%	n/a	21.7%
Adjusted EBITDA ³	5.1	(9.6)	(4.5)	7.3	-	7.3	-31.1%	n/a	n/a
Adjusted EBITDA margin ⁴	2.0%	-61.4%	-1.7%	3.4%	-	3.4%	-1.3ppts	n/a	-5.1ppts
Adjusted operating profit/(loss) ⁵	3.1	(9.8)	(6.8)	5.5	-	5.5	-44.7%	n/a	n/a
Adjustments ⁶									
Europe set-up costs ⁷	(0.5)	(0.3)	(0.9)	(0.9)	(2.4)	(3.3)	-44.1%	-85.7%	-74.4%
Share-based payment charge ⁸	(1.2)	-	(1.2)	(1.3)	-	(1.3)	-3.5%	n/a	-3.5%
Operating profit/(loss)	1.3	(10.2)	(8.9)	3.3	(2.4)	0.9	-60.4%	318.3%	n/a
(Loss)/earnings per share									
Basic (loss)/earnings per share			(1.58p)			0.12p			n/a
Cash flow									
Cash (absorbed)/generated from									

operating activities	(7.4)	2.6	(4.7)	1.4	2.1	3.4	n/a	26.3%	n/a
Cash generated/ (absorbed) from operating activities before intercompany funding ⁹	3.9	(9.4)	(5.5)	5.5	(2.0)	3.5	-28.2%	371.1%	n/a
Period end net funds/(debt) position ¹⁰	29.7	(0.1)	29.6	42.6	1.3	43.9	-30.3%	n/a	-32.5%

¹ Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

² Europe is defined by the Group as entities operating within the United Kingdom but excluding the UK (which for the period under review is Germany but figures also include exploratory costs in other European territories).

³ Adjusted EBITDA is defined by the Group as profit/loss before tax, depreciation, amortisation, net finance costs, adjustments and exceptional items.

⁴ Adjusted EBITDA margin is defined by the Group as adjusted EBITDA divided by revenue.

⁵ Adjusted operating profit is defined by the Group as profit/loss before tax, net finance costs, adjustments and exceptional items but after depreciation and amortisation.

⁶ Adjustments is defined by the Group as set-up costs relating to overseas expansion and share-based payment charges attributable to the LTIP IPO award which the board considers one-off in nature.

⁷ Relates to Europe set-up costs incurred by Group entities in the UK and Europe.

⁸ Share-based payment charges attributable to the LTIP IPO award which the board considers one-off in nature.

⁹ This eliminates the intercompany funding provided by the UK to Europe.

¹⁰ Net funds are defined as cash as per the consolidated statement of financial position less borrowings.

GROUP RESULTS

We have made good progress with our strategic objectives over the reporting period. As we set out in June in our final results announcement, building our brand awareness and maintaining our amazing customer service are key to our long-term success. Accordingly we have made a significant investment in the AO brand and proposition over the reporting period, both in the UK and in Germany.

Revenue continues to grow significantly with overall Group revenue being up 21.7% year on year reaching £264.3m (2014: £217.1m). AO website sales contributed £230.5m to the Group revenue figure, an increase of over 32% year on year (2014: £173.7m). Revenue from third party website sales and third party logistics sales continued to fall (at 22.9% and 18.8% year on year respectively) as the AO brand gains eroded the market share of some of our partners and we absorbed the loss of a logistics contract, as previously reported. The "exit" annualised run rate of sales from our AO websites in Germany (based on €5.1m of sales in the month of September 2015) is encouraging at €61.2m, with sales for the first 6 months of the year of €21.7m.

Overall AO branded website sales (which include AO.com, AO.de and AO branded eBay shops) now account for 87.2% of total Group revenue (2014: 80.0%).

UK adjusted EBITDA¹ has decreased to £5.1m for the first 6 months of the year (2014: £7.3m), with the reduction primarily due to increased marketing spend and inefficiencies in our logistics and call centre operations through the early part of the year when sales volumes were less than expected but which have now improved and are well placed for future growth. Our increased marketing spend has helped secure revenue growth but has naturally had a cost impact which we see as a long-term investment in the brand as we should benefit from repeat purchases from these new customers in the future.

Our Europe segment continues in its start-up phase, with investments being made for the future

as the German operation builds scale and we absorb preparatory costs for new territories. Europe adjusted EBITDA loss for the period was £9.6m and overall Europe operating loss was £10.2m.

Overall the Group absorbed a cash outflow from operating activities of £4.7m (2014: £3.4m inflow) in line with the EBITDA loss during the period. We anticipate that the Group has sufficient cash to fund the continued growth of the existing businesses.

¹ Adjusted EBITDA is defined by the Group as profit/loss before tax, depreciation, amortisation, net finance costs, adjustments and exceptional items. Adjustments is defined by the Group as set-up costs relating to overseas expansion and share-based payment charges attributable to the LTIP IPO award which the board considers one-off in nature.

Strategy

We continue to work towards our vision to become the best electrical retailer in Europe and are making great progress on this journey. We continue to deliver a market leading proposition in our chosen categories and territories and, by being exceptional in the moments that matter, we continue to delight our customers. Our market share continues to grow in both the UK and Germany as we disrupt the existing models and demonstrate that AO is a better way to buy.

Our progress in Germany has given us the confidence in our ability to replicate our business model overseas and we have taken some important learnings from the Germany launch which will help us plan for further expansion. We are announcing today that the Netherlands will be our next territory and expect to bring the amazing AO experience to the Dutch consumer in Spring 2016.

The Netherlands represents a significant opportunity with an MDA market of c. €1.4bn pa, with SDA and AV being €0.8bn and €1.0bn respectively (2014 Euromonitor data). We anticipate being based in Utrecht which will facilitate a small call centre and outbase but stockholding and warehouse management, together with the e-commerce function, will be run from our regional office in Bergheim, once established. The additional product volumes from the Netherlands will increase volumes processed by the German business, helping it leverage the fixed assets and resources in that business, driving it faster towards break even.

We will continue to assess existing UK categories for suitability to introduce to our European territories, and to assess new categories for introduction to the UK business, in line with our vision.

BUSINESS REVIEW

Operational Review

UK Retail and Operations

We have made significant progress with our UK retail operation as we strive to offer a better way to buy electricals and become the destination brand in the category. We have invested in the AO.com customer journey and experience and over the reporting period we have introduced a number of initiatives on AO.com, including a track your order function and "My Account". We have also invested in content and have started to increase our 3D animation product reviews which really bring our products to life and simplify what are often complex technologies. Our aim is to become the destination for information; helping the customer decide what they need and also offering suppliers an innovative platform to display and differentiate their technologies; all of which is underpinned by a market leading delivery service.

We have added two further outbases to our UK logistics infrastructure over the reporting period, one in Basildon, Essex and the other in Heywood, North Manchester. These will help ensure resilience in our delivery infrastructure and maintain product availability for customers when they want it. The logistics operation has continued to experience a shortage of 7.5t drivers during the period which means we now run a number of different fleets which are less efficient. We have also brought all premium installations in-house. We have continued to prioritise customer satisfaction through these changes and our deliver to promise rates have not

suffered. Over the reporting period our Net Promoter Score (an industry measure of customer loyalty and satisfaction) has remained at an exceptionally high level of over 80 and repeat purchase metrics continue to improve. We are also very much encouraged by the growth in the volume of new customers and look forward to the repeat business these customers will bring.

Shortly after the period end, we were given the Which? Award for "Best Online Shop", which demonstrates our excellent customer satisfaction levels. We have also partnered with Collect+ to give our customer base even more flexibility with deliver options, particularly for SDAs and certain AV products, with the ability to collect their products from over 5000 locations.

We have recently made an investment in our existing product recycling partner, The Recycling Group Limited, and taken a majority equity stake. This investment secures a WEEE (Waste Electrical & Electronic Equipment) processing facility for the Group. In the long-term this will allow us to benefit from efficiencies in product recycling costs.

Europe Retail and Operations

Our operational progress in Germany continues. The business is now just a little over a year old and whilst we are continuing to learn, we are progressing materially as expected. As we are doing in the UK, we are investing in better content and web architecture to deliver the best customer journey, tailored to the German consumer. We continue to evolve the range and proposition and since the period end have commenced selling the AO Schutz+ protection policy on AO.de. Product margin is currently the biggest challenge in the German business, however, we have plans in place to improve this and progress has been made.

Towards the end of June we entered into an agreement for lease for our European regional office and distribution centre. The site is owned by Pro-Logis (the landlord of our facility at Crewe) who are developing a 35,000 square metre warehouse space and office in Bergheim. This will combine our existing distribution centre in Bedburg and office in Heppendorf, bringing together the logistics and retail operations, which we expect to be able to service additional territories outside of Germany. We have also established a further outbase on the outskirts of Frankfurt and expect to increase infrastructure in line with growth in sales volumes to optimise availability for our customers and to ensure that service levels are maintained.

Culture and Brand

As we set out in June, building our brand awareness will be a key part of us reaching our ultimate destination.

Intrinsic to the brand is our culture and as explained in our last annual report our values define our culture and our people: Bold, Smart, Driven, Caring and Fun. Everyday our colleagues live these values, in their work, amongst each other and importantly in their interactions with customers. We are really pleased as to how our culture has been exported and successfully translated into our operations in Germany.

Over the reporting period we have invested heavily in TV Advertising and PR & Content Marketing. The customer led advertisements inviting others to "join a million happy customers" have resonated well in both the UK and Germany. Brand awareness metrics (including spontaneous awareness, prompted awareness and spontaneous purchase intent) are all increasing and we expect this to continue, following the appointment of Karmarama, a media agency, who we appointed in June to assist us with our multi-media marketing and content strategy.

We are encouraged by the momentum in the business as we enter our peak trading period and have never been more excited about our future prospects.

FINANCIAL REVIEW

Revenue

For the 6 months ended 30 September 2015, Group revenue increased by 21.7% to £264.3m (2014: £217.1m). As previously announced growth in our first quarter was less than our usual

run rate, but increased in the second quarter as we expected.

Growth achieved during the period was generated by AO website sales which experienced an increase of 32.7% to £230.5m (2014: £173.7m). This was driven by the continued migration of consumers to the online channel as our commitment to exceptional levels of customer service continues to stimulate repeat business and attract new customers. Sales from our German website, AO.de, contributed £15.6m to our revenue. AO website sales (which includes AO.com, AO.de and AO branded eBay shops) now account for 87.2% of total Group revenue (2014: 80.0%).

6 months ended (£m)	30 September 2015			30 September 2014		Change	
	UK	Europe	Total	UK	Total	UK	Total
AO website sales	214.8	15.6	230.5	173.7	173.7	23.7%	32.7%
Third-party website sales	26.3	-	26.3	34.1	34.1	-22.9%	-22.9%
Third-party logistics services	7.5	-	7.5	9.3	9.3	-18.8%	-18.8%
Revenue	248.6	15.6	264.3	217.1	217.1	14.5%	21.7%

During the reporting period, the total number of completed orders from UK AO website sales and third-party website sales increased by 23.0% to 0.73m (2014: 0.60m).

Sales from third-party websites in the UK reduced to £26.3m (2014: £34.1m) as our focus remains on AO.com which is inevitably moving sales away from these websites. We experienced a decrease in revenue from our UK third party logistics services of 18.8% to £7.5m which was impacted by the loss of a contract as previously reported compared to the previous period, and the share gains of AO.

Gross Margin

6 months ended (£m)	30 September 2015			30 September 2014		Change	
	UK	Europe	Total	UK	Total	UK	Total
Gross profit/(loss)	47.9	(2.2)	45.7	40.9	40.9	17.1%	11.8%
Gross margin %	19.3%	-13.9%	17.3%	18.8%	18.8%	+0.4ppts	-1.5ppts

Gross margin for the Group decreased to 17.3% for the reporting period, a reduction of 1.5ppts against the prior period, although gross profit increased 11.8% to £45.7m. In the UK gross margin increased to 19.3% (2014: 18.8%). A small increase in MDA margin combined with the opening of additional outbases masked the dilutive effect of AV product margin, which is likely to have an increased effect going forward as the AV category takes an increasing share of the overall UK business.

In Europe the gross loss of £2.2m reflects the early purchasing prices achieved in that operation, compounded with inefficient deliveries whilst volumes are small.

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

Total Group administrative expenses increased by 36.7% to £54.6m (2014: £40.0m). Of this increase £8.5m was attributable to administrative expenses incurred in connection with our European expansion, largely comprising costs in AO.de. UK administrative expenses for the period to 30 September 2015 increased by 24.1% to £46.6m (2014: £37.6m). The UK increase includes £0.5m which was incurred in connection with the set-up of new European territories.

6 months ended (£m)	30 September 2015			30 September 2014			Change		
	UK	Europe	Total	UK	Europe	Total	UK	Europe	Total
Advertising and	12.2	3.0	15.2	7.9	-	7.9	55.0%	n/a	93.2%

marketing									
% of revenue	4.9%	19.2%	5.7%	3.6%	-	3.6%			
Warehousing	9.0	0.9	9.9	8.1	-	8.1	10.1%	n/a	21.2%
% of revenue	3.6%	5.8%	3.7%	3.8%	-	3.8%			
Other admin	23.7	3.8	27.5	19.4	-	19.4	22.5%	n/a	42.0%
% of revenue	9.5%	24.2%	10.4%	8.9%	-	8.9%			
Adjustments ¹	1.7	0.3	2.1	2.2	2.4	4.6	-20.4%	-85.7%	-54.8%
% of revenue	0.7%	2.2%	0.8%	1.0%	-	2.1%			
Admin Expenses	46.6	8.0	54.6	37.6	2.4	40.0	24.1%	232.0%	36.7%
% of revenue	18.7%	51.4%	20.7%	17.3%	n/a	18.4%	+1.4ppts	+51.4ppts	+2.3ppts

¹ Adjustments is defined by the Group as set-up costs relating to overseas expansion and share-based payment charges attributable to the LTIP IPO award which the board considers one-off in nature.

The increase in UK advertising and marketing expenditure as a percentage of sales from 3.6% to 4.9% year on year reflects the increased marketing particularly on television advertising during the period. Going forward we intend to continue to grow and develop the brand which in time should reduce our marketing costs as a percentage of sales.

UK "Other" administrative expenses increased by £4.3m to £23.7m (2014: £19.4m) and as a percentage of sales they increased to 9.5% (2014: 8.9%). We have invested in strengthening our UK category teams, both for short term margin, and longer term category planning. We have also increased our software development team to serve both the UK and Europe. During the first quarter where volumes were slightly behind our expectations we suffered some inefficiencies, which continued as we managed significant volume increases through the summer.

In our Europe segment our SG&A costs, as a percentage of sales, reflect the start-up nature of the operation. As volumes increase, we would expect these costs to fall towards the rates experienced in the UK.

Adjusted EBITDA¹

When reviewing profitability performance, the Directors use a number of adjusted measures to give meaningful comparisons.

Group adjusted EBITDA loss was £4.5m (2014: £7.3m profit) after allowing for £9.6m of Europe adjusted EBITDA losses.

UK adjusted EBITDA for the six months to 30 September 2015 was £5.1m (2014: £7.3m) representing a decrease of 31.1% against the prior year. This decrease was a result of the increased marketing and other administrative expenses described above. Growth during the first quarter, whilst expected to be less than our usual run rates, fell below our expectations causing some inefficiencies within the business. When rates returned to more usual levels through the summer, the rapid growth was managed with a customer first outlook which meant we did not benefit to the fullest extent from this sales growth but we are now well placed for future growth.

¹ Adjusted EBITDA is defined by the Group as profit/loss before tax, depreciation, amortisation, net finance costs, "adjustments" and exceptional items. Adjustments is defined by the Group as set-up costs relating to overseas expansion and share-based payment charges attributable to the LTIP IPO award which the board considers one-off in nature.

6 months ended (£m)	30 September 2015			30 September 2014			Change		
	UK	Europe	Total	UK	Europe	Total	UK	Europe	Total
Operating profit/(loss)	1.3	(10.2)	(8.9)	3.4	(2.4)	0.9	-60.4%	318.3%	n/a
Add adjustments:									
Europe set-up costs	0.5	0.3	0.9	0.9	2.4	3.3	-44.1%	-85.7%	-74.4%

<i>Non-cash share-based payments charge</i>	1.2	-	1.2	1.3	-	1.3	-3.5%	n/a	-3.5%
Adjusted operating profit/(loss)	3.1	(9.8)	(6.8)	5.5	-	5.5	-44.7%	n/a	n/a
<i>Add: Depreciation and amortisation</i>	2.0	0.3	2.3	1.8	-	1.8	9.0%	n/a	21.9%
Adjusted EBITDA	5.1	(9.6)	(4.5)	7.3	-	7.3	-31.1%	n/a	n/a
Adjusted EBITDA as % of revenue	2.0%	-61.4%	-1.7%	3.4%	-	3.4%	-1.3ppts	-61.4ppts	-5.1ppts

Adjustments

- *Europe set-up costs*

These are costs incurred in connection with our European expansion strategy prior to the "go-live" of that territory, namely the launch of AO.de, the forthcoming launch of AO.nl, our continuing research into other further countries and strategic post "go-live" costs.

- *Share-based payment charges*

At the time of the IPO, LTIP awards were made to a number of senior staff. The Board considers that the magnitude and timing of these awards are one-off in nature and so add this charge back to Adjusted EBITDA. The AO Share Save Schemes¹ charges and ongoing LTIP charges are included in trading numbers.

¹ AO Share Save Schemes are HMRC approved save as you earn schemes in which all employees are entitled to participate subject to having 3 months' length of service.

Taxation

The tax credit for the period based on the expected effective rate of the tax for the year was £1.3m (2014: £0.3m charge). The expected effective rate of tax for the year is 16.8% (2014: 36.7%). The business is subject to UK taxes and through its registered branch structure for Germany is able to fully offset losses.

Based on current business forecasts management expect that the deferred tax asset will be recovered in full.

Loss/earnings per share

Loss per share was 1.58p (2014: 0.12p earnings).

Dividend policy

In line with the Group's dividend policy no dividend has been proposed or paid during the period.

Cash resources and cash flow

The period end net funds position was £29.6m (2014: £43.9m), as cash decreased to £35.6m (2014: £50.1m) reflecting the increased stockholding for additional ranges, capital expenditure in the UK and investment in overseas territories, while total borrowings (comprising asset finance and similar instruments) decreased to £6.0m (2014: £6.2m). Surplus cash balances are held with UK-based banks, in line with the Group Treasury Policy.

The Group's cash generated from operating activities was a cash outflow of £4.7m (2014: £3.4m inflow).

Working capital

6 months ended (£m)	30 September 2015	30 September 2014
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	UK	Europe	Total	UK	Europe	Total
Inventories	31.5	2.4	33.9	22.6	0.6	23.2
As % of COGS	15.7%	13.4%	15.5%	-12.9%	-1,254.9%	-13.2%
Trade and other receivables	53.3	4.2	57.5	38.9	0.3	39.1
As % of revenue	21.4%	26.7%	21.8%	17.9%	n/a	18.0%
Trade and other payables	(93.6)	(6.4)	(100.1)	(70.4)	(1.2)	(71.6)
As % of COGS	46.6%	36.2%	45.8%	40.0%	2,599.7%	40.6%
Net working capital	(8.8)	0.1	(8.7)	(8.9)	(0.4)	(9.3)
Change in net working capital	0.1	0.5	0.6	(7.8)	(0.3)	(8.1)

As at 30 September 2015 UK inventories were £31.5m (2014: £22.6m). This reflects an increase in sales volumes and an increase in our stockholding in the UK to support the AV category which is generally only bought in bulk loads. As a result UK average stock days increased to 28 days (2014: 24 days).

UK trade and other receivables (both non-current and current) were £53.3m as at 30 September 2015 (2014: £38.9m) reflecting an increase in accrued income in respect of commissions due on product protection plans as a result of growth in retail volumes.

UK trade and other payables increased to £93.6m (2014: £70.4m) as manufacturers continued to extend credit on a higher volume of sales.

Capital expenditure

Total capital expenditure for the six months was £3.9m (2014: £2.7m), of which £1.3m relates to an additional outbase in Germany. We have also purchased an additional outbase in the UK totalling £1.3m.

John Roberts
CEO
24 November 2015

Steve Caunce
COO
24 November 2015

Mark Higgins
CFO
24 November 2015

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 6 months ended 30 September 2015

	Note	6 months ended 30 September 2015 £m (unaudited)	6 months ended 30 September 2014 £m (unaudited)	Year ended 31 March 2015 £m (audited)
Revenue	2	264.3	217.1	476.7
Cost of sales		(218.6)	(176.2)	(389.1)
Gross profit		45.7	40.9	87.6

Administrative expenses		(54.6)	(40.0)	(89.8)
Operating (loss)/profit	4	(8.9)	0.9	(2.2)
Finance income	5	1.0	0.2	0.3
Finance costs	6	(0.1)	(0.3)	(1.0)
(Loss)/profit before tax		(8.0)	0.8	(2.9)
Tax	9	1.3	(0.3)	0.4
(Loss)/profit for the period		(6.7)	0.5	(2.5)
(Loss)/earnings per share (pence)				
Basic and diluted (loss)/earnings per share (in pence per share)	7	(1.58)	0.12	(0.60)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 September 2015

	6 months ended 30 September 2015 £m (unaudited)	6 months ended 30 September 2014 £m (unaudited)	Year ended 31 March 2015 £m (audited)
(Loss)/profit for the period	(6.7)	0.5	(2.5)
Exchange differences on translation of foreign operations	(0.4)	-	0.4
Total comprehensive (loss)/income for the period	(7.1)	0.5	(2.1)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2015

	At 30 September 2015 £m (unaudited)	At 30 September 2014 £m (unaudited)	At 31 March 2015 £m (audited)
Non-current assets			
Intangible assets	14.4	13.3	14.3
Property, plant and equipment	15.1	12.9	13.5
Trade and other receivables	25.1	13.6	17.1
Deferred tax asset	2.2	0.3	0.7
	56.8	40.1	45.6
Current assets			
Inventories	33.9	23.2	31.5
Trade and other receivables	32.4	25.5	30.3
Corporation tax receivable	0.7	-	0.7

Cash and bank balances	35.6	50.1	44.9
	102.6	98.8	107.4
Total assets	159.4	138.9	153.0
Current liabilities			
Trade and other payables	(100.1)	(71.6)	(86.6)
Current tax liabilities	-	(0.3)	-
Borrowings	(2.1)	(2.0)	(2.1)
Provisions	(0.3)	(0.9)	(0.8)
	(102.5)	(74.8)	(89.5)
Net current assets	0.1	24.0	17.9
Non-current liabilities			
Borrowings	(3.9)	(4.2)	(4.9)
Total liabilities	(106.4)	(79.0)	(94.4)
Net assets	53.0	59.9	58.6
Equity			
Share capital	1.1	1.1	1.1
Share premium account	55.7	55.7	55.7
Merger reserve	4.4	4.4	4.4
Capital redemption reserve	(1.1)	(1.1)	(1.1)
Share-based payments reserve	4.3	1.5	2.8
Translation reserve	-	-	0.4
Retained losses	(11.4)	(1.7)	(4.7)
Total equity	53.0	59.9	58.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 6 months ended 30 September 2015

	Share capital £m	Merger reserve £m	Capital redemption reserve £m	Translation reserve £m	Share premium account £m	Retained losses £m	Share based payments reserve £m	Total £m
Balance at 1 April 2015	1.1	4.4	(1.1)	0.4	55.7	(4.7)	2.8	58.6
Loss for the period	-	-	-	-	-	(6.7)	-	(6.7)
Foreign currency losses arising on consolidation	-	-	-	(0.4)	-	-	-	(0.4)
Share-based payments charge	-	-	-	-	-	-	1.5	1.5
Balance at 30 September 2015 (unaudited)	1.1	4.4	(1.1)	-	55.7	(11.4)	4.3	53.0

	Share capital	Merger reserve	Capital redemption reserve	Translation reserve	Share premium account	Retained losses	Share based payments reserve	Total
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	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2014	1.1	4.4	(1.1)	-	55.7	(2.2)	0.2	58.0
Profit for the period	-	-	-	-	-	0.5	-	0.5
Share-based payments charge	-	-	-	-	-	-	1.3	1.3
Balance at 30 September 2014 (unaudited)	1.1	4.4	(1.1)	-	55.7	(1.7)	1.5	59.9

	Share capital £m	Merger reserve £m	Capital redemption reserve £m	Translation reserve £m	Share premium account £m	Retained losses £m	Share based payments reserve £m	Total £m
Balance at 1 April 2014	1.1	4.4	(1.1)	-	55.7	(2.2)	0.2	58.0
Loss for the year	-	-	-	-	-	(2.5)	-	(2.5)
Foreign currency gains arising on consolidation	-	-	-	0.4	-	-	-	0.4
Share-based payments charge	-	-	-	-	-	-	2.6	2.6
Balance at 31 March 2015 (audited)	1.1	4.4	(1.1)	0.4	55.7	(4.7)	2.8	58.6

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the 6 months ended 30 September 2015

	6 months ended 30 September 2015 £m (unaudited)	6 months ended 30 September 2014 £m (unaudited)	Year ended 31 March 2015 £m (audited)
Cash flows from operating activities			
(Loss)/profit for the period	(6.7)	0.5	(2.5)
Adjustments for:			
Depreciation and amortisation	2.3	1.8	3.9
Finance income	(1.0)	(0.2)	(0.3)
Finance costs	0.1	0.3	1.0
Taxation (credit)/charge	(1.3)	0.3	(0.4)
Share-based payment charge	1.5	1.3	2.6
Operating cash flows before movement in working capital	(5.1)	4.0	4.3
Increase in inventories	(2.4)	(7.3)	(15.7)
Increase in trade and other receivables	(12.4)	(6.2)	(12.4)
Increase in trade and other payables	15.7	13.1	25.9
(Decrease)/increase in provisions	(0.5)	0.7	0.8
	0.4	0.3	(1.4)
Taxation paid	(0.0)	(0.0)	(1.0)

Taxation paid	-	(0.9)	(1.6)
Cash (absorbed)/generated from operating activities	(4.7)	3.4	1.3
Cash flows from investing activities			
Interest received	0.5	0.2	0.3
Proceeds from sale of property, plant and equipment	-	-	0.1
Acquisition of property, plant and equipment	(3.6)	(2.2)	(4.4)
Acquisition of intangible assets	(0.3)	(0.5)	(1.7)
Cash used in investing activities	(3.4)	(2.5)	(5.7)
Cash flows from financing activities			
Interest paid	(0.1)	(0.3)	(0.4)
(Repayment of)/new borrowings	-	(0.3)	1.2
Payment of finance lease liabilities	(1.1)	(0.9)	(2.0)
Costs settled from issue of new shares	-	(4.4)	(4.4)
Net cash used in financing activities	(1.2)	(5.9)	(5.6)
Net decrease in cash	(9.3)	(5.0)	(10.0)
Cash and cash equivalents at beginning of period	44.9	55.1	55.1
Exchange gains losses on cash & cash equivalents	-	-	(0.2)
Cash and cash equivalents at end of period	35.6	50.1	44.9

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The interim financial information was approved by the Board on 23 November 2015. The financial information for the 6 months ended 30 September 2015 has been reviewed by the Company's external auditor. Their report is included within this announcement. The financial information for the 6 months ended 30 September 2014 was also reviewed by the external auditor. The financial information for the year ended 31 March 2015 has been based on information in the audited financial statements for that period.

The comparative figures for the year ended 31 March 2015 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 2015 has been delivered to the Registrar of Companies. The auditor has 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.

Basis of preparation and accounting policies

The annual financial statements of AO World plc are prepared in accordance with IFRSs as adopted by the European Union. The unaudited condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

Changes in accounting policies

The adoption of the following standards or amendments, at 1 January 2015 has had no material impact on the Group's financial statements:

- IFRIC 21 "Levies" is effective for periods commencing on or after 1 January 2014 and was endorsed by the EU on 17 June 2014.
- Annual improvements to IFRSs: 2011-13 Cycle (Dec 2013), is effective for periods commencing on or after 1 July 2014 and was endorsed by the EU on 1 January 2015.

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.

Going concern

The Directors have, at the time of approving the condensed financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. This follows a review of the Group's financial projections and takes into consideration the fact that the Group still has available proceeds from the Group's IPO in March 2014. The Group continues to maintain substantial cash headroom. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition of product protection plans

Revenue recognised in respect of commissions receivable for the sale of product protection plans is recognised at fair value, 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 the fair value of the commission due on the plans sold, which management can estimate reliably based upon the length of the policies and the historical rate of customer attrition. The fair value of future cash flows has been calculated using Moody's Seasoned Baa Corporate Bond Yield rate, this rate is reviewed and adjusted accordingly in the fair value model on a monthly basis. Reliance on historical data assumes that current and future experience will follow past trends. The Directors consider that the quantity and quality of data available provides an appropriate proxy for current trends.

Commission receivable depends for certain transactions on customer behaviour after the point of sale. Assumptions are therefore required, particularly in relation to levels of customer default within the contract period, expected levels of customer spend, and customer behaviour beyond the initial contract period. Such assumptions are based on extensive historical evidence, and provision is made for the risk of potential changes in customer behaviour, but they are nonetheless inherently uncertain. Changes in estimates recognised as an increase or decrease to revenue may be made, where for example more reliable information is available, and any such changes are required to be recognised in the income statement. The commission receivable balance as at September 2015 was £32.3m (September 2014: £21.2m).

Commercial income

Commercial income comes from two major sources; volume rebates and strategic marketing investment funding.

Volume rebates are deducted from cost of sales in line with the sale of the product to which the rebate is attributable. Calculation of the volume rebate for the final month of the financial year includes judgements for expected rebate values.

Strategic marketing investment funding is recognised in income and cost of sales. Where incremental third party costs are incurred as a result of marketing support, income is offset against these costs. The remainder of the strategic marketing fund is recognised in income.

Calculation of the income recognised requires judgements to be made which include forecasting expected total marketing funding and third party expected marketing spend. As at the date of this report £0.9m remains as an outstanding receivable. As at 30 September 2015 the directors do not believe that there is a material risk regarding the judgements made for the purposes of calculating both volume rebates and the strategic marketing investment fund.

2. Revenue

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

	6 months ended 30 September 2015 £m (unaudited)	6 months ended 30 September 2014 £m (unaudited)	Year ended 31 March 2015 £m (audited)
Own website sales	230.5	173.7	387.4
Third-party website sales and trade sales	26.3	34.1	70.3
Third-party logistics services	7.5	9.3	19.0
	264.3	217.1	476.7

3. Segmental analysis

IFRS 8 "Operating Segments" requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker - in our case the Executive Directors. As the Group now operates in two principal geographic regions and based on the management and internal reporting structure, it has been determined that the UK and Europe should be presented as separate segments.

Income Statement

(£m)	6 months ended 30 September 2015			6 months ended 30 September 2014			Year ended 31 March 2015		
	UK	Europe	Total	UK	Europe	Total	UK	Europe	Total
Revenue	248.6	15.6	264.3	217.1	-	217.1	470.9	5.8	476.7
Cost of sales	(200.8)	(17.8)	(218.6)	(176.2)	-	(176.2)	(381.1)	(8.0)	(389.1)
Gross profit/(loss)	47.9	(2.2)	45.7	40.9	-	40.9	89.7	(2.1)	87.6
Administrative expenses	(46.6)	(8.0)	(54.6)	(37.6)	(2.4)	(40.0)	(80.9)	(8.9)	(89.8)
Operating profit/(loss)	1.3	(10.2)	(8.9)	3.3	(2.4)	0.9	8.8	(11.0)	(2.2)
Net finance income/(cost)	0.4	0.5	0.9	(0.1)	-	(0.1)	(0.1)	(0.6)	(0.7)
Profit/(loss) before tax	1.7	(9.7)	(8.0)	3.2	(2.4)	0.8	8.7	(11.6)	(2.9)
EBITDA	3.3	(9.9)	(6.6)	5.2	(2.4)	2.8	12.5	(10.8)	1.7
Add back share based payments charge attributable to IPO LTIP	1.2	-	1.2	1.3	-	1.3	2.5	-	2.5
Add back Europe set-up costs	0.5	0.3	0.9	0.9	2.4	3.3	1.4	2.8	4.2
Adjusted EBITDA	5.1	(9.6)	(4.5)	7.3	-	7.3	16.5	(8.0)	8.5

4. Profit/(loss) for the period

The Group has calculated Adjusted EBITDA by adding back those material items of income and expense which, because of the nature and expected infrequency of events giving rise to them, merit separate presentation to allow shareholders to better understand the financial performance of the Group in the period.

Adjusted EBITDA:

(£m)	6 months ended 30 September 2015 (unaudited)			6 months ended 30 September 2014 (unaudited)			Year ended 31 March 2015 (audited)		
	UK	Europe	Total	UK	Europe	Total	UK	Europe	Total
Operating profit/(loss)	1.3	(10.2)	(8.9)	3.3	(2.4)	0.9	8.8	(11.0)	(2.2)
Add: Depreciation	1.8	0.3	2.1	1.7	-	1.7	3.6	0.1	3.7
Add: Amortisation	0.2	-	0.2	0.1	-	0.1	0.2	-	0.2
EBITDA	3.3	(9.9)	(6.6)	5.2	(2.4)	2.8	12.5	(10.8)	1.7
Adjustments									
<i>Europe set-up costs</i>	0.5	0.3	0.9	0.9	2.4	3.3	1.4	2.8	4.2
<i>Share based payments charge</i>	1.2	-	1.2	1.3	-	1.3	2.5	-	2.5
Adjusted EBITDA	5.1	(9.6)	(4.5)	7.3	-	7.3	16.5	(8.0)	8.5

5. Finance income

(£m)	6 months ended 30 September 2015 (unaudited)	6 months ended 30 September 2014 (unaudited)	Year ended 31 March 2015 (audited)
Bank interest	0.1	0.2	0.3
Foreign exchange gains on financing	0.5	-	-
Other finance income	0.4	-	-
Total	1.0	0.2	0.3

Other finance income relates to the unwinding of the accrued income in relation to product production plans in excess of their previously recognised fair value. In line with IFRS13, the Group has made the decision to disclose finance income as above. During the six months ended September 2014 the comparable figure was £0.3m (March 2015: £0.6m). The directors do not consider the need for comparative columns to be restated given this is a non-material reclassification and has no impact on the Group's result for the comparative periods.

The Group uses Moody's Baa rate to fair value its non-current receivables. The rate during the period has increased to 5.34% from 5% at the end of the previous period.

6. Finance costs

(£m)	6 months ended 30 September 2015 (unaudited)	6 months ended 30 September 2014 (unaudited)	Year ended 31 March 2015 (audited)
Interest on borrowings	-	-	0.2
Interest on obligations under finance leases	0.1	0.3	0.2
Foreign exchange losses on financing	-	-	0.6
Total	0.1	0.3	1.0

7. (Loss)/earnings per share

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

	6 months ended 30 September 2015 (unaudited)	6 months ended 30 September 2014 (unaudited)	Year ended 31 March 2015 (audited)
(Loss)/profit (£m)			
(Loss)/profit for the purposes of basic and diluted (loss)/earnings per share being (loss)/profit for the period	(6.7)	0.5	(2.5)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	421,052,631	421,052,631	421,052,631
(Loss)/profit per share (pence)			
Basic and diluted (loss)/earnings per share (in pence per share)	(1.58)	0.12	(0.60)

8. Dividends

No dividend has been declared for the 6 months ended 30 September 2015 (2014:£nil) in line with the Group's stated policy.

9. Taxation

The tax credit for the period has been provided at the effective rate of 16.8% (2014: 36.7%) representing the best estimate of the average annual effective tax rate expected for the full year applied to the pre-tax loss for the six month period.

Based on current business forecasts management expect that the deferred tax asset will be recovered in full.

10. Financial instruments

There have been no changes to the fair value methodology and categorisation for financial assets and liabilities since the year-end.

Additionally, no transfers have taken place between the fair value hierarchy levels since the year-end.

The Group continues to hold the following level 3 financial assets designated at fair value through profit and loss:

	6 months ended 30 September 2015 (unaudited)	6 months ended 30 September 2014 (unaudited)	Year ended 31 March 2015 (audited)
(£m)			
Accrued income	32.3	21.2	26.1

11. Post balance sheet events

On 6 November 2015, the Group subscribed for 60% of the enlarged issued share capital of The Recycling Group Limited ('TRG') for a consideration of £3. The Group has an option to acquire the remaining 40% of TRG in tranches over a period of 5 years. As part of this acquisition, £1.3m of loans and an overdraft of £0.06m have been repaid. The Group will provide full IFRS 3 'Business Combinations' disclosures in the Group's Annual Report & Accounts for the period ending 31 March 2016.

12. Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Company's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 March 2015. These risks are summarised below, and how the Company seeks to mitigate these risks is set out on pages 40, 41 and 54 of the Annual Report and Accounts 2015 which can be found at www.AO.com/corporate.

A summary of the nature of the risks currently faced by the Group is as follows:

- Risks relating to the effective operation of the business including the dependence on a single national distribution centre, the interdependence of our IT systems, the failure of technology or data loss and our search engine strategy;
- Risks relating to the acceptance of our customer proposition including failure of our brand, websites and offering to receive wide acceptance, loss of third party clients and that European expansion is unsuccessful;
- Risks relating to people, such as failure to maintain the culture and to recruit and retain AO appropriate staff, dependence on executive directors and relationships with key suppliers;
- Risks relating to regulatory changes, such as changes to or introduction of new requirements;
- Risks relating to changes in the macro-economic environment such as changes in consumer demand; and
- Risks relating to revenue recognition, debtor recoverability and legal risk in respect of product protection plans.

RESPONSIBILITY STATEMENT

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'.
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year).
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties transactions and changes therein).

This responsibility statement was approved by the Board on 23 November 2015 and is signed on its behalf by:

John Roberts
CEO
24 November 2015

Steve Caunce
COO

Mark Higgins
CFO

INDEPENDENT REVIEW REPORT TO AO WORLD PLC

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 2015 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related Notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion

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 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor

Manchester, United Kingdom

24 November 2015

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