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COMPANIES HOUSE

The UK's Most Trusted Electrical Retailer

AO World PLC

Annual Report and Accounts 2023

Companies House number: 05525751

Contents

We make customers' lives easier by helping them brilliantly.

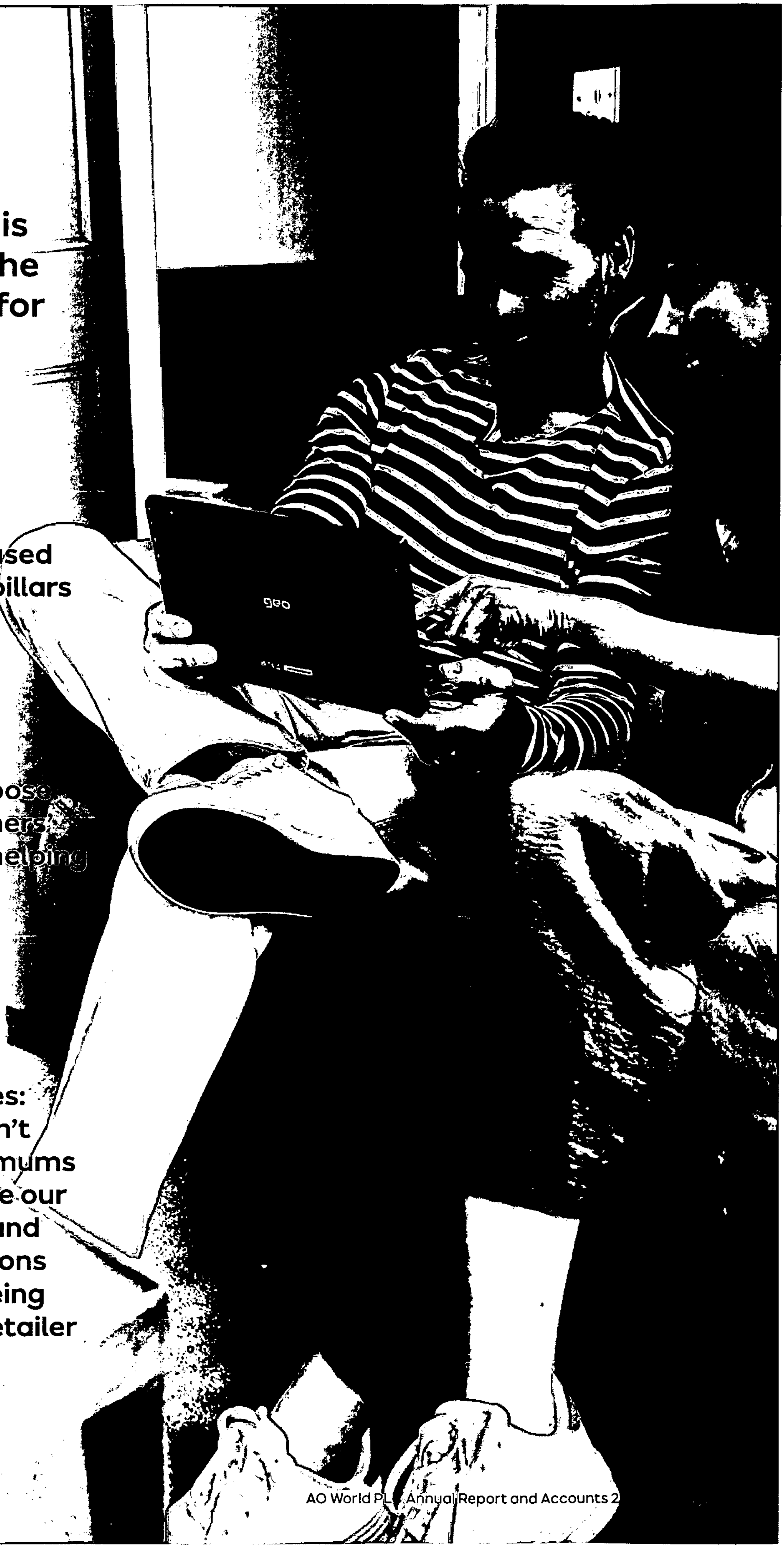
We're the UK's most trusted electricals retailer

What started as a £1 bet in 1999 became AO, the UK's most trusted major electricals retailer.

We sell over 6,000 different products on ao.com from major domestic appliances, small domestic appliances, audiovisual equipment, computing, mobile, gaming to smart home technology.

With over 400,000 Trustpilot reviews, we're the most trusted major electricals retailer in the UK. Millions of happy customers choose AO because we're able to deliver at speed with our tried-and-tested logistics network as well as offering installation, industry-leading recycling, finance and insurance – all underpinned by service that's magic in the moments that matter.

Our mission is to become the destination for electricals



1

A strategy focused on five crucial pillars

2

Led by our purpose: making customers' lives easier by helping them brilliantly

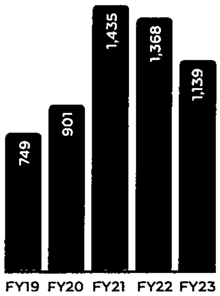
3

Living our values: ensuring we don't only make our mums proud, but make our grandchildren and future generations proud too by being a responsible retailer

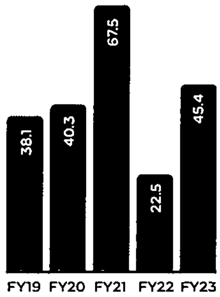
Performance

Key Performance Indicators[1]

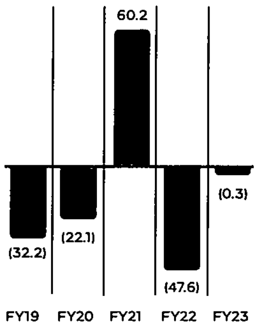
Group revenue (£m)



Group Adjusted EBITDA[2] (£m)



Cash flow[3] (£m)



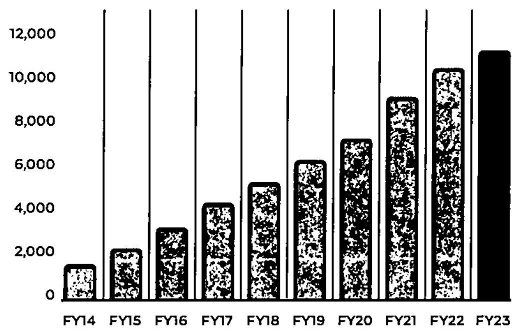
£8m
(FY22: £11m loss)

£4m
(FY22: £33m net debt)

Operational highlights

- AO remains a UK market leader in MDA with a 16% market share and 30% overall online share
- Over 800,000 new customers[4] experienced the AO Way, with an increase in the repeat customer purchase rates
- Customer satisfaction scores remain outstanding, with Net Promoter Scores[5] averaging c.85 and over 400,000 Trustpilot reviews averaging 4.6 out of 5 stars
- In the year, we simplified the UK operations and focused on more profitable lines of business
- Over six million large appliances have now been given new life or recycled at our AO Recycling facility and we continue working with manufacturers to use our recycled plastic in new products
- The Germany operation was closed quickly and efficiently with minimal cash impact

Cumulative UK Customers[4] ('000)



UK NPS[5]
85
(FY22: 86)

UK Trustpilot average rating
4.6/5
(FY22:4.6/5)

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 35 on page 181 for further details.

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

3 Net (decrease)/increase in cash.

4 A customer is defined as an individual customer who has purchased through us via ao.com in the UK.

5 NPS is an industry measure of customer loyalty and satisfaction; NPS is based on a turnover weighted average of ao.com and MPD, adjusted for responses.

6 Net funds is defined as cash less borrowings less owned asset lease liabilities but excluding right-of-use asset lease liabilities. Net funds/debt also includes any cash overdrafts and owned asset lease liabilities in Germany.

Geoff Cooper
Chair

A leaner, simpler, more efficient business."

Read the Chair's statement on pages 06 to 07

John Roberts
Chief Executive

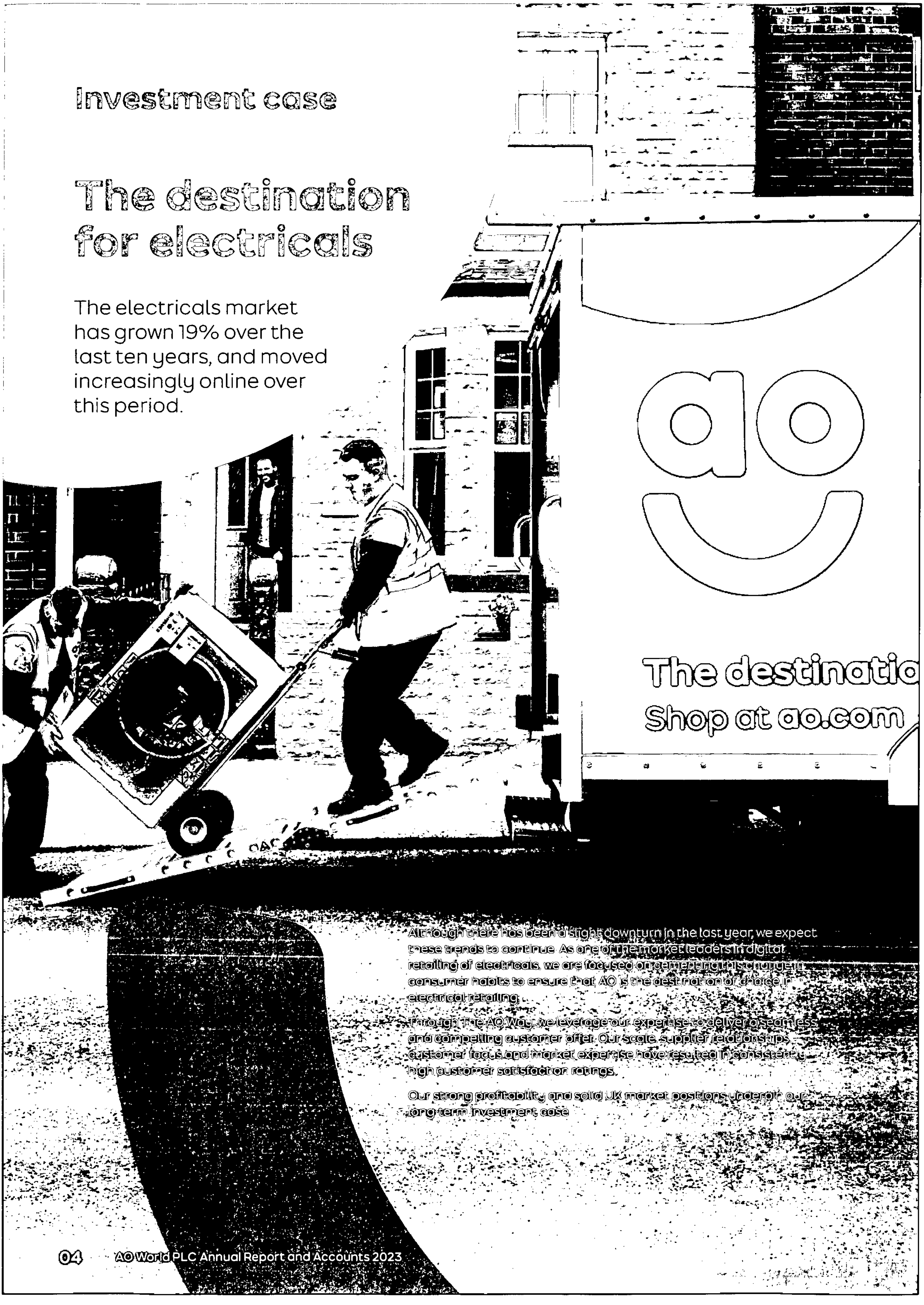
Driving forward our more efficient model centred around trust and excellence."

Read the Chief Executive's review on pages 28 to 29

Investment case

The destination for electricals

The electricals market has grown 19% over the last ten years, and moved increasingly online over this period.



Although there has been a slight downturn in the last year, we expect these trends to continue. As one of the market leaders in digital retailing of electricals, we are focused on cementing this change in consumer habits to ensure that AO is the destination of choice in electrical retailing.

Through The AO Way, we leverage our expertise to deliver a seamless and compelling customer offer. Our scale, supplier relationships, customer focus and market expertise have resulted in consistently high customer satisfaction ratings.

Our strong profitability and solid UK market positions underpin our long-term investment case.

1

The destination of choice for digital electrical retailing

We are a digital retailer of electricals with a leading market share in major domestic appliances ("MDA") and a growth opportunity with the capability to grow market share in small domestic appliances ("SDA"), computing, consumer electronics and mobile. We are a natural market disrupter with an ambitious mindset, underpinned by strong partner relations and efficient logistics operations.

2

A compelling customer offering is at the heart of our strategy

We focus on being brilliant for our customers, and our teams care passionately about keeping our customers happy. We make it easy for customers to buy what they need, when they need it, with comprehensive product information, next day delivery and installation, competitive pricing and recycling. Our focus on creating an exceptional customer experience is the basis of our long-term market leadership strategy. We empower our people to make the right decisions, not necessarily the easy ones, to deliver for our customers and partners.

3

Efficient, scalable business model

We operate a centralised and vertically integrated model where experts in our disciplines create best practice solutions and drive innovation efficiently and consistently across our businesses. This operating model enables us to gain maximum operational gearing at the lowest cost per sale. It also guarantees a consistently high-quality customer experience across our businesses.

4

Long-term partner relationships

Our relationships with manufacturers span the full range of internationally recognised household names who rely on us to create a quality digital experience for their products and our customers. We collaborate with them to ensure that our customers have the widest choice of products to meet their specific needs at attractive pricing levels. Manufacturers also collaborate to help formulate our B2B offering and support our sustainability initiatives, working with us to research ways of reusing high engineered plastic parts in new build models.

We work with a valued network of suppliers, from small local firms to large international businesses including mobile network providers, delivery firms and financial services providers that underwrite our product protection and consumer credit plans. These partners help ensure that our customers have the best possible experience from the start of their purchase journey to recycling of their old products at our own recycling site.

5

Supporting sustainability to create a better world

Our culture to always do the right thing, our customers' concerns about sustainability and changing government regulation, means that sustainability is at the heart of our corporate culture and strategy. We manage our own high-quality recycling services for both our own operations as well as for third-party customers, handling packaging waste, waste electricals and electronic equipment ("WEEE") plastics and metals.

6

Our amazing culture

Our excellent 4.6 star Trustpilot rating and world-class net promoter scores make us the UK's most trusted electrical retailer and the result of our enthusiastic and dedicated AOers. Our people are at the heart of our strategy, and we inspire them to be innovative and bold in delivering for our customers. We encourage collaboration and innovation across our businesses and motivate them to work at AO speed to deliver today rather than tomorrow. This entrepreneurial spirit of developing new opportunities and relentlessly striving to do better is at the heart of our corporate culture and helps us keep growing and adapting to changes in our fast-moving markets. It is the combination of all these factors and the alignment of our people to our purpose, values, business strategy and priorities that creates our AO culture supporting our continued growth.

Chair's statement

A leaner, simpler, more efficient business, focused on profit and cash generation and most trusted by customers."

Rebuilding for profitable growth

UK consumers and companies, including retailers, have suffered the economic aftermath of three major shocks in a very short period - Brexit, the Covid-19 pandemic and the war in Ukraine. For many retailers, the last 18 months have been challenging as consumers have grappled with the resulting cost of living crisis. Inflation in energy costs, food prices and wages together with renewed industrial unrest in many sectors have dominated the headlines. AO has been affected by these pressures, yet, looking back on the financial year, we have done what we always do - focus on our core strengths and continue serving our customers, suppliers and other stakeholders.

The early part of the year centred around our strategic review of Germany, with the decision taken ultimately to close our operations there to protect shareholder value. We commenced an orderly closure back in July 2022 and I'm pleased that it has gone as well as we could have hoped, with a minimal cash cost to the Group over the year and all matters now materially wrapped up. We sincerely thank all our employees in Germany who worked so hard to build that business and who have helped progress the closure, as difficult as that may have been.

With our business now focused solely on the UK and with external macroeconomic pressures, it was necessary to put the business on a sounder financial footing. A capital raise was completed in July 2022 realising gross proceeds of c.£41m. We have also recently renewed our revolving credit facility which will support our working capital cycles to April 2026.

Our pivot in strategy to the UK has been well executed and well documented in our trading updates over the year. We are now a leaner, simpler, more efficient business, with a clear focus on profit and cash generation. Financial performance has been driven by (1) improvements in gross margin; (2) simplifying and/or cutting lines of business that

A remarkable year, as we transform the business to strong profitable growth.

do not fit our core model or are otherwise unduly complex and (3) rationalising our infrastructure and reducing our headcount and cost base to better fit the business that we are today. As we progress into FY24 our run-rate profitability looks strong as we start to annualise the improvements and efficiencies made in the second half of the year.

Operational performance has also been pleasing. We have progressed a number of projects to improve customer proposition and to position ourselves as the UK's most trusted electrical retailer. Despite changes to our charging policies to offset some inflationary pressures, our customer satisfaction results remain strong. We have over 400,000 Trustpilot reviews averaging 4.6 out of 5 stars, over 800,000 new customers experienced the AO Way during the year and our customer NPS results, at c.85 on average, remain market leading. We remain a UK market leader in MDA with a 16% overall market share and a 30% online share and are pleased at the resilience of our sales in this category.

Over six million large appliances have now been given new life or recycled at our AO Recycling facility and following our first full year of operations at our plastics plant, we have confidence in the production and quality of our recycled plastics. We are establishing strong relationships with clients to supply them our plastics and are pleased that the Volution Group fan which is made from our recycled plastics won recycled product of the year at the Awards in Excellence in Recycling and Waste Management 2023.

Naturally we've had to prioritise some things over others during the year and the timescales for our more ambitious plans to transform our technology systems, grow our creative media hub and progress certain ESG initiatives have necessarily been extended. Nonetheless, I am pleased by the steady improvements we have made in critical areas such as information security and delivery routing. In the medium term we will continue to make progress in all priorities.

Culture and people

FY23 has been a challenging time for some of our colleagues with employees impacted by role reductions as we reduced overheads. This drove concerns on job security which impacted employee engagement, with morale being further affected by the cost of living crisis. Our retail team has historically been laser-focused on driving top line growth and the pivot to profitability, with the change in emphasis that entails, has naturally been difficult for some team members to adjust to. As we move into FY24 on a sound financial footing and with clarity on our strategy and our high-performance culture, we are now starting to benefit from cohesion across the business following the introduction of our "work from work" strategy. The clear direction on culture has driven some changes in personnel but we are all collaborating in the way we did pre-Covid, with a renewed energy and ambition and I believe this will be a significant driver of improved performance over the coming years.

The restructured VCP, approved by shareholders at our 2022 AGM, is helping to galvanise our people to deliver exceptional value creation and I've been pleased with the way the Executives have rolled this out to the teams and are using it to really drive performance.

Board

During the year, Peter Pritchard and Sarah Venning were appointed as Non-Executive Directors, to enhance the skill set of the Board. Both Peter and Sarah have significant and relevant experience which deepens the Board's existing skills and knowledge. They have already made a substantial impact to the work of the Board and its Committees and I was pleased to note that through their fresh eyes on the business there is much to celebrate at AO and the culture of obsessing about the customer is unwavering. See their first impressions at page 82.

Having served as a Non-Executive Director for over nine years, Marisa Cassoni has decided to retire and will not be standing for re-election at the Company's forthcoming AGM. I wish Marisa well for the future and thank her for her significant contribution during her time with the Company, particularly for her influence as Chair of the Audit Committee and as a member of the Remuneration and Nomination Committees.

Overall, it has been a difficult yet remarkable year and I want to give thanks to the Board, our Executives and all our people for their support, hard work, grit and determination in setting AO up for its next stage of top-line growth in the medium term and with renewed purpose. I look forward to FY24 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. There are exciting times ahead.

Geoff Cooper
Chair

4 July 2023

Read more about customer focus on pages 14 and 15

Read more about our suppliers on pages 22 and 23

Our markets

Macroeconomic factors

The first half of the year saw the consequences of the ongoing Russia/Ukraine conflict impact gross margin. The increasing cost of raw materials saw the price of goods increase and the cost of delivery impacted as a result of fuel prices. The Commodity Metals Price Index[1] peaked in March 2022 and has since reduced, however, still remains high compared to the previous 5 year period. The Commodity Fuel Index peaked significantly in June 2022, and has since reduced from this peak by 40%[1] as at March 2023.

Energy prices had been expected to increase by 80% in October 2022, however, the energy price guarantee limited this increase to 27%[2]. The British Government extended the energy price cap, set at £2,500 until April 2023, with the expected increase to £3,000 for typical consumption now delayed until July 2023[2]. The fixed price electricity and fuel contracts which the Group has secured for the majority of FY24 will, however, provide AO with some short-term stability.

High fuel and energy prices are driving UK inflation, which hit a 20-year high in October 2022 where it peaked at 9.6% (CPIH Index)[3]. Inflationary pressures on fuel, food and electricity prices are expected to continue during 2023 and the Bank of England suggests inflation should stabilise, particularly with the recent increases in the Bank of England base rate. The Base Rate increased 0.5% to 5%[4] in May 2023 and inflation reduced month on month by 1.4ppt to 8.7%[4] in the 12 months to April 2023.

GfK's long-running Consumer Confidence Index increased for the third month in a row to -30 in April 2023[5], up 19 points from the record low in September 2022. This is positive news and is indicative of green shoots in terms of consumer finances after the recent tough economic conditions.

From April 2023, Corporation tax rates have increased to 25% (from 19%). There was no significant change in personal tax, however, the freezing of personal allowances coupled with inflation will act to weaken consumer spending.

The ONS quotes[6] that the growth in employees' average total pay (including bonuses) was 5.9% and growth in regular pay (excluding bonuses) was 6.6% in December 2022 to February 2023. Growth in total and regular pay fell in real terms (adjusted for inflation) in the year December 2022 to February 2023, by 3.0% for total pay and 2.3% for regular pay.

The majority of MDA sales are driven by distressed purchases[7] thus providing AO with some resilience to macroeconomic impacts. Given the movement in consumer confidence, a healthy labour market and inflation forecast to fall sharply to 5%[4] by the end of the year giving a real wages increase, we would expect to start to see an upturn in discretionary consumer spending.

With borrowing more expensive as a result of interest rates rising, homeowners outside of fixed rate mortgages will see monthly costs increasing and purchasing products on finance will become more expensive, which may impact spend on big ticket items. Given this trend, AO is positioned well for the expected increase in customers using "Buy Now Pay Later" (BNPL) providers. At AO, customers have access to a range of finance options to help fund their purchases, whether it be revolving credit or promotional instalment plans. The revolving credit adjusts rate and credit line to the individual customer's, profile, ensuring responsible lending and facilitating those needed purchases in a challenging economic landscape. AO acts as Introducer in the distribution of AO Finance through NewDay, the product being regulated by the Financial Conduct Authority ("FCA").

Despite the above factors, April 2023's Major Purchase Index ("MPI") increased by 5 points to -28[8]. The MPI is based on the following question to consumers: "In view of the general economic situation, do you think now is the right time for people to make major purchases such as furniture or electrical goods?". The April 2023 improvement and the consistent improvement over the last three months would suggest that household finances are slowly strengthening.

Macroeconomic section sources:

1. indexmundi.com/commodities.
2. https://commonslibrary.parliament.uk/research-briefings/cbp-9491/.
3. https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/october2022
4. https://www.bankofengland.co.uk/explainers/will-inflation-in-the-uk-keep-rising.
5. As all measures jump, are we seeing early signs of recovery? (GFK.com): https://www.gfk.com/press/UK-Consumer-confidence-up-six-points-in-April
6. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/april2023#:~:text=Using%20CPI%20real%20earnings%2C%20in,by%203.4%25%20on%20the%20year.
7. Mintel, Major Domestic Apppliances, UK report 2022, 62%.
8. https://www.gfk.com/press/UK-Consumerconfidence-up-six-points-in-April

Our markets

With the closure of Germany, the business has a laser focus on the UK electricals market.

As at 31 March 2023, the UK B2C electricals[1] market was worth £30bn[2], a decrease of 2.9%[2] year on year. Although the market declined year on year, SDA and mobile categories continued to see growth at 11%[2] and 3%[2] respectively.

AO's current UK addressable market (which comprises MDA, SDA, AV, consumer electronics, gaming, mobile, garden and DIY, smart home and personal care) is £27.6bn,[2] a decline year on year of 3%. Since our IPO in 2014, the UK addressable market has increased 21% given our expansion into new categories (and growth in MDA), representing a 2.1% compound annual growth rate.

AO remains a UK market leader in MDA, with a 16%[4] market share, and a 30%[4] overall online share.

Online continues to present an opportunity for growth for the market. With 57% [4] of the total electricals market transacted online and with forecasts of online penetration to increase from 2023[5], AO is perfectly placed to grow its market share. AO continually invests in the online proposition through improved product visualisation and interactive product information, which enables a better digital journey for our customers. AO's operational gearing gives the business the ability to move with this expected growth with limited investment required.

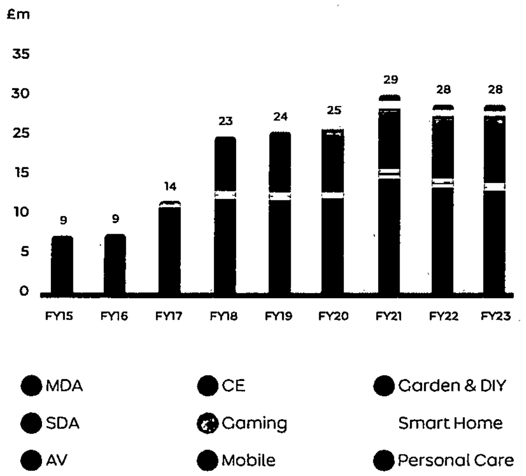
Category opportunity

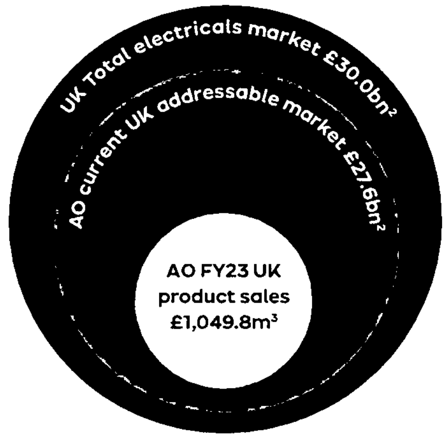
Being the destination for electricals means having an expansive, curated range of products across all electrical categories, to serve our customers' needs. AO's strategic pivot to profit in FY23 has seen a small number of non-profitable products from our range removed in the short term until we reorganise to make them profitable. With over 6,000[3] products available to buy from our website, we continue to review and develop ranges, improve availability, and expand into new subcategories to meet our customers' needs with the latest products and trends. We will do this with a continued laser focus on profit and cash.

Our markets sources:

1. Electricals is defined by GfK as MDA, SDA, AV, consumer electronics, garden, DIY, baby, cookware, office equipment, lifestyle, mobile, smart home, and personal care.
2. GfK, gross value, for the 12 months to 1 April 2023. Company data, gross value.
3. Company data, net value.
4. Analysis of GfK data from 12 months to 1 April 2023.
5. Global data - UK Electricals 2021-2026: https://www.globaldata.com/store/report/uk-electricals-market-analysis/

AO addressable market growth by year[2]





How we create value

What we do, how we do it and how we create value is best illustrated through our flywheel. This is how we will achieve our mission to be the destination for electricals.

How we create value

Obsessing about customers, joining up the business, united behind the same mission are the foundations of value creation.

The virtuous circle driven by customer focus, operational leverage and profitability underpin longer-term growth ambitions through broadening our product offerings, expanding our customer experience into new markets and applying continuous innovation to the digital experience. This is what makes our flywheel fly and is how we create value for all our stakeholders.

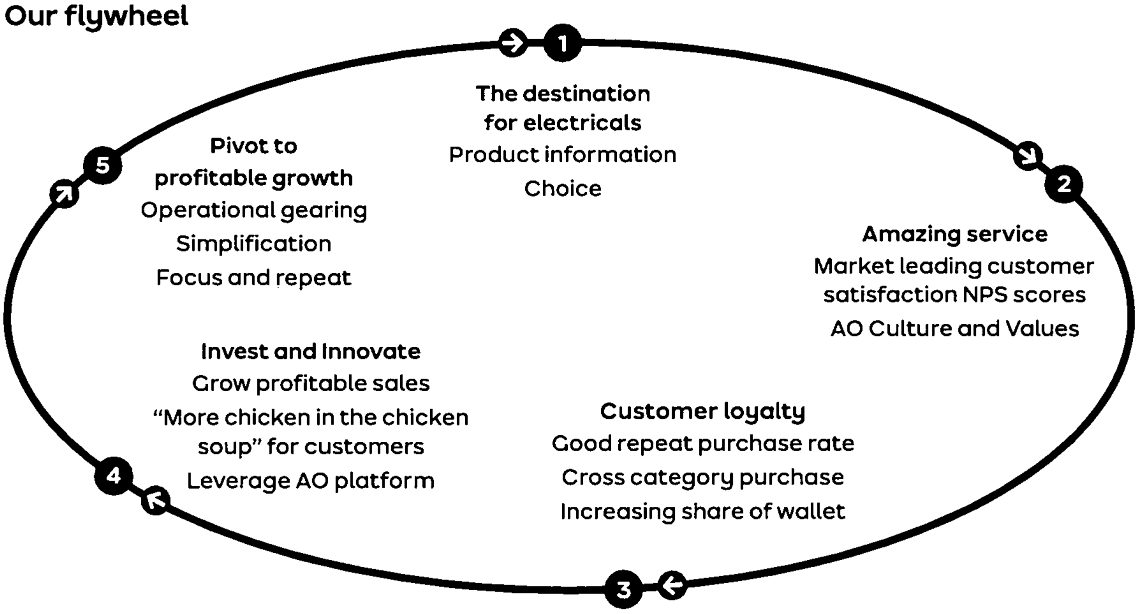
1 & 2. Customers are at the heart of our strategy. Everyone at AO is dedicated to giving our customers, both consumer and business, the best possible experience, from finding the right product at the right price, to frictionless delivery, installation and recycling, all with an AO smile. It's why we're the most trusted.

3. Once customers experience the AO Way to buy electricals, they return to us for other category purchases and additional services like installation and peace of mind warranties. They are proud to share their exceptional customer experience with family and friends, building our brand presence through personal recommendation and digital channels.

4. Technology and innovation continually refresh and enhance our customer experience, operational efficiencies and competitive positioning. Rising profits will give us choices and create a virtuous circle of investment, innovation and customer satisfaction.

5. As we build scale, our operational gearing means that each sale becomes increasingly profitable. Our commercial partnerships deepen, resulting in further enhancement of our customer experience in choice, pricing and services. The marginal costs of delivery, installation and recycling all decrease, boosting profits for reinvestment. We can then choose to fund further investment in our other businesses, including recycling, mobile, B2B, logistics, financial services and in brand development. These feed back into enhancing our customer experience, as well as underpinning our investment in technology.

Our flywheel



Key resources and our competitive advantage

Brand
The UK's most trusted major electrical retail brand focused on customer service with a smile. Our Trustpilot ratings don't just happen by accident.

Culture and People
We perform best when operating as One AO, working smartly together, living our values and delivering with expertise. We live the service pledge every day and truly care about being better.

Supplier Partnerships
Our mission is to be the destination for electricals for all our trading partners. We want to tell their product stories brilliantly to help our customers get the best product for their needs. We always think long term and are passionate about building partnerships, not just buying products.

Technology
Technology is and always has been integral to delivering a brilliant customer experience. We have a compelling customer proposition which we continue to invest in, to make our proposition better, faster and more convenient.

Infrastructure – interconnected services
We have end-to-end infrastructure including in-house logistics and recycling capabilities. We are a vertically integrated business that is united behind one mission, this is our One AO approach.

Value generated for:

Customers
The products we sell are essential in their lives and are major purchases. Getting the perfect product in a friction-free way with a little bit of fun is the best way to serve.

People
We spend the majority of our awake lives at work and so it should be enjoyable. Our people are able to be the best versions of themselves at AO. We create the environment for them to grow and flourish.

Suppliers
We want to leverage the capability we have created for our suppliers to tell their own product stories brilliantly to our customers. We care about creating value from their products and long-term brand relationships for our mutual customers. We are also proud to disrupt thinking and help our trading partners be ever better for customers.

Communities
We care about the communities in which we operate and the world more widely. We take our responsibilities seriously and make decisions that make our mums proud. Whether through the work of the AO Smile Foundation or simply paying fair taxes, we know it's often the spirit that matters.

Environment
Through our vertically integrated supply chain we can ensure both disposal and recycling of electricals and packaging and by collecting these as part of our delivery process we reduce carbon emissions on transportation and help appliances stay out of landfill.

Shareholders
We take a long-term view to build value in our business. We are entrepreneurial, looking for new ways to connect with our customers and drive growth by investing in new products, services and markets. We have the ability to scale through our vertically integrated model creating value through operating leverage.

Read more in our Section 172 statement on pages 46 to 49

What matters to us

Our brand

The "Trust, Fame and Love" framework remains the core tenet of our brand strategy.

We need long-term brand building strategies to attract new customers and shorter-term acquisition strategies to stimulate existing customers.

Consequently, FY23, saw continued investment including increased above the line activity, increased activation across core sponsorship initiatives and test and learn activity across social. We have continued to see improvements across all key metrics.

Establishing AO as the destination for electricals and one of the UK's most trusted retailers requires a disciplined, consistent approach to our brand alongside evolving cross-channel creative execution, back-end marketing systems and media planning.

With this in mind, we reorganised the relevant disciplines under a united brand and marketing function with shared goals and a single plan, focused on executing high-quality campaigns and leveraging our brand assets.

Brand positioning

Our brand positioning is focused on building and maintaining trust with our customers by consistently highlighting our unique customer service ethos. Our brand should be known for being reliable, honest, and transparent with our customers.

We introduced the UK's most trusted retailer campaign in November 2023 providing a strong, long-term foundation to build upon.

Sponsorship

Building brand equity beyond the transactional, and focusing on what our consumers care about is at the core of our sponsorship strategy.

On that basis, our partnerships provide an opportunity to reach a wide audience, across the North West. The objectives are clear:

1. Amplify our brand awareness by placing AO in front of as many consumers as possible
2. Create topics to talk to more consumers, more often, about things that will excite them

Both the AO Arena and our principal partner status with Sale Sharks, along with our sponsorship of Manchester Thunder have continued to deliver increasing positive sentiment, growth in awareness of the partnerships and positive brand metrics in the region.

We continue to maintain our long-term relationships with Bolton Lads and Girls Club alongside Lancashire Country Cricket Club, furthering our support to include the Club's age group sides and medical team.

We have also recently commenced sponsoring the Manchester Thunder netball team, reaching a different demographic of fans.

Bear

Bear, the AO Teddy continues to surprise and delight customers at the point of delivery. Bear also continues as our mascot at activations and a core character on all AO social channels.

Social media

Social media remains a key channel in our brand and marketing strategy. More mature social media channels such as Facebook and Instagram continue to engage customers with organic content and paid advertising.

Emerging channels such as TikTok inspire innovation as well as being an attractive place for customers to spend time, providing us with huge opportunities to test and learn.

For example, social e-commerce is emerging in importance to customers which is why we have been an early adopter, experimenting with Facebook and TikTok live shopping events in late 2022. This gave customers a chance to shop and interact with AO experts in a new way as well as attracting new followers to our channels.

Our website

Our website is our shop and as such, plays an important role in helping customers move from browsing, to researching and to purchase by creating inspiration through the purchase journey.

This involved refreshing content rules to raise the bar with our product content, providing strong foundations as we develop improved experience layers through the journey.

Through tech partnerships, we have been testing new elements of the digital experience. By using real-time web behaviour data, we can personalise their product recommendations, social proof messaging and onsite search results. These enhancements have driven an enhanced shopper experience, improved conversion and revenue as well as supporting our focus on directional selling.

What matters to us continued

Our customer focus

"Thank you AO f[illegible]viously being aware of [illegible]mer needs, for traini[illegible]d managing staff [illegible]re 100% enthusiastic and h[illegible]ul, for stocking a hug[illegible]ge of obtainable good[illegible]d for letting me expe[illegible] a SUPER Company."

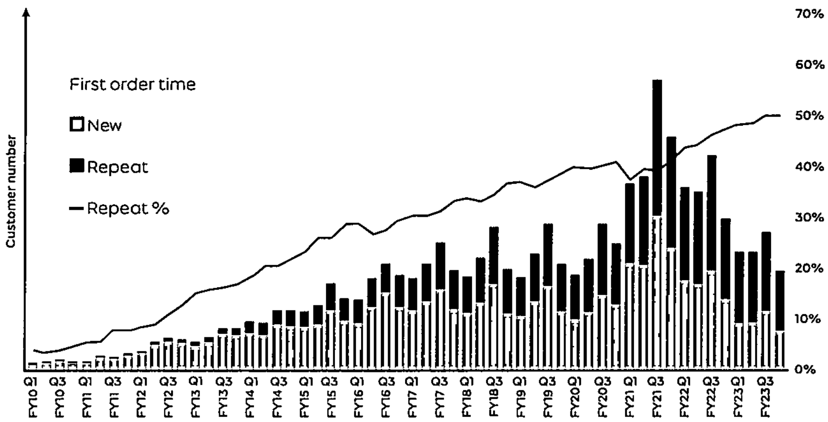
Bridget

"The delivery team we[illegible] friendly, really quick a[illegible] me with some informat[illegible] about my plumbing tha[illegible]ld mean we have an oppo[illegible]ity to prolong [illegible] life of our new machine. They also provided more information o[illegible] cycle washes on th[illegible]ne. Excellent service f[illegible] ordering, updates [illegible] del[illegible], right through to the delivery."

Alfred

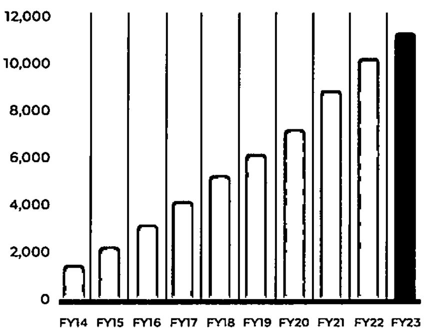
The AO smile is more than a logo, it's how we make customers feel in every interaction with us. That's why customers come back again and again.

New customers vs repeat customers* %



* A customer is defined as an individual customer who has purchased through us via ao.com in the UK.

Customers*
('000s)



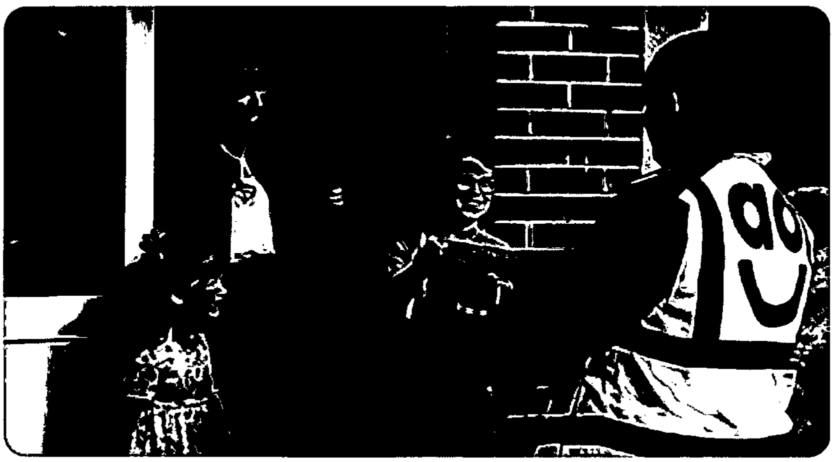
Net promoter score[1] FY23

85

UK[2] average (FY22: 86)

1 NPS is a measure of customer loyalty and satisfaction

2 UK is based on a weighted average of ao.com and MPD responses



ao.com followers on social media
Total followers† FY23

Facebook
1.87m
FY22: 1.88m

Twitter
92k
FY22: 85k

Instagram
81k
FY22: 82k

YouTube
27k
FY22: 26k

TikTok
70k
FY22: 24k

Pinterest
10k
FY22: 9k

Total 2.15m

UK Trustpilot FY23

Trustpilot

Total reviews
394k
FY22: 339k

Average FY23
Rating 4.6/5
FY22: 4.6/5

†Data during week ending 31 March 2023

Our culture

For 23 years, we've nurtured a culture at AO where brilliant people create magic in the moments that matter for our customers. With over 400,000 reviews on Trustpilot, which rates us "Excellent", we're proud to be the most trusted major electricals retailer.

Amazing service doesn't happen by accident. It's rooted in the attitude of the person who's serving you as the customer. Their attitude is normally an output of culture. We believe the best run and most successful businesses have a strong and clearly defined culture. It's a shared ethos that binds teams together in pursuit of a common goal.

We believe that being together drives creativity, pace and teamwork, where culture is gained by osmosis and not reading a manual. Our high standards are set by the millions of daily micro behavioural actions. It's how the next generation learn the nuances from the last. Seeing and experiencing something first hand is learning.

We aim to inspire our people through great leadership, creating trust and accountability, to deliver exceptional results with every AOer incentivised by our unique AO All Employee Value Creation Plan.

Our culture was tested over the last 12 months whilst we pivoted our strategy to focus on profit and cash generation in the UK business and, whilst rightsizing the business was the right thing to do, these decisions are difficult on a human level and inevitably this impacted satisfaction levels.

Having a growth mindset is a core value for AO and AOers have told us that career progression is important to them. In a year of significant change it has been disappointing for us that we haven't had the same level of opportunities to offer to AOers as would usually be available to them.

However, our core culture has proved resilient and we are pleased to see levels of engagement and satisfaction beginning to rise. We're continuing to listen to AOers and invest in their development and our culture.

Customer-centric thinking

Our front line teams are the people who help our customers directly day in, day out whether on the phone in our contact centres or the drivers and engineers who deliver and install products across the UK.

Supporting all of them are all other AOers from Commercial to Legal to Tech. At AO, if you're not supporting a customer directly, you're supporting someone who is.

Providing trusted service and creating magic in the moments that matter for customers is an output of the standards we set by millions of micro-behavioural actions where we are all working together towards clear shared goals with shared values. This means we are more than the sum of our parts because we think and act in a joined up way across the entire business resulting in brilliant service and consistent business performance.

Our purpose

Operational excellence is at our core, offering hassle free service and creating lifetime value for customers. We make the experience intuitive, simple, easy with amazing content and we're always convenient at every step of the journey. We offer a wide range of electricals that are always available with the best price, simple payments and the most trusted service. We're always human, we are fair and we're always there.

"We make customers' lives easier by helping them brilliantly."

What matters to us continued
Our values

We treat every customer like our gran

We focus on being brilliant for our customers and our teams care passionately about them.

The best service is no service - it should be personal and simple.

We make it easy for customers to buy what they need.

We do the right thing for our customers, always with an AO smile.

We have a growth mindset

Creativity and thinking big is what we do.

We're a high performing team, always learning and stretching.

We challenge ourselves to seek better ways of doing things.

We see opportunities others don't, and thinking differently strengthens our future.

We make decisions that make our mums proud

We empower our people to make the right decisions, not necessarily the easy ones.

We inspire each other to be our true selves and the best that we can be.

We genuinely care, we listen to each other, and we do everything we can to make things better.

Having a positive impact on the world in which we live is the right thing to do.

We operate at AO speed

We have a bias for action and make things happen today, not tomorrow.

We prefer to rely on data, and we trust our intuition.

We don't think we're always right; we're happy to learn from our mistakes quickly and correct course.

We commit to decisions as One AO - whether we agree or not.

Our technology

Technology is, and always has been, at the heart of our focus on delivering a brilliant customer experience.

From our website navigation structure to our customer insights that inform customer choice, to our logistics network, our technology infrastructure underpins our business. It ensures that our logistics network performs seamlessly between our suppliers and our customers.

Our technology architecture continues to develop as more of the market moves online and our customer offering expands. Technology knits together the various stages of the customer journey and our supply chain to ensure we can deliver the best possible experience to our customers as well as providing a high-quality environment that showcases our partners' offering. Manufacturers still consider digital an integral brand environment for new and popular products and providing a quality online environment for their products is one of our objectives.

We regularly collaborate with our partners and suppliers to ensure that our stock levels and customer demand are matched to ensure we meet our commitment for next day delivery. We sweep the market multiple times per day to ensure that our prices are competitive and continually improve our customer proposition through additional delivery capacity, payment options and more services such as customer financing, warranties and proprietary recycling.

An efficient technology architecture also allows us to serve both our retail and corporate customers, supporting our B2B and Third-Party Logistics ("3PL") operations, which enables us to leverage our operational gearing, delivering cost efficiencies. Our current core technology systems are a blend of commercial off-the-shelf and custom-built components. This affords us an agile, highly configurable enterprise technology estate that is also integrated with our key suppliers, with a shared ownership model for integrations. We continue to build and enhance our model.

Year in review

This year we progressed our multi-year strategy to invest and develop further our architecture, focusing on developing our customer model, logistics infrastructure and leveraging data and automation for faster decision making and increased efficiencies.

During the year, we replaced several key on-premise systems with best-of-breed software-as-a-service applications, including systems that power onsite search and navigation, and logistics routing. We are leveraging the benefits of these newer technologies to bring increased efficiencies and added value to customer experiences.

Our medium-term strategy remains to migrate undifferentiated and generic applications onto established enterprise platforms to create a stable and efficient foundation for future growth, whilst maintaining the flexibility of our custom-built components to continue to push the boundaries.

Priorities for FY24

This year will see us complete the first important milestone in our Enterprise Resource Planning transformation, giving us an efficient and scalable foundation upon which to further grow and develop the business.

Information is vital to the effective and efficient operation of our business and, as such, this year we will continue to transform the way information is captured, stored, transmitted and surfaced around our business - increasing accuracy and timeliness and affording better business decisions.

Automation of routine tasks will give our colleagues more time to create the next level of value for customers and partners, and increasingly we will augment our decisions with sophisticated data analysis.

Technology will also play a key role in enhancing customer experience, through increased personalisation of experience and creation of value-added experiences and propositions.

What matters to us continued

Our suppliers

Our suppliers are essential partners in helping us delight customers.

A consistent, exceptional customer experience in product choice, delivery and installation, recycling and additional services is what sets us apart and results in our outstanding NPS and Trustpilot scores year after year.

We enjoy a collaborative relationship with our supplier ecosystem, building trust and long-term relationships. Through regular meetings with our suppliers, we have developed a deep understanding of their strategic and operational context and can establish high-quality service level agreements to ensure suppliers can meet our expectations and those of our customers. This may manifest itself differently across our business units; for example, manufacturer suppliers supporting the formalisation of our B2B offering or the collaborative approach undertaken with suppliers for the design and build of our Recycling and Plastics plants. Our relationships with our suppliers are extremely important as we seek to develop new opportunities, driving value as part of a two-way relationship.

We work with a range of suppliers, from globally recognised manufacturers and international mobile network operators to national parcel delivery services, individual contracted drivers and small local businesses who provide the two-man home delivery service for our products. We also work with DPD and Collect+, to whom we outsource smaller product deliveries, NewDay, our credit provider and finance partner, and Domestic & General, for whom we promote product protection plans as their agent.

Manufacturer suppliers

Customers begin their journey with us when they search our websites for product information, pricing and range of features. We have long-standing relationships with all the leading global manufacturers of MDA products, who help us provide customers with a wide range of products to suit all customers. During recent uncertainty in the world economy and resulting ongoing component shortages and subsequent supply chain disruptions, our close relationships with manufacturers remained strong and consistent, allowing us to maintain good stock levels to meet customer demand.

Our partnerships with our manufacturer suppliers go deeper than just product distribution. We are working with several manufacturers on innovation in recycling, turning waste plastic into new high-quality product components such as base plates, ducts, grill covers and connectors as part of our cradle-to-cradle approach to recycling and sustainability.

Product delivery and installation

Contracted drivers and delivery crews are the face of AO when they visit our customers and, as with all our suppliers, we expect them to deliver great service. Many of the drivers are supplied by multi-crew businesses. In return, they receive competitive market rates and have the opportunity to grow their own businesses. Our Five Star driver programme allows the best drivers to share in the value we create for customers.

Corporate partners

We work with several corporate entities to supply ancillary services including product protection plans, services, customer financing and mobile network contracts.

Our Mobile Phones Direct business offers a range of mobile phone contracts with the network operators Vodafone, O2 and Three, and handsets from manufacturers such as Apple, Samsung, and Google. Mobiles are an indispensable product for most of our customers and add an important customer touchpoint and entry into our wider product range.

AO Finance has been provided through NewDay since 2019, offering customers the ability to spread the cost of their purchases through easy and affordable payment options using a flexible finance account. Customers have access to a range of finance options to help fund their purchases, whether it be revolving credit or promotional instalment plans. The revolving credit adjusts rate and credit line to the individual customer's profile, ensuring responsible lending and facilitating those needy purchases in a challenging economic landscape. AO acts as Introducer in the distribution of AO Finance through NewDay, regulated by the FCA.

AO Care is provided through Domestic & General, a trusted provider of service plans and insurances for millions of domestic appliances, and the UK's leading provider of appliance breakdown protection. AO has worked with Domestic & General since 2004, as its agent, and AO Care provides peace of mind for our customers by ensuring their essential electricals are protected with a plan that goes beyond basic manufacturer guarantees and consumer rights legislation; all important when customers are budgeting against a tough economic landscape. AO Care includes accidental damage cover and access to an accredited network of expert engineers who provide high-quality repairs with the right parts and no hidden costs; and as an insurance policy, customers can be confident that their plan is regulated by the Financial Conduct Authority ("FCA").

Our recycling facilities are amongst the most advanced in the UK, constantly innovating and improving our cradle-to-cradle customer experience. We constantly seek to improve our best-in-class recycling facilities through partnerships and third-party providers of significant plant and infrastructure to meet our high standards.

Our eco-system of expertise and services

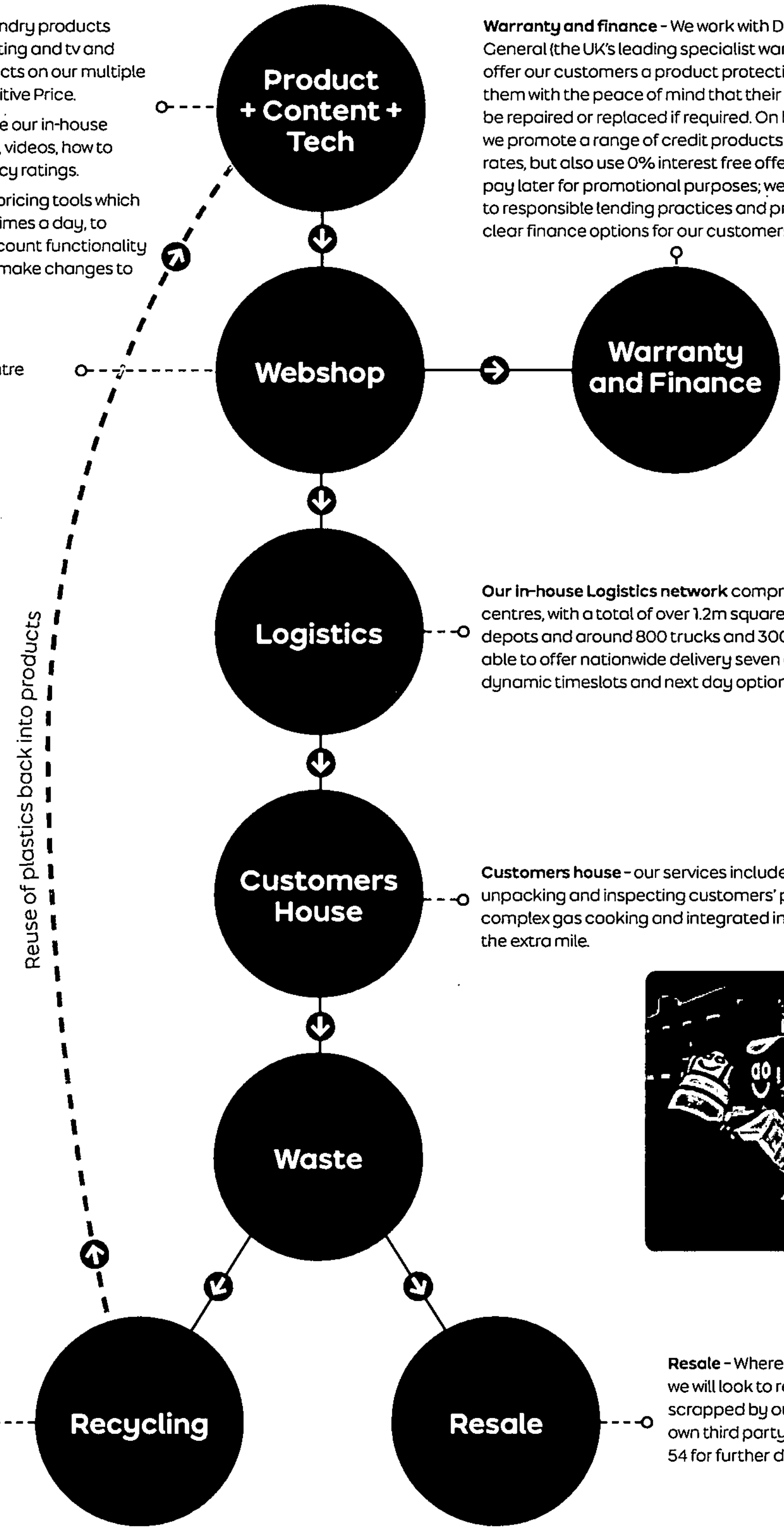
Our eco-system is a range of our expertise and services – from across retail and logistics through to financial services and our very own recycling plant. Our customers are at the heart of everything we do and that's why we are constantly evolving our eco-system to meet market demand and ensure we achieve our mission. It's not about what we do though, it's how we do it.

Product - From fridges and freezers, laundry products and dishwashers, to smart tech, computing and tv and entertainment. We sell over 6,000 products on our multiple e-commerce platforms, all at a competitive Price.

Content - Our multimedia team produce our in-house diverse content which includes imagery, videos, how to guides and lifestyle, and energy efficiency ratings.

Tech - Our bespoke shop functionality, pricing tools which enable us to sweep the market several times a day, to keep our prices competitive. Our my account functionality enables customers to order, review and make changes to their orders up to the day of delivery.

Warranty and finance - We work with Domestic and General (the UK's leading specialist warranty provider) to offer our customers a product protection plan to provide them with the peace of mind that their new product could be repaired or replaced if required. On behalf of NewDay, we promote a range of credit products at competitive rates, but also use 0% interest free offerings and buy now pay later for promotional purposes; we ensure adherence to responsible lending practices and provide simple and clear finance options for our customers.



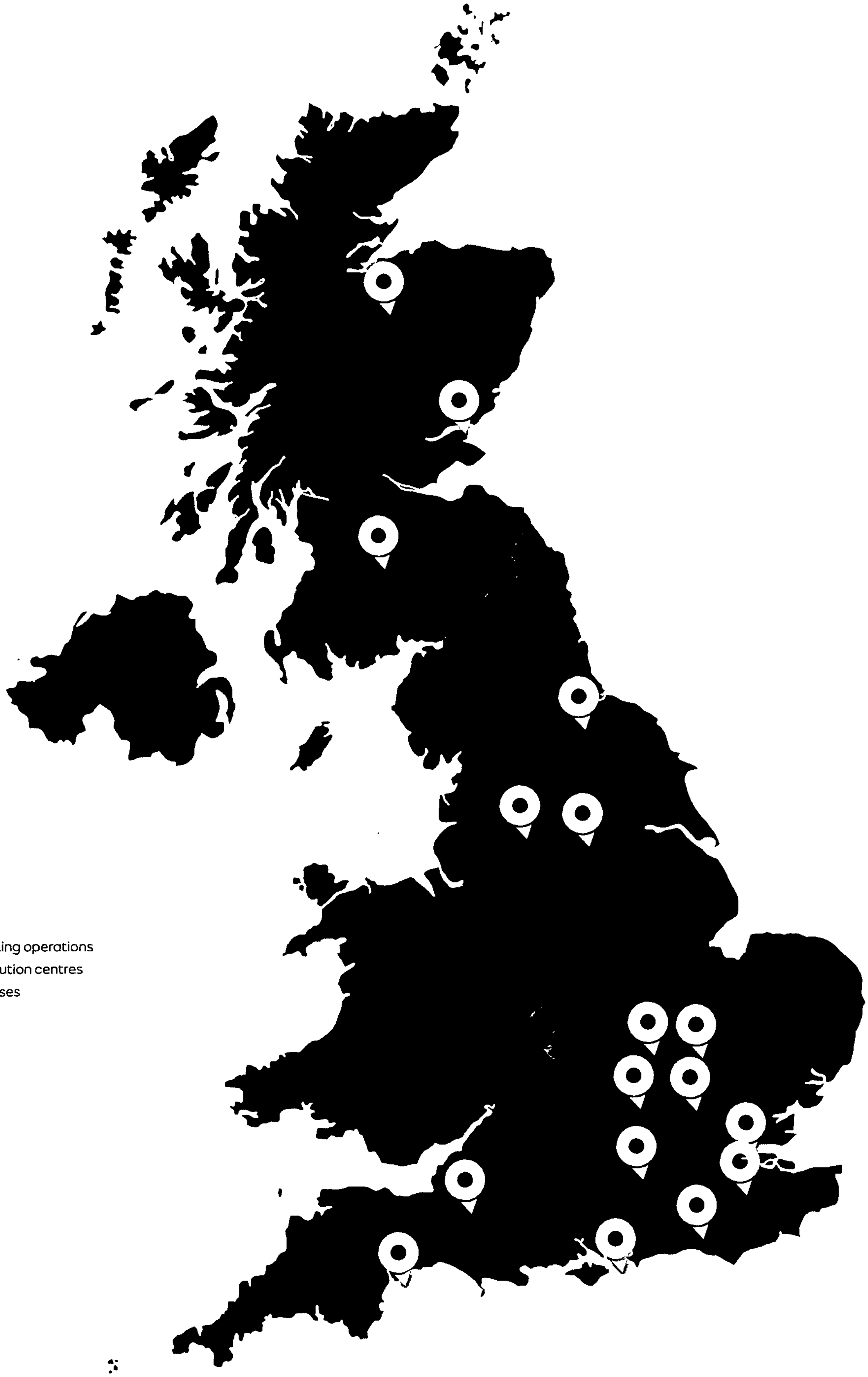
Webshop supported by our contact centre

Our in-house Logistics network comprises five distribution centres, with a total of over 1.2m square feet, 17 delivery depots and around 800 trucks and 300 trailers, we are able to offer nationwide delivery seven days a week with dynamic timeslots and next day options.

Customers house - our services include the basics of unpacking and inspecting customers' products, to complex gas cooking and integrated installations - we go the extra mile.

Recycling - Our purpose-built, state-of-the-art WEEE (Waste Electrical and Electronic Equipment) and plastics recycling facilities in Telford. Bertha (our WEEE recycling facility) is capable of processing fridges and other large domestic appliances responsibly and correctly. As the biggest WEEE recycling facility in the UK, we can recycle around 700,000 appliances every year; almost a quarter of the UK's total. Our plastic recycling plant can process 25,000 tonnes of plastic a year, which allows us to sort the output from Bertha for resale or reuse.

Resale - Where it's possible to do so, we will look to resell any products scrapped by our customers via our own third party outlets (see page 54 for further details).



Key
- Recycling operations
- Distribution centres
- Outbases

Our strategy

Our strategy is to leverage our market-leading customer proposition and scale in order to achieve our mission.

Throughout the year, we have pivoted the strategy to focus on our leading online position in the UK electricals market and optimising the Group's profit and cash generation potential. In the medium term, our ambition is to achieve: average revenue growth of 10+% per annum and EBITDA margin of 5+%.

To achieve these ambitions and ultimately our mission we have five key strategic objectives as set out below:

1

Acquisition

We are a leading online retailer of major domestic appliances and we have a great repeat customer rate. But we need to ensure that:

- We have a strong brand identity, which remains relevant in today's climate;
- We stay at the forefront of digital acquisition techniques; and
- We create reasons for customers to come back to us time and time again to shop for appliances and also our newer categories, increasing share of wallet.

2

Brilliant customer journey

Delivering a brilliant customer experience and creating a seamless shopping experience is all about having:

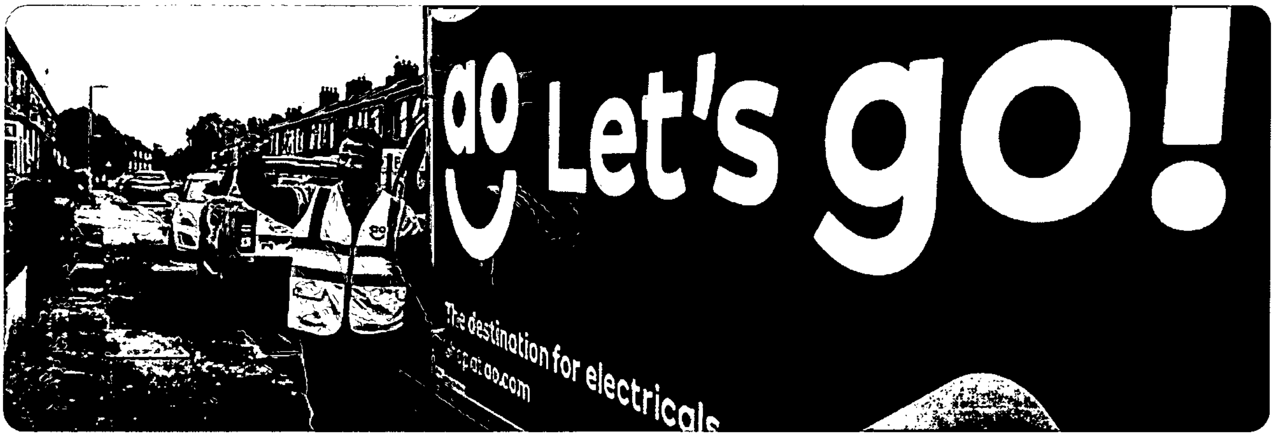
- A slick, intuitive and engaging website, with excellent and inspiring product information, the ability to easily add supporting services and "add-on" products and with a choice of payment options;
- Self-serve options to amend orders post purchase;
- Support from a friendly team on the phone where needed; and
- Making it right when things go wrong (which they occasionally do with such big stuff!).

3

Comprehensive category coverage at great prices

Through expanding our product ranges, we will position AO as the destination for electricals, serving the widest possible customer base. We need to ensure that we are offering great prices to customers, whilst maintaining appropriate levels of margin to meet our financial targets.

All underpinned by our culture.



4

Delivering supporting services

AO is known for outstanding service and we need to maintain and enhance this by:

- Offering a full range of services, for both existing and new categories;
- Improving our best-in-class delivery, easy returns, product installation and set-up, and recycling propositions; and
- Enhancing the customer lifecycle through services such as warranties, repair and maintenance and product trade-ins in relevant categories.

5

Continue to drive efficiencies and leverage expertise

We have a number of centres of expertise throughout the business and we aim to leverage these and our operating model to enhance and grow the business but without adding additional complexity. A more focused approach on our opportunities, whether it be through other retail categories, B2B, 3PL, or recycling, provides economies of scale, which can help us achieve revenue growth and our profit and cash targets.

For progress against these objectives, please refer to the CEO and CFO reviews.

By focusing on these strategic objectives and our culture and values, we can fulfil our purpose and strive towards our mission.

We treat every customer like our gran

We make decisions that make our mums proud

We have a growth mindset

We operate at AO speed

To fulfil our purpose: To make customers' lives easier by helping them brilliantly

Chief Executive Officer's strategic review

"Our core UK business has always been strong, profitable, and cash generative, providing us with a fantastic platform from which to explore new opportunities for growth over the last 23 years."

As we began the 2023 financial year, it was abundantly clear that a period of macroeconomic uncertainty lay ahead.

Our number one priority was to trade our way successfully and resiliently through whatever economic climate prevailed. The core thrust was to pivot the business firmly 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 strong, profitable, and cash generative, providing us with a fantastic platform from which to explore new opportunities for growth over the last 23 years.

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.

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.

Over the last 23 years AO has always been an entrepreneurial business with huge ambition, and one that's not afraid to try new things.

It's rare you know instantly whether a new venture will succeed; it takes time, patience, conviction, intuition, reinvention and some humility to admit when you're wrong.

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

We now have over 400,000 Trustpilot reviews. I'm 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.

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 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 are willing to accept in our supply chains. Inevitably that has cumulatively reduced sales, but I believe the best businesses are often defined by what they decide not to do, rather than always 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 I am clear it was both right and necessary. Whilst the economic element of those choices may have been relatively straightforward, of course, the human element is always much harder.

During the three year Covid period, over five million new customers experienced the AO Way. From a market perspective, there was a step up and then a step back, demand was brought forward and product usage increased.

Overall, the market is normalising with online penetration now comfortably over 50% compared to around 40% pre-Covid, when stores were the dominant channel for customers. Our expectation is that the migration to online will progressively continue over time, as it has for 22 of the last 23 years, as more customers realise that online is simply a better way to shop the category.

Since our launch in 2000, we've been investing in our relationships with our supplier partners and the depth of trust required to navigate this hugely unpredictable trading period proved to be invaluable. I'd like to thank them for all their support.

I'd also like to thank all AOers for their continued support and commitment during a journey that has required many leaps of faith. I'm always very proud of how they rise to challenges and how they protect our culture in both difficult times as well as good, which is ultimately at the heart of our ability to deliver for customers.

Whilst some post-Covid disruption remains in global supply chains, making certain aspects of forecasting difficult, we now consider the Covid period to be concluded and its lasting impact to be entrenched.

Looking forward, 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.

We now have over 400,000 Trustpilot reviews. I'm 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 our 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 >5% EBITDA margin for the current year and firmly back to driving profitable, top line growth by the end of the Financial Year.

John Roberts
CEO

4 July 2023

Read more about values on pages 18 and 19

Read more about our customer focus on pages 14 and 15

Chief Financial Officer's review

"We are pleased with the improvement in our financial performance over the year that was driven by our shift in our primary strategic focus from growth, towards cash and profit generation. Whilst the pressures on the UK consumer are well-documented and have inevitably had an impact on demand in the electricals market, our core business of Major Domestic Appliances ("MDA") – which represents 57% of our total revenue – remains robust. Our near-term priorities are to continue to optimise our cost base and leverage our growing and loyal customer base in order to progress our growth opportunities over the medium term."

Operational highlights

Over the last 12 months we have executed a significant reorganisation and simplification of the business. The closure of our German 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 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 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 85 on NPS

Successfully pivoting the business to strong profitable performance.

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.

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 volume 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 of 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 was no material impact to warranty cancellation rates as a result of the underlying macroeconomic events.

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 lost 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 sq ft 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 which has enabled us to develop our delivery routing, enabling the operation to further its efficiencies and expand our capacity to continue to provide our customers with brilliant customer 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 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 manufacture 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 in 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 around zero in FY23. As we move in to FY24 there remains one outbase lease to exit.

Financial performance

We started the 2023 financial year facing a difficult market as a result of inflationary pressures on both our customers and our cost base and saw a continued post-Covid drag of customers returning to an offline purchase. 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 cash flow 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 otherwise stated, covers our UK business only.

Revenue (see table 1)

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 on crisis consumer spending, and the market normalised post-Covid. H1 was also impacted by supply chain issues, which were subsequently materially resolved in 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 decreased by 0.2%.

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.

1 Revenue

Year ended £m	31 March 2023	31 March 2022	% Change
Product revenue	874.8	1,114.4	(21.5%)
Service 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%)

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 (see table 2)

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") (see table 3)

SG&A costs decreased during the period to £226.4m (2022: £272.7m), but as a percentage 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 specialised 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 percentage of revenues. Spend decreased as the business focused on the efficiency of acquisition spend.

2 Gross Margin

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

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

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%)
% of revenue	**19.9%**	19.9%	

Operating profit and Adjusted EBITDA (see table 4)

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 Adjusting Items for the current year are as follows:

- 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 did not fit our priorities, including, the trial with Tesco, 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.

The reconciliation of statutory operating profit/(loss) to Adjusted EBITDA is set out in table 4.

4 Operating profit and Adjusted EBITDA

Year ended £m	31 March 2023	31 March 2022	% Change
Operating profit/(loss)	**12.5**	(7.5)	267.0%
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%	

Chief Financial Officer's review continued

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 15.8% 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 (see table 5)
The calculations for earnings/ (loss) per share are set out in table 5.

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 table 6), 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 (see table 6)
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.

5 Retained profit for the year and earnings per share

12 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 shares	**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)

6 Working capital

As at £m	31 March 2023 UK	Europe	Total	31 March 2022 UK	Europe	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)	(23.4)	(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**	75.1	(8.1)	67.2

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 to 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 Limited is now a wholly owned subsidiary.

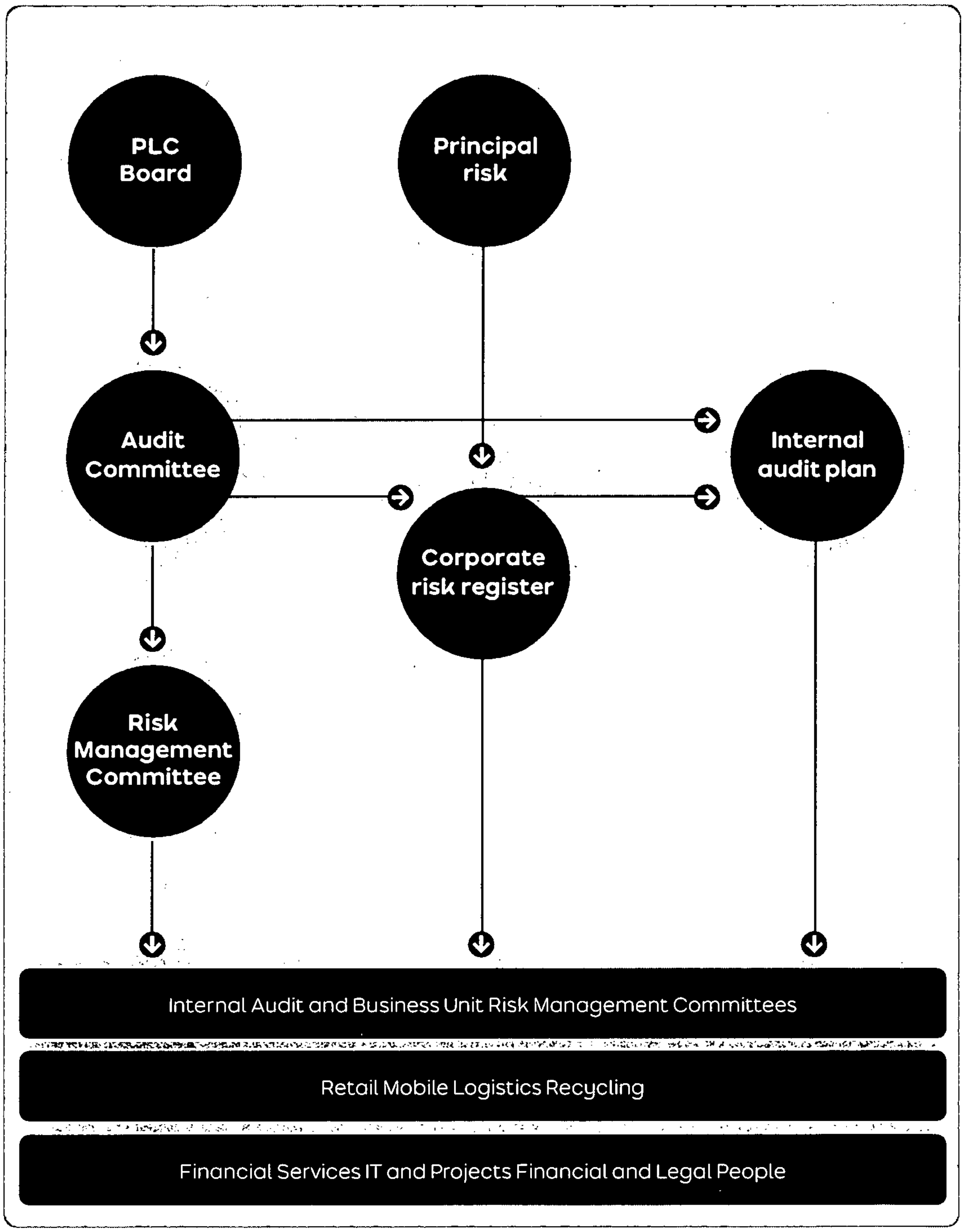
Mark Higgins
Chief Financial Officer

4 July 2023

Our risks

How do we manage risk?

In common with many businesses, AO faces a broad range of risks due to the scale and nature of operations. In order to manage our risks, we have developed a risk management framework with policies in place for identifying and addressing risks and with clearly defined lines of responsibility, accountability and delegation of authority. Effective risk management allows us to identify, appropriately monitor and, to the extent possible, mitigate these risks in line with our risk appetite, so that we can deliver our strategic objectives and protect value for our key stakeholders.



Internal audit
The internal audit function shares risk management information and best practice across the AO Group, provides independent assurance on key projects and controls and monitors compliance, identifying gaps and improvements and recommending corrective action.

Business unit risk management
Our Group Head of Audit and Risk meets with the senior team of each of our business units at least twice a year to assess emerging and existing risks, how these are being mitigated and how changes from within that business unit, or the wider Group, or even at a macro level, may impact them. Each business unit has its own risk register, assessing the likelihood and impact of the relevant risks, which together combine to form our Corporate Risk Register.

Risk Management Committee ("RMC")
Our RMC, in which our Executives participate, meets at least twice a year to review the business unit risks, the status of the existing Corporate Risk Register ("CRR") and whether all risks are still current and relevant, and to appraise newly identified risks to determine whether these impact existing risks or require inclusion on the CRR in their own right. The review includes an assessment of how each risk is being mitigated, its inherent and residual risk and any changes. The likelihood and impact of each risk is assessed against the Group's Risk Assessment matrix, which determines its risk factor and resulting risk category that ranges from minimal to aggressive. This is then balanced with an "intuitive" assessment: Do these scores look right both from an individual perspective and comparatively? Are we missing anything? This process allows us to regularly understand the strength and performance of the controls in place and to address any potential gaps and weaknesses.

Audit Committee
The CRR is reviewed by the Audit Committee periodically and it is notified of any significant changes in perceived risk as appropriate. Individual risks that are considered to be AO's principal risks are reviewed by the Board twice per year and assessed against the Group's risk appetite and capacity. The Audit Committee annually appraises the Group's Risk Management and Internal Control Framework, and makes a recommendation to the Board as to its effectiveness.

PLC Board
The PLC Board has overall responsibility for effectiveness of AO's internal control and risk management process. It approves risk appetite and risk capacity and agrees on the principal risks and mitigation strategy.

Principal risks
These are the most significant risks faced by the business, based on a likelihood and impact assessment.

These can be categorised as follows: Culture and People; IT Systems Resilience and Agility; Business Interruption; Compliance with Laws and Regulation; the UK Electricals Market; Key Commercial Relationships; and Funding and Liquidity.

In addition, we carry some significant accounting risks, namely the accounting in relation to product protection plans, Network Commission receivables and AO Mobile carrying value of goodwill and intangible assets, which are set out on page 103.

Our risks have varying likelihoods and impacts, they range from operational risks in our day-to-day activities to strategic risks that are inherent in progressing our strategy - in particular external risks such as the market environment; and legal risks given the regulatory frameworks to which we are subject.

Other risk management bodies
In addition to the above, we have:

- A Data Protection and Security Committee, with Data Protection and Information Security teams, that supports privacy and data protection governance;
- Senior Managers and Certification Regime ("SM&CR") Steering and Oversight Committee to ensure we are treating customers fairly and supporting financial services governance;
- A Health and Safety Steering Committee that brings together the various health and safety teams within the business to share knowledge and ensure the right culture is promoted right across the Group; and
- Other control measures outlined elsewhere in this Annual Report, including legal and regulatory compliance and environmental compliance.

How are emerging risks identified?
Our Group Head of Audit and Risk meets with the senior team of each of our business units at least twice per year (and more frequently as required) to assess emerging (and existing) risks, how these are being mitigated and how changes from within that business unit, or the wider Group, or even at a macro level, may impact them. Each business unit has its own risk register, assessing the likelihood and impact of the relevant risks, which together combine to form our CRR.

The legal team performs regular horizon scanning to understand emerging regulatory or legal risks and developments in governance or the wider ESG field, particularly relating to environmental and climate risk.

Following the simplification of operational structures, ESG risks are now being managed at a local level within business units. We monitor market developments and macroeconomic developments and these are discussed at business unit risk management meetings. The other risk management bodies mentioned above also help to identify emerging risks specific to their areas. Updates are provided as relevant to the leaders of each business units who also identify new risks in their operations.

We run an annual risk survey where senior leaders from across the Group are asked to have their say on threats to AO in the short and medium to long term. The results of the survey feed into the RMC, and are reconciled to the CRR, which is then included in Board discussions on risk. Periodically the board also has a "no papers" discussion on risk to ensure open thinking and that all risks are identified.

What is our risk appetite?
Overall, the Group has a "balanced" approach to risk taking; we will not be unduly aggressive with our risk taking but, being mindful of our strategy for organic entrepreneurial growth and the consequential appetite for strategic, operational and legal risk, we may accept a number of significant risks at any one time in order to foster innovation and to facilitate growth. We recognise that it is not possible or necessarily desirable to eliminate some of the risks inherent in our activities. However, these must be reviewed against the assessment of other principal risks to ensure that the level of net risk remains within the overall accepted risk appetite. For example, where we have already accepted an aggressive or material risk, this would then limit the acceptance of additional material risks.

The Company's Risk Appetite Statement is reviewed annually, in line with the strategic direction of the Group, recent experience and the regulatory environment, and whilst the fundamental principles of our risk appetite remain consistent, we regularly review our risk appetite against the financial performance of the business to ensure that we are not overly exposed to the impact of downside risk or are too cautious and are potentially throttling opportunities.

Listed in the tables on the following pages are the most significant risks that may affect our future.

This year's achievements
- Revised our gross impact scale in line with the liquidity position of the business.
- Improved risk appetite scoring to better ensure that the business unit risk reporting is aligned to the Board's appetite for risk.
- Increased our focus on technology risks, by strengthening our Information Security team and tools.
- Risk survey to senior leaders.
- Right-sizing risk work.
- Commenced work to address expected regulatory changes to the internal control environment through the UK Corporate Reforms.

Actions for next year
- Continuing with work to address expected regulatory changes to the internal control environment through the UK Corporate Reforms, including process mapping activity around the three expected areas of internal control focus (finance, technology and operations) and identifying 'in-scope' risks areas; implementing software to facilitate control activity; completing a material fraud risk assessment and drafting an audit and assurance policy. AO also plans to engage third-party specialist resource to assist in readiness and gap analysis activity.
- Continue to improve embedding of risk within forecasting and budgeting process.
- Formalisation of risk tolerance process and sign off in accordance with current risk appetite.

What are our principal risks?

(A) Culture and people

Relevant strategic pillar

1 2 3 4 5

Nature of risk

Culture is a key ingredient in the success of the business and a unique differentiator from our competitors. A failure to maintain the culture could affect all areas of the business including our ability to attract and retain customers, and our relationships with suppliers and partners.

This could be further impacted by significant erosion of our leadership team and/or not having the right amount and capability of dedicated people across the Group.

Risk drivers include wage inflation, working policies, areas of national skills shortage and our change in strategy and financial viability.

Control and mitigation

The Group's leadership team has a shared responsibility to drive culture throughout the business on the basis of AO's values. Engagement is promoted both locally and Group-wide through various forums. Employee surveys and engagement groups run to understand any issues and what we can do better.

Attractive remuneration and benefits packages with incentives for senior management and the value creation plan for the whole employee population help to attract, motivate and retain.

Learning and Development hub and programmes develop our people alongside a variety of apprenticeship programmes.

Overall change during the year

↓

Following our pivot on strategy during the first part of the year, employees were impacted by role reductions as we reduced overheads. This drove concerns around job security, which impacted employee morale, and was exacerbated by the cost of living crisis and, for most of our team, the return to full-time office working. Our retail team has historically been laser-focused on driving top line growth, and the pivot to profitability has been more difficult for some of them to adapt to.

As we end the year on a sound financial footing and with clarity on our strategy and high performance culture, we are now starting to benefit from culture improvements following our "work from work" strategy. The clear direction on culture has driven some changes in personnel but we are all collaborating together in the way we did pre-Covid.

(B) IT systems resilience and agility

Relevant strategic pillar

1 2 3 4 5

Nature of risk

AO's IT systems are critical for ongoing operations. Significant downtime of the website or warehouse management system as a result of a successful systems breach or failure could affect the ability to trade and could affect our reputation.

The loss of sensitive information relating to strategic direction or business performance may compromise our future strategies or the loss of data relating to individuals may result in regulatory complaints/ investigations and negative publicity.

Failure to develop our technological systems and stay abreast with a rapidly changing digital world could affect our ability to attract customers and cause us to rely on costly back-end processes.

Control and mitigation

All self-built applications are built with high levels of redundancy, operational monitoring, active alerting, security controls and fault tolerance. These systems are supported 24/365.

Off-the-shelf products are subject to a procurement and review process to ensure that their failure modes, availability service levels and security qualities are well understood.

Information Security risks are mitigated through our new security operations centre and dedicated infosec personnel who are driving forward our three-year infosec strategy and stay abreast of security risks and developments in protection. Regular training and simulations undertaken alongside external penetration testing. Policies and standards defined and communicated.

AO takes a multi-layered, continuously improvement approach to align IT infrastructure to strategy.

Overall change during the year

→

We have continued to review the operational qualities of our systems estate, with regard to availability, performance, recovery and security and have recovery plans in place in the event of failure. We have replaced our routing system and made a number of improvements to our front end to help enhance our customer proposition and drive efficiencies. We have also started work to transition to Dynamics 365 finance system.

The cyber threat landscape continues to become more complex and the frequency of organisations experiencing cybercrime and ransomware has continued to increase. Against this, AO has placed additional focus on this area over the past year, introducing a security operation centre and other IT controls and protections and also expanding our Infosec team.

Link to strategy

1 Acquisition
2 Brilliant customer journey
3 Comprehensive category coverage at great prices
4 Delivering supporting services
5 Leverage expertise whilst simplifying

Risk trend

↑ Increase
↓ Decrease
→ No change
N New

(C) Compliance with laws and regulation

Relevant strategic pillar

1 2 4

Nature of risk

Changes in regulations or compliance failures may affect our strategy or operations, in particular in the following areas:

- Data protection and privacy;
- The basis upon which the Company offers and sells product protection plans or the basis upon which revenue from the sale of such plans is accounted for;
- Driver employment status;
- Health and safety;
- Mobile and Ofcom rules and guidance; and
- Environmental, Social & Governance ("ESG").

Control and mitigation

Regulatory developments are routinely monitored to ensure that potential changes are identified, assessed and appropriate action is taken.

AO is supported by a legal team who promote awareness and best practice, an internal audit team who provide assurance on compliance and a health and safety function.

Further specific governance and steering committees oversee key regulatory risks such as data protection and security, health and safety and SM&CR.

Third-party legal advice is sought where necessary and any recommendations are implemented and subject to ongoing monitoring.

Regular training is conducted, through the learning management system and, in operational areas, face-to-face Health and Safety module, as appropriate.

H&S risk assessment programme covering all areas. Policies and standards defined and communicated.

Overall change during the year

No change

No notable changes to the risks in this area, however, the extent of ESG-related legislation and reporting requirements continues to increase and we have not prioritised developments in this area during the year under review.

(D) Business interruption

Relevant strategic pillar

1 2 3 4 5

Nature of risk

A disastrous event occurring at or around one or more of the Group's sites, including our main distribution centres, may affect the ongoing performance of our operations and negatively impact the Group's finances and our customers.

Control and mitigation

Our multi-site distribution network in Crewe reduces the single point of failure risk and reliance on any one distribution centre.

Dedicated engineering teams on-site with daily maintenance programmes to support the continued operation of the multi-site distribution network in Crewe and Head Office.

A number of standalone controls are in place to mitigate a major event occurring at one of the Group's sites.

Insurance policies are also in place to further mitigate this risk.

Overall change during the year

No change

Whilst the Group has simplified its warehousing infrastructure (and concentrated its stock risk slightly), it still maintains three warehouses.

There is ongoing work towards implementation of an improved business continuity plan ("BCP") across the Group.

Link to strategy

1 Acquisition
2 Brilliant customer journey
3 Comprehensive category coverage at great prices
4 Delivering supporting services
5 Leverage expertise whilst simplifying

Risk trend

Increase · Decrease · No change · New

(E) UK electricals market

Relevant strategic pillar

❶❷❸❹❺

Nature of risk

Uncertainty in the UK (and global) economy has been increasing since the Covid-19 pandemic, the conflict in Ukraine, and the cost of living crisis, particularly with price rises on fuel, energy and food. These issues are exacerbated by wage growth failing to match inflation, therefore, real wage decline, all of which can affect consumer demand (and therefore sales), sales rates or cancellation rates of product protection plans, defaults on mobile phone contracts or cancellations or a reduction in out-of-contract income or upgrade rates.

Additionally, our suppliers may be affected by global supply chain issues and due to materials and labour shortages, and increased operating and transportation costs it can be expected that suppliers will increase cost prices. These risks could be further exacerbated by a shortage of microchips that are required in our products particularly if there are further geopolitical tensions that disrupt production and availability.

All these factors make (1) forecasting challenging and (2) competition (both from retail businesses and as manufacturers consider going direct to consumer) more intense.

Control and mitigation

Customer proposition remains strong and in our core category of MDA it is difficult to replicate our infrastructure and processes.

Robust relationships with suppliers ensure we receive our fair supply of stock.

Our price match promise and technology ensure that customers get the best deals, and our digital acquisition capabilities ensure strong levels of traffic to our websites.

Outside of MDA we continue to learn and grow into other categories.

We have a good finance proposition, which enables more customers to easily spread the cost of their purchase.

We closely monitor competitor activity and have the ability to react quickly to ensure our proposition remains competitive. We continue to develop our customer retention strategies.

Overall change during the year

➔

There continues to be a high level of uncertainty in the economy due in part to rising fuel and energy costs driving up inflation, which has affected, and is likely to continue to affect, disposable household income and consumer confidence. Our MDA category has proved resilient but our newer categories less so.

We have seen product protection plans take-up rates remain broadly the same year on year and cancellation rates relatively stable.

Whilst our supply chains have not been materially impacted by the conflict in Ukraine, there is still potential disruption should the conflict between China and Taiwan escalate. Whilst the overall trend towards online retail continues, online penetration has decreased against the highs during the periods of Covid-19 restrictions. Further, as we pivot our strategy to focus on profitable growth and change some of our charging policies, we need to be mindful of how competitive we are.

(F) Key commercial partnerships

Relevant strategic pillar

❸❹

Nature of risk

The achievement of our strategy is partly dependent upon relations, support and the service provided by key suppliers. If there was failure on the part of the suppliers or partners, or a breakdown in our relationship, this would affect our proposition to the customer, and ultimately sales and profit.

Key partners include:

- Manufacturers and distributors;
- Delivery partners;
- Mobile network operators;
- Finance and Insurance providers;
- B2B and Third-Party Logistics clients; and
- Plant and information technology systems suppliers.

The risk includes the ability to achieve favourable terms, competitive rebates being agreed and the ability to attract premium brand suppliers to work with AO and further the risk that we fail to ensure we get a fair allocation of stock where it is available in limited quantities.

Control and mitigation

There is ongoing management of relationships with key suppliers to ensure strong business relations.

We are careful to listen to the concerns of all suppliers and clients and act accordingly; have regular meetings at both operational levels and strategic levels with key suppliers, and put in place clear service level agreements to ensure suppliers have a good understanding of and are able to meet our expectations.

In terms of rebates, these are formally agreed with suppliers via annual trading terms. Rebates for stretch targets are not included in financial reporting until the targets are achieved.

There is ongoing management of stock availability and stock procurement to minimise supply chain disruption and customer dissatisfaction. This is balanced with continuous management of working capital to ensure cash liquidity and headroom.

Overall change during the year

⬇

Our manufacturer relationships have continued to be strong over the year, with the improvement in liquidity and simplification in strategy enabling us to enhance these even further, ensuring good allocation of available stock.

Our relationships with D&G and Newday remain strong as we work through a demanding landscape for the customer and ensure we deliver the right insurance and finance offerings in this regulated space. Transparency, collaboration and trust continue to be the cornerstones of this relationship.

Our relationships with our network partners have strengthened over the year as we move to more strategic and balanced partnerships. Clarity, consistency and candidness, together with results, have been the key building blocks here.

We have drawn back on some of our B2B operations through our simplification strategy and whilst there are opportunities in these areas, these do not pose a key risk at present.

Our risks continued

(C) Funding and liquidity

Relevant strategic pillar

1 2 3 4 5

Nature of risk

In general the macroeconomic environment remains uncertain heading into FY24 which could have an impact on our profits and cash generation and, ultimately, liquidity and makes forecasting challenging.

We recognise that we are reliant on suppliers offering us credit terms. If action from any of our suppliers' credit insurers cause them to reduce our payment terms this could have an effect on our cash resources.

Control and mitigation

The Group has in place an £80m revolving credit facility and at 31 March 2023 cash balances of £19.1m

Further, given our pivot in strategy to focus on profitable growth and the closure of the German business, the Group's underlying business is now cash generative.

Our three-year plan models the impact of reduced market share in the UK; a number of different scenarios have been modelled to ensure we continue to be viable - please refer to page 45.

Overall change during the year

Decrease

The Group's Revolving Credit Facility ("RCF") was renewed in April 2023, and runs to April 2026. This, together with the equity issuance of c.£40m of capital conducted in summer 2022, means we currently have sufficient funding and cash resources to continue to support the investment in the UK. Further, given our pivot in strategy to focus on profitable growth and the closure of the German business, the Group's underlying business is now cash generative.

Link to strategy

1 Acquisition

2 Brilliant customer journey

3 Comprehensive category coverage at great prices

4 Delivering supporting services

5 Leverage expertise whilst simplifying

Risk trend

Increase · Decrease

No change · N New

Emerging risks

As part of the RMC work, we have also been contemplating some emerging risks:

- We have discussed the government's Resources and Waste Strategy, which includes the design and development of more sustainable products in its desire to move to a more circular economy. Should the average life of products be increased, this could affect the market dynamics of sales of electricals. Further, we note the government's intention to introduce extended producer responsibility with the possibility that retailers are forced to take back customers' waste electricals for free (and no longer be able to charge transportation costs). This, in the short term, could cause operational challenges with regard to van fill and recycling capacity.
- Linked to this are the transitional risks of climate change; as we seek to move towards reducing our carbon footprint and operating in a more environmentally friendly way, we could face increased operating costs and inefficiencies.
- Whilst an opportunity in many ways, the benefits and potential threats that Artificial Intelligence (AI) may pose are still yet to be fully understood. AO will look to harness this developing technology, however there are some risks that must be monitored including; if we fail to leverage AI strategically and commercially in an optimal way, we may fall behind our competitors; data could be compromised or distorted; algorithm bias may distort the market against AO's favour.

Viability assessment

In accordance with paragraph 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Company and the Group over a three-year period to 31 March 2026. The Directors believe this period to be appropriate as the Company's and the Group's strategic planning encompasses this period, and because it is typically a reasonable period over which the impact of key risks can be assessed within a fast-moving retail business, and changes in the economic environment that may alter customer demand patterns. The Directors are mindful, however, of the heightened uncertainty driven by the current macro-economic climate and accept that forecasting across this time frame is more challenging.

In making this viability statement, the Directors have reviewed the overall resilience of the Group and have specifically considered:

- A robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency, or liquidity. These risks and how they are mitigated are set out above on pages 38 to 44 and in the Corporate Governance Statement on page 103; and
- Financial analysis and forecasts showing current financial position and performance, cash flow and covenant requirements.

The Directors have reviewed the Group's annual and longer-term financial forecasts and have considered the resilience of the Group using sensitivity analysis to test these metrics over the three-year period. This analysis involves varying a number of main assumptions underlying the forecasts (including, without limitation, overall market share, the share of the online market and their impact on revenue, margin and working capital requirements), and evaluating the monetary impact of severe but plausible risk combinations and the likely degree of mitigating actions available to the Company over the three-year period if such risks did arise.

Based on the Company's current position, the Board has a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due, retain sufficient available cash and not breach any covenants over the remaining term of the current facilities. As is customary when dealing with longer-term debt facilities, the Board would expect these to be renewed well in advance of their next term with the current facility due to expire in April 2026.

Going concern statement

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 02 to 77. The financial position of the Company and its cash flows are described in the Chief Financial Officer's review on pages 30 to 37. In addition, the Notes to the Financial Statements include the Company's policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk. Further information on our risks is on pages 38 to 44.

Notwithstanding net current liabilities of £47.9m as at 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:

- A downside of negative growth in FY24 and in the subsequent periods to account for how the overall electrical online market could be impacted by the continuing macroeconomic factors such as inflation, consumer confidence, and 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.

Engaging with our stakeholders

We depend on a range of different resources and relationships and recognise that effective engagement with our key stakeholders is critical to achieving our purpose and strategic objectives in a sustainable way.

Understanding the perspectives of our stakeholders and building and maintaining good relationships enables their views to be taken into account in management or Board and Committee discussions and decision making. The examples that follow demonstrate consideration of the matters set out in section 172 of the Companies Act 2006. The Corporate Governance section (starting on page 80) sets out in more detail how the Board has approached its duty under section 172.

s.172 statement

The Board confirms that, during the reporting period, in using its good faith and judgement, it has acted in a way that would be most likely to promote the success of the Group for the benefit of its shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. This statement includes the information demonstrating how the Board has had regard to these matters in its actions as set out in this section.

Customers

Understanding our customers is critical to the success of our Group. This allows us to continually improve our customer proposition, thereby driving sales, increasing profitability and allowing us to invest and innovate our capabilities, and leverage new opportunities.

How we engage

- Dedicated, highly responsive customer service centre and a variety of digital communication channels including social media platforms and Chatbot
- CEO highly responsive to customer contacts
- Dedicated account management for B2B clients
- Collection of customer satisfaction metrics and use of feedback and review platforms
- Extensive customer research including surveys, data analytics and customer research
- Use on-site customer survey and feedback tools
- Virtual customer lab sessions: we invite customers to feed back their thoughts on existing or proposed customer journey aspects

What matters to them/ key topics raised

- Trust and reputation
- Customer service
- Value for money
- Ease of journey and convenience
- Data protection, compliance and environmental impacts

How we have responded

- Introduction of product recommendations and recently viewed products (via Qubit)
- Introduction of Youreko to give customers information about running costs of products
- Created category ranges of AO Favourites and AO Loves to help customers find products with the latest tech
- Improvements in communications and process in the event of order issues, delays or faulty products
- Continued our 5* service level agreement with drivers to promote excellent customer service
- Launched our "expert agent" programme to deliver excellent customer experience

People

Our AO culture is the most important element in binding the competencies in our business model together.

How we engage

- Regular business updates, such as our "State of the Nation", monthly management meetings and dedicated SharePoint site, "The Green Room"
- Use of Yammer, an internal social network, and YouTube, to enable a continued conversation with and between our people
- Feedback mechanisms including employee surveys, engagement forums, listening groups and confidential whistleblowing hotline
- Formal partnership with USDAW (in Logistics business)
- Recruitment, retention and annual development plans
- Apprenticeship programmes
- Designated Non-Executive Director as employee voice representative
- Policies, procedures, and employee handbook

What matters to them/ key topics raised

- Culture
- Reputation
- Reward and benefits
- Career and development opportunities
- Well-being/health and safety
- Flexibility
- Job security
- Tools and resources

How we have responded

- Continued our Always Listening strategy to inform our improvement plans
- Launched a new welcome event, "We Are AO", led by our CEO to provide new AOers with an experience to understand our mission, purpose and values, and customer journey
- Launched STAR - Discover Your Best Self Talent Programme, which is an eight-month blended learning programme to equip AOers to successfully grow their career
- Mentor volunteer programme
- Extended Company bonus scheme and private medical insurance
- Harmonised our Company benefits and introduced flexible benefits to recognise differing needs and provide more choice, which will be rolled out during FY24
- Restructure of the Value Creation Plan, allowing all AOers to share in the success of the business, together with the AO Sharesave scheme
- Continued our health and well-being initiatives
- Continued focus on diversity and inclusion. Introduced our D&I Strategy in FY23, to close the gap between our intent and our outcomes. With particular focus on our attraction and selection processes and raising awareness of diversity to break down barriers to inclusion
- Managers providing more opportunity for group or one-to-one discussions with their teams that effect change; supported by manager coaching and development to build confidence and capability
- Introduced "core hours" between 10.00 am and 4.00 pm for our office-based roles allowing our people to flex their working patterns over these times

Engaging with our stakeholders continued

Suppliers and partners

Our relationships with suppliers and partners remain critical to our performance. We believe that we and our suppliers benefit the most where we have long-term mutually supportive relationships, and work with them to ensure that our respective standards and expectations of business conduct are adhered to.

How we engage

- Annual "Top to top" (CEO) meetings to share plans to understand how we maximise our mutual objectives
- Buying trips to see and understand product roadmaps and capabilities
- Steering and governance meetings with finance partners
- Client meetings for B2B
- Logistics and recycling

What matters to them/ key topics raised

- Long-term mutually supportive and collaborative relationships
- Customer proposition enhancements
- Growth opportunities
- Explaining their products fully so the customer always gets the best product for them
- Payment practices

How we have responded

- We have developed a supplier onboarding manual to help suppliers understand and meet AO's required standards
- CEO meetings with manufacturers and suppliers to explain our mutual long-term plans to each other so we align objectives
- Quarterly review sessions with all key suppliers to ensure plans are working and aligned
- Improved product information and recommendations to better explain the manufacturers' products
- Worked with suppliers to agree better processes for dealing with product faults and issues

Community

As a Group, we aim to build relationships and support the communities where we operate. We consider the social and environmental impact of our operations and are fully committed to responsible retailing.

How we engage

- Support charities and fundraising initiatives and promotion of sports through our local sports partnerships
- Encourage employee volunteering through Make A Difference days
- Promotion of career opportunities with universities
- Employability forums
- Participation in recycling forums and events
- Good relations with the Environment Agency and bodies such as WEEELABEX

What matters to them/ key topics raised

- Environmental performance
- Procurement decisions
- Investment and community support
- Sustainability initiatives

How we have responded

- Improved our understanding of our environmental impact through partnering with Green Jam to produce a robust assessment of our greenhouse gas emissions throughout the value chains
- Progressed our sustainability strategy winning Recycled Product of the Year with the Volution Group and their fan (which encompasses our recycled plastics)
- Commenced a five-year sponsorship deal with Manchester Thunder to raise the profile of the sport of netball and continued our partnership with Sale Sharks and Lancashire Cricket Club
- Regular donation of appliances and electricals to charities and good causes
- Supported HideOut Youth Zone in East Manchester and Cheshire Buddies in Crewe
- We've seen an increased number of AOers using Make a Difference days to volunteer for charities and good causes close to their heart
- Boosted fundraising efforts through the AO Smile Foundation's matched fundraising programmes

Shareholders

Access to capital is vital to the long-term performance of our business. We aim to provide fair, balanced and understandable information to shareholders and analysts including our strategy, business model, culture, performance and governance.

How we engage
- Financial results presentations
- Institutional investor roadshow and investor conferences
- Management meetings
- Engagement with Board Committee Chairs and Senior Independent Director
- Capital markets days
- View of investors a regular Board agenda item

What matters to them/ key topics raised
- Financial performance
- Opportunities and strategic ambition
- Operating and financial information
- Governance
- Confidence in Directors and management
- Shareholders returns

How we have responded
- Significant strategic realignment to focus on profitability and cash generation
- Closure of German business unit
- Removed parts of the business that no longer fit with our priorities
- Proactive communication from Chair

Sustainability

Our operations, behaviour and how we treat our people and communities have a wide-reaching impact on the environment and society.

We understand the importance of aligning our purpose, values and strategy with the needs of our stakeholders to build long-term value in a sustainable way. We see sustainability as an investment to stay relevant for customers, suppliers and our people, whilst driving down costs and realising efficiencies in our operations.

Across AO's business, there are a variety of sustainable living initiatives in place, for example, our continued investment in our vertically integrated recycling facilities with the plastics plant now fully operational and further enhancements planned for the coming year, driving efficiencies to our logistics operations, the well-being of our people and our community outreach projects. We believe that customers and talent are increasingly gravitating towards companies that are properly addressing areas of sustainability and inclusion.

Whilst we are clear on our long-term sustainability plan, the challenges in FY23 that we've covered in this report, have meant that we have focused on activities that improve profitability and cash flow. Notwithstanding, we have made some (albeit limited) progress in this area, as is covered in the following pages.

Working towards the United Nations Sustainable Development Goals

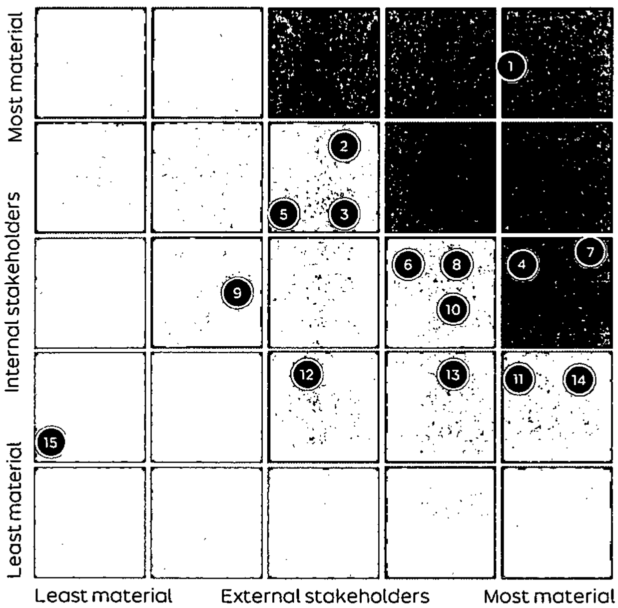
AO's business strategy contributes to a range of the United Nations Sustainable Development Goals ("SDG"), identified during our ESG Materiality Assessment and now embedded within our ESG Strategy. We are committed to progressing on those areas where we feel uniquely placed to make a positive difference (as noted below/opposite).

Material sustainability issues

During the previous financial year, we conducted an in-depth materiality assessment to identify the topics that are driving AO's current and future ESG performance, defining these as risks, impacts or opportunities.

As a Board, we have reviewed it during the reporting period and believe that it is still relevant, reflecting ESG-related topics that are material to our business.

Our approach to materiality



Materiality matrix

The findings of the materiality assessment are represented on our materiality matrix to help us understand the importance to internal and external stakeholders.

Materiality matrix

1. Waste and recycling
2. Carbon (and GHGs)
3. Diversity and inclusion
4. Customer privacy and data protection
5. Supply chain management
6. Ethical supply chains
7. Internal governance
8. Employee talent and retention
9. Resource consumption
10. Plastic and packaging
11. Community investment
12. Transparency
13. Health and safety
14. Sustainable products
15. Natural material

Key: Priority topics Extend action Table stakes

Our ESG strategy

Our ESG pillars were derived from the materiality assessment as follows and remain a key part of our strategy with our long-term commitments unchanged. Progress over the year is summarised below and covered in further detail in the following pages:

1 Sustainable living

High-level material topic
- Plastics and packaging
- Waste and recycling
- Sustainable products
- Carbon reduction

AO long-term commitments
- Supporting low-carbon business and lifestyles
- Promoting circular and sustainable consumption and recycling

What have we done so far in FY23?
- Fleet review, incl. CNG trials
- LED installation
- Waste segregation
- Moved towards more renewable electricity
- Property efficiencies
- Introduced energy saving tool on website
- Circular recycling options

SDG goal

2 Fair, equal and responsible

High-level material topic
- Talent, retention and attraction
- Diversity, equality, and inclusion
- Health and safety

AO long-term commitments
- Being an equitable and inclusive business
- Providing safe, decent and meaningful work across the value chain

What have we done so far in FY23?
- Engagement
- H&S e-learning module
- Focus on being brilliant at basics
- Call centre pay above minimum wage
- All together D&I programme

SDG goal

3 Fit for the Future

High-level material topic
- Data protection / cyber security
- Internal governance
- Ethical and resilient supply chains
- Charity

AO long-term commitments
- Transparent and robust supplier management
- Supporting and respecting customers' rights to shop safely online

What have we done so far in FY23?
- Supplier onboarding app
- Data Protection Steering Committee
- AO Smile initiatives
- MAD days

SDG goal

Sustainable living

Lowering our carbon footprint

Initiatives to improve our own environmental performance:

Fleet

The transition to a decarbonised fleet is a long-term strategic priority. Over the last 12 months we have continued to assess the viability of electric, CNG and hydrogen home delivery vehicles and tractor units.

In relation to home delivery vehicles, we installed four electric vehicle charge points at our Potters Bar and Heywood depots. We trialled two models of electric home delivery vehicles but neither was appropriate for our requirements due to payload constraints, limited range availability and wrong chassis and box type. We are exploring the availability of CNG home delivery vehicles, as a transitional fuel in the short to medium term whilst we await further developments in the technology of electric vehicles; the manufacturers have indicated that purpose-built electric home delivery vehicles suitable for our requirements should be available in the medium term. We will continue to monitor the market and conduct trials as appropriate.

In relation to tractor units used in our HGV trunking, neither electric nor hydrogen options are currently suitable for our requirements. We have purchased ten CNG units and continue to monitor their performance. CNG is currently seen as the most viable option in our transition to a decarbonised fleet and we are building a business case for a phased roll out. However, viability is dependent on the cost of the gas and over FY23 the price of CNG has been extremely volatile. We are starting to see this stabilise and will continue to monitor the price of CNG over the next year. The CO_2 saving of a fully CNG HGV fleet could reduce our GHG emissions by up to 30% in this area. In FY27 there would be the opportunity to transition all of our tractors to CNG as all diesel leases will have ended – a decision on the viability of CNG will need to be made in advance and we continue to measure the trial units ahead of building up a full business case.

We are assessing the viability of longer semi-trailers (LST), which could add 15% more capacity than our current mega trailers. The LST are expected to be compatible with the CNG tractor units. We have conducted a limited trial with one trailer and intend to purchase a further LST over the coming months to conduct further trials. The target is to have this tested by early 2024 and, if deemed to be a viable option, have placed an order for the first 20 trailers.

Work to better understand the technology landscape continues.

Property and facilities

Over 90% of electricity used by our operations is derived from renewable sources. Where we source the electricity directly (which occurs at 16 of our 25 sites), over 93% comes from renewable sources. Of the remaining sites where electricity supply is managed by the landlord we have been unable to ascertain details of the supply contracts and therefore, as a worst case, assume all is non-renewable. We continue to try to work with landlords with a view to understanding their energy procurement and with our own energy provider to enable us to target 100% renewable energy supply used by our operations by 2030.

Our head office, all warehouses and most outbases have, within the last 12 months, been fitted with LED lighting, which will reduce energy consumption at these sites.

Other steps taken to reduce energy consumption at our sites in FY23 include waste segregation, installing tap sensors at our head office and optimising air conditioning settings.

Next steps include:

- Exploring the viability of voltage optimisation at the warehouses
- Installing light/motion sensors across the outbases
- Installing smart meters
- Assessing benefits of solar panels (for our logistics property portfolio) and/or wind turbines (at recycling)
- Progressing with Energy Savings Opportunity Scheme (ESOS) phase 3

Initiatives to help our customers

FY23 has seen spiralling rises in household energy prices leading customers to further prioritise lifetime running costs during their purchasing decisions. We continue to look at ways we can support customers who wish to reduce their environmental impact, or simply reduce the running costs of the electrical products through buying premium products with higher energy efficiency ratings and other sustainability-related features. The understanding of product emissions related to the manufacturing of and use of the products we sell is improving year on year. Working with key suppliers to record this information and share with consumers may influence purchasing decisions. Initiatives currently under way or under consideration include:

- seeking ways to extend the life of electrical products through innovative customer care offerings and in-house AO repair and recycle services;
- introducing energy saving tools on ao.com (such as Youreko), helping customers understand the real financial benefit of purchasing an energy efficient appliance;
- including energy saving hints and tips on ao.com and on CRM emails; and
- highlighting energy efficient products in our CRM emails.

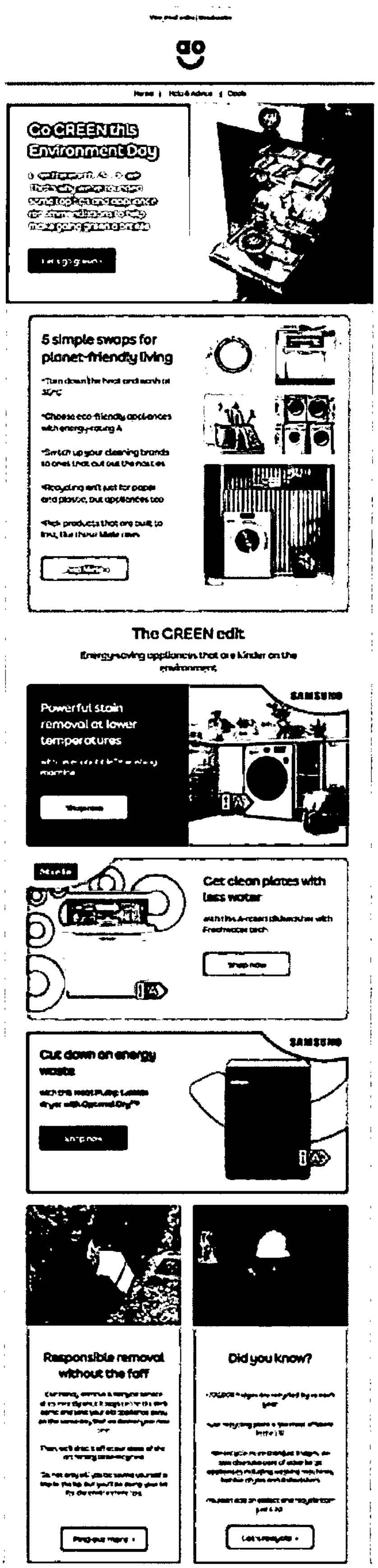
A large proportion of scope 3 emissions relate to the usage phase of products sold (as detailed in the GHG information below) with major domestic appliances contributing the vast majority of emissions. Therefore, in the context of driving the most impact on reducing carbon, meeting changes in consumer behaviour, improving the efficiency of the products we sell and helping customers use them efficiently, is critical and is part of our long-term strategy.

Promoting circular and sustainable consumption and recycling

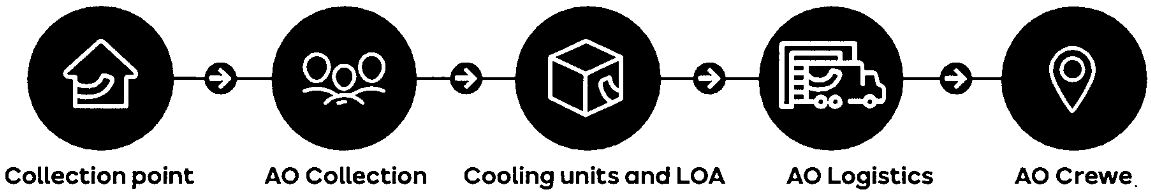
Unlike many other retailers in our sector, we take responsibility for the entire lifecycle of the products we sell. We offer our customers the option of collection of their Waste Electrical and Electronic Equipment ("WEEE") and take it back to our facilities where we maximise the value recovered. Our priority is to repair and refurbish an appliance, giving it a new lease of life thus preventing goods from being prematurely recycled. Once these options have been exhausted, we responsibly recycle the product.

When appliances are no longer wanted, we continue to pick them up and take them back to our rework facilities (including products that were not purchased from AO) collecting products not just from houses, but also on behalf of local authority recycling centres. Our priority approach is to repair the pre-owned appliances to the highest of standards and give them a new lease of life so that they can be resold. Whilst our experts work hard to repair and service pre-owned or return appliances, when this is not possible, they are recycled to the highest standard.

The following flow map shows the journey of products after they have been discarded by consumers and on pages 56 to 59 you can see the detailed recycling process and plastics refinement that we have in house to ensure waste streams are dealt with responsibly and as many materials as possible are reused in new products.



Our role in more circular product lifecycles



Inspection and repair
When a product goes through our circular process, it is first inspected and then repaired and resold if possible

Resale
Our resale models allow us to ensure discarded yet reusable goods are in use for longer, reducing the impact of waste

Recycle
Most products coming to us have been discarded, and whilst we do prioritise repair and reuse, most products have reached their end of life. When this is the case, we responsibly recycle the products in our specialised facilities, meeting CENELEC standards

AO Outlet
After e-waste has been skilfully repaired and refurbished in our reuse workshop at Telford, meeting world-leading standards, they are put back into the market either at our AO outlet store in Telford or on to second-hand traders

ElekDirect the AO Outlet store
When products are returned from customers, they are repaired in Telford and Crewe, and then sold in our AO outlet ElekDirect store in Bolton or through second-hand traders

Service care
When products reach us that need technical repairs, our partners at Service Care repair, refurbish and return them to market

Plastics plant
Our recycling process maximises the value recovery of a product's components and materials. Using our four-acre WEEE plant, we can clean and refine the plastics from products, transforming them into high-quality reusable materials

Aim for closed-loop system
Efforts to reuse these materials in other products and create a truly closed-loop circular process are underway. This will not only reduce our operations' carbon impact but will also minimise the unnecessary use of virgin materials

Over six million large domestic appliances have either been given a new life or recycled on site, with a little over a million in this financial year.

In the year 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" partnerships with key manufacturers to supply recycled products to make electrical appliances. We have continued to develop partnerships with third parties who can utilise our recycled plastics in sustainable products including the partnership with domestic ventilation fan manufacturer Volution Group. They have utilised plastics recycled from old fridges collected from customers and processed at our recycling facility in Telford to manufacture over 330,000 ventilation fan units (domestic and commercial).

The fan has won Recycled Product of the Year, Awards in Excellence in Recycling and Waste Management (2023, 20th Anniversary), being made from 100% AO recycled plastics (except the impeller). Volution has confirmed that the material moulds well, has passed all stringent mechanical tests and is visually good. This is a household, long-life high-value product, and we have been able to overcome the challenges to deliver consistent plastics used in a wide range of high-volume products. The partnership with Volution has shown that, over a 12-month period, we can consistently produce the high quality plastics needed for appliances. Building on the success with Volution, we continue to collaborate with Beko to develop our shared vision of increasing the volume of recycled plastics from old appliances within new appliances.

During FY24 we plan to add an extruder to our plastics refining facility which will see us able to turn the recycled plastics into a final product ready for moulding. This could open up additional markets for us and/or reduce costs (given all extrusion is currently undertaken by a third party).

Recycling

Here's how we recycle fridges, which we believe is one of the safest, cleanest and most efficient processes in the UK...

Step 1

The refrigerant and oil inside the motor are carefully removed. To do this, we manually drill into the fridge's internal workings to drain everything away.

Step 2

The motor is removed using giant, heavy-duty cutters and sent away for recycling.

Step 3

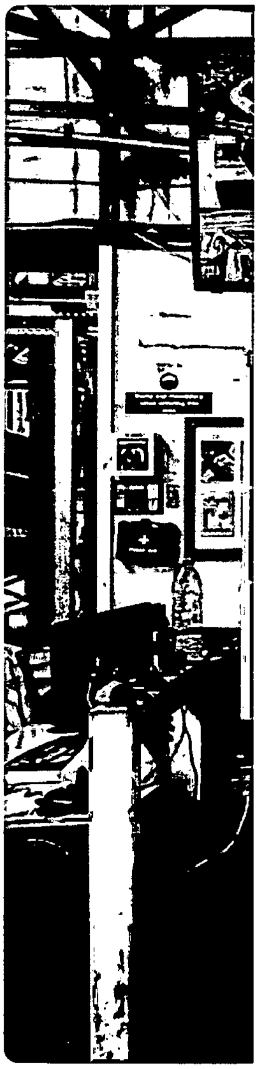
The rest of the fridge is then sent into a sealed chamber to extract the gases in the fridge's insulation foam. To do this, oxygen is removed and replaced with nitrogen to prevent anything igniting.

Step 4

The fridge is then dropped inside a massive shredder, where heavy-duty steel chains spin around like a kitchen blender. This motion forms a vortex that breaks the outer shell of the fridge into smaller pieces. The insulation foam is smashed into powder to release more of the gases.

Step 5

The rest of the fridge remains are dropped onto a heated conveyor belt below. The heat, again, helps to release and neutralise any leftover gases.



Step 6

Nitrogen is used to condense the gases into liquid so they can be safely sent away for disposal elsewhere.

Step 7

What's left of the fridge's remains is sent through four different filtration systems, to separate the different materials from each other.

Step 8

Plastics, metals and foam are sorted into individual storage containers. These are then shipped on to be recycled into other products, maybe even another fridge.


ANDRITZ

Recycling continued

Plastics plant – how it works

Step 1

We remove large pieces of plastic, which will require further shredding, and also dust/small particles of plastics that won't separate.

Step 3

We sink off the heavy plastics using a water/calcium carbonate solution, and these go for further processing by a trusted partner.

Step 4

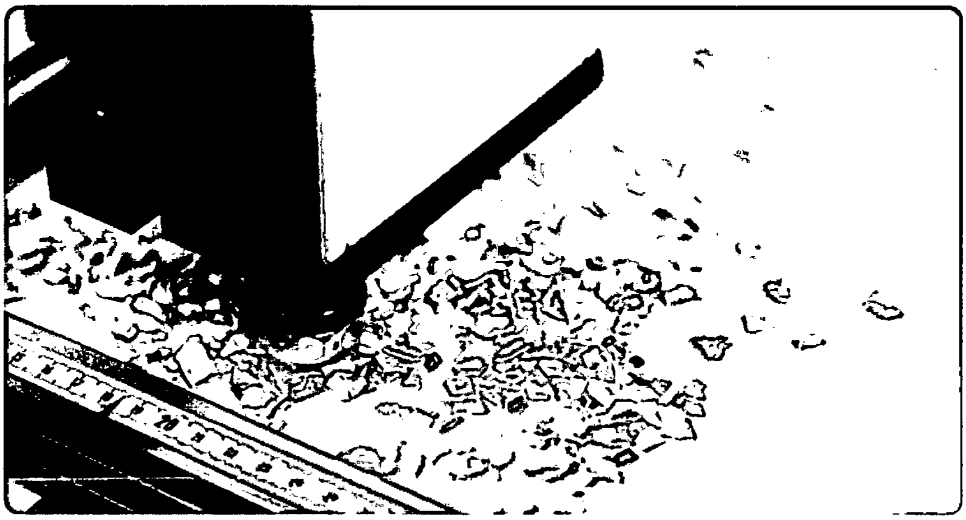
We wash off the calcium carbonate and, using water, float off polypropylene for granulation in a separate on-site process.

Step 5

We dry the plastics which sank in Step 4 (high impact polystyrene and acrylonitrile butadiene styrene), granulate to create plastic flakes of consistent size, and remove any which are outside our size distribution parameters.

Step 7

The plastics are electrostatically separated: either being attracted to or repelled from an electrode now they are electrically charged. This creates single polymer plastics.



Step 2

We wash the material to remove surface contamination and prepare the plastics for density separation.

Step 6

We optically sort the plastics (targeting white - the coloured plastics are processed later through Steps 7-10), gently heat and then electrically charge the plastics.

Step 8

Every bag produced is quality tested through a leading-edge technology flake scanner for polymer purity, colour, contamination content, and only those which pass the quality test are then prepared for shipment.

Step 9

Our trusted extrusion partner heats and pushes the melted plastic flakes (now an individual polymer such as high impact polystyrene) through a filter to make extruded pellet. Dependent on customer requirements, additives for colour or to help the plastic flow into a moulding, are added.

Step 10

The plastics are sold to manufacturers of high-quality, long-life parts and products, to replace virgin plastics with an environmentally friendly alternative.

Task force on climate-related financial disclosures ("TCFD")

The Board recognises the importance of understanding and managing the impact of potential climate-related risks and opportunities on AO's business and strategy.

We confirm that, save as disclosed, the Annual Report includes all climate-related financial disclosures required to be consistent with the TCFD recommendations and recommended disclosures and is in line with the current Listing Rules requirement (as referred to in Listing Rule 9.8.6R(8)) having considered section C of the TCFD Annex "the Guidance for all sectors".

Overall, we are partially compliant, as noted in the table below. This is a highly complex topic and given the challenges we have faced during the year and our pivot on strategy, progress in this area has been limited.

Our disclosures in future years will reflect our progress on addressing climate-related risks and opportunities and establishing appropriate goals, metrics and targets, and we will refine the quality of our reporting.

Where to find our TCFD recommended disclosures:

Governance	Summary and cross-reference or explanation of non-compliance	Next steps
Board's oversight of climate-related risks and opportunities	The Board has oversight of material climate-related risks and opportunities, receiving updates from the Risk and Audit Committees. However, as covered below, the Board has yet to set specific targets in this area and so, therefore, it is deemed only to be partially compliant in this area.	Continue with Board oversight and continue to embed within decision making, making it a key factor for all decision making.
Management's role in assessing and managing climate-related risk and opportunities	Management are responsible for identification, assessment and management of climate-related risks and opportunities, as part of our integrated risk management processes, which are maintained at a business unit level, with the support of the Risk and Audit team. Please see further at page 62.	Continue assessing climate-related risks with a holistic view of the Group's climate-related risk landscape through the risk work undertaken by business units and the Risk Management Committee.
Strategy		
Climate-related risks and opportunities identified over the short, medium, and long term	During FY22, we partnered with an expert third party to help our management team identify relevant climate-related risks and opportunities that might be material to AO over the short, medium and long term. We will keep this under review on a regular basis. Please see further at pages 62 to 65.	Revisit climate-related risks and opportunities to ensure relevant and any new ones are identified.
Impact of climate-related risks and opportunities on our businesses, strategy, and financial planning	Partially compliant - risk and opportunity assessment performed and integrated in short term (1-3 years) financial and strategic planning covering inter-alia products and services, supply chain, mitigation activities, R&D and access to capital, and in particular considering fuel sources and energy price impacts, but longer-term assessment needed to bring to full compliance.	Climate-related risks and opportunities to be specifically considered in longer-term strategic and financial planning particularly with regard to decarbonisation of fleet which we see as a medium to longer-term initiative.
Resilience of our strategies, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Non-compliant. This is a highly complex topic and given the challenges we have faced during the year and our pivot on strategy, we have not made as much progress in this area as we would have liked.	Full scenario planning to be undertaken at the appropriate time, expected to be within the next three to five years.

Risk management	Summary and cross-reference or explanation of non-compliance	Next steps
Processes for identifying and assessing climate-related risks	Risks are identified and assessed by each of the business units as part of our integrated risk management processes, which are maintained at a business unit level, with the support of the Risk and Audit team. Climate-related risks are subject to the same assessment criteria as other risks, and these are classified as either short term (1-3 years), medium term (3-5 years) and longer term (5+ years), and are subject to the same assessment of likelihood and impact in alignment with our wider risk management procedures. Please see further at page 65 and risk section from page 38.	Continue with our processes to ensure climate-related risks are identified and assessed.
Process for managing climate-related risks	All risks are assigned a risk manager, to ensure that risk is properly managed and mitigated against.	Continue with our processes to ensure climate-related risks are managed.
How processes identifying assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Partially compliant - as per above, with detailed scenario analysis yet to be undertaken.	Continue with our processes to ensure climate-related risks are identified and assessed.
Metrics and targets		
Metrics used to assess climate-related risks and opportunities in line with our strategy and risk management processes	Partially compliant. Whilst the Board has now set an over-arching ESG strategy and re-established its (Scopes 1,2 and 3) baseline (based on our UK Group only), it has not yet set specific metrics or goals in line with its strategy to address climate related risks or opportunities.	Consider setting specific metrics and goals within the next three years.
Scope 1, Scope 2, and Scope 3 GHG emissions, and related risks	Partially compliant. We have reported Scopes 1, 2 and 3 for FY23 and plan to track our emissions in all scopes going forward. Whilst we reported our emissions in all scopes in FY21, we did not report on scope 3 in FY22 given the challenges we faced as a business last year.	Further analysis to be done on emissions, related risks and action plan to reduce emissions.
Targets used to manage climate-related risks and opportunities and performance against targets	Non-compliant. Whilst our Remuneration Committee has considered climate-related targets in the context of Executive Compensation, given the challenging market conditions and focus on driving profitable growth whilst maintaining appropriate cash resources, coupled with the assessment that climate-related risks facing the Group are currently considered "low", it has not incorporated climate-related metrics in its incentive schemes to date, nor has the Board set any specific goals and targets.	Science-based targets to be considered alongside any other climate-related performance targets at the appropriate time, expected to be within the next three years.

Task force on climate-related financial disclosures ("TCFD") continued

Governance

The Board has oversight of material climate-related risks and opportunities, receiving updates from the Risk and Audit Committees. ESG matters, including environmental topics, are scheduled agenda items at least once per year but with the requirement that all significant matters requiring Board approval are considered from an environmental impact perspective as part of its s.172 obligations. For example, this year the Board considered the appropriateness of approving the plastics extruder in the context of aiming to reduce the Group's carbon footprint, whilst also promoting its circular economy strategy.

During FY23 we have reviewed our principal risks for climate change-related drivers, to help demonstrate the importance of considering climate change in our risk management processes. Please refer to the paragraph below and our Risk Management section on page 44 as to how management of climate-related risks falls within our general risk management processes.

Whilst the Board has set an over-arching ESG strategy it has not yet set specific goals and targets to address climate-related issues. Over the year and given the changes to our operations we have, with the help of a third party, recalculated our Scopes 1,2 and 3 baseline for the UK Group only, from which we can set specific goals and targets at the appropriate time.

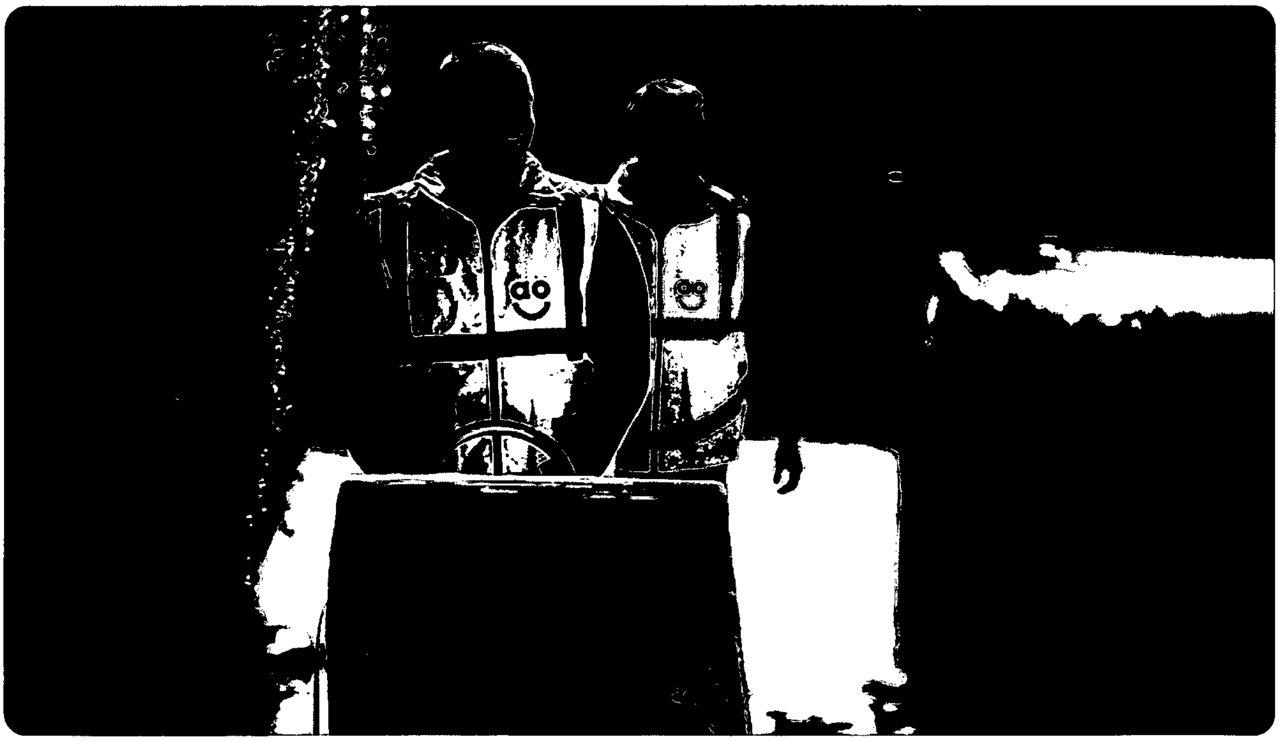
The Remuneration Committee is responsible for determining whether ESG goals generally, and specifically climate-related targets, should be encompassed into Executive remuneration. Please refer to the Directors' Remuneration Report for the Remuneration Committee's approach to these targets during FY23.

Management are responsible for identification, assessment and management of climate-related risks and opportunities, as part of our integrated risk management processes, which are maintained at a business unit level, with the support of the Risk and Audit team. Risks raised have been incorporated into relevant risk registers. Twice per year, business unit risk registers are reviewed by the Risk and Internal Audit team, with critical risks recorded on the corporate risk register. These risks are subject to periodic review to determine whether the risks are being mitigated within risk appetite.

Our ESG Steering Committee programme was paused over the year, but business unit management of climate risks and opportunities has continued with progress through the relevant working groups covering key topics and reporting on risks and progress to the Risk and Audit Committees and PLC Board.

Strategy

The risks and opportunities listed below are relevant to our UK-only business going forward, taking into account the sectors in which we operate; retail, logistics and recycling but based on a Group-wide assessment.



Risk	TCFD category	Description of impact	Time period of impact	Mitigation strategy
Extended Producer Responsibility	Transition risk (Policy and Legal)	Increasing regulatory drivers for retailers to take responsibility for WEEE take-back and packaging which could increase operational complexity and costs thereby affecting profits (Retail, Logistics and Recycling).	Short/medium	We have a working group established monitoring the developments in this area. With our own recycling facility and in-house logistics we can manage free take back efficiently. We are considering building a further recycling site to expand our recycling capabilities (see opportunities below).
Reputational damage due to failure to act on sustainability trends	Transition risk (Reputation)	Failing to meet the demands of an increasingly environmentally conscious customer base, in terms of product ranges and information and services officer could impact reputation and result in a reduction of sales and market share (Retail).	Short/medium	We will continue to use our market insights to respond to consumer interests. This allows us to adapt and respond quickly to shifts in consumer demands, and as new technologies become commonplace. We are working closely with our suppliers to understand the environmental impact of their products and their environmental initiatives and will promote these accordingly to customers. We have our in-house recycling facility and circular economy strategy (for plastics) with the aim to sell products that include our own recycled plastics. We are focusing on building brand awareness in this area.
Potential increased cost of transitioning to non-fossil fuel-based fleet	Transition risk (Market)	Risks in relation to carbon reduction policies and decarbonisation of our logistics fleet (Logistics and Recycling).	Medium/Long	We are investigating alternative low-carbon fuels and hope to move to non-fossil fuels in the medium to long term subject to development of available technology and infrastructure.
Impact of carbon taxes on AO or its suppliers	Transition risk (Policy and Legal)	Lower profits due to additional tax levied on AO directly, or indirectly through tax on suppliers which is passed through in increased product cost.	Medium/Long	We are working to understand our carbon emissions and those in our supply chain, from which we can start to plan a reduction in emissions which should reduce the extent of taxes.
Physical risks impacting our site (e.g. increased frequency of power outages, flood risks, heatwaves)	Physical risks (Acute and Chronic)	Increased frequency of power outages at our Recycling or Logistics facilities could impact operations leading to a loss of sales.	Long	To be considered over time

Task force on climate-related financial disclosures ("TCFD") continued

Risk	TCFD category	Description of impact	Time period of impact	Mitigation strategy
Physical risks impacting our ability to deliver e.g. flood risk and heat waves or, conversely, very cold events resulting in national road infrastructure problems and therefore impacting effective logistics	Physical risks (Acute and Chronic)	If drops per route decrease as a result of such physical issues, profits would fall (and sales could be affected if delivery capacity is affected)	Long	To be considered over time

Opportunities	TCFD category	Description of opportunity	Time period of opportunity	Strategy
Increase brand awareness and reputation by demonstrating our recycling capabilities and circular economy strategy	Transition opportunity (Reputation)	Increased sales and lower costs of acquisition	Short/medium	We are increasing our communications to customers, as well as continuing to develop the communication of our strategy and achievements to all our stakeholders. In the year ahead we are expanding our existing plastics refining facility to include an in-house extrusion process following which recycled material can be used more easily in new products as part of our circular economy strategy.
Extended Producer Responsibility	Transition opportunity (Policy and Legal)	Increased sales (and profits); lower cost of compliance	Medium	With our own recycling facility and in-house logistics we can manage free take back efficiently for both products our retail entity sells but also for third parties . We are considering building a further recycling site to expand our recycling capabilities.
Diversification of our product ranges and product categories e.g. an increase in heatwaves leading to increased demand for air conditioning technology (Retail).	Transition opportunity (Market)	Increased ranges and sales	Medium/Long	We continue to build relationships with suppliers in such categories whilst monitoring market trends and consumer behaviour.

These risks and opportunities pose different challenges to our business depending on how successful we are at mitigating the impacts of physical climate change as a global society.

As can be seen, the overall risk and potential financial impact of climate change on AO increases with time. The short term is affected by transitional risks, with physical risks becoming more impactful in the much longer term. Based on this assessment, we believe that there is no immediate material financial risk or threat to our business model, however, this conclusion may change once full scenario analysis is undertaken. Further, the areas of highest potential impact are those which we are already taking action to address through our working groups.

Risk management

Risks are identified and assessed by each of the business units, as part of our integrated risk management processes, which are maintained at a business unit level, with the support of the Risk and Audit team. Twice per year, business unit risk registers are reviewed by the Risk and Audit team. Critical risks are recorded on the corporate risk register and are subject to periodic review to determine whether the risks are being mitigated within risk appetite. Principal risks are approved by the Board.

Our business unit and corporate risk registers include ESG-related risks. Climate-related risks are subject to the same assessment criteria as other risks, and these are classified as either short term (1–3 years), medium term (3–5 years) and longer term (5+ years), in alignment with our wider risk management procedures and are subject to the same assessment of likelihood and impact as discussed in our Risk Management section on pages 38 to 45. All risks are assigned a risk manager, to ensure that risk is properly mitigated against. Our Risk and Audit team is supporting the business units to better identify and assess environmental risks to ensure these are appropriately managed.

Metrics and targets

We would like to become a net zero carbon business by 2040 (from our revised 2023 baseline) but this is not a committed target for which we have fully planned and budgeted. In meeting this aim we intend to set our own interim science-based targets across our Scope 1, 2 and 3 emissions in the medium term. However, whilst our Remuneration Committee has considered climate-related targets in the context of Executive compensation, given the challenging market conditions and focus on driving profitable growth whilst maintaining appropriate cash resources, coupled with the assessment that climate-related risks facing the Group are currently considered "low", it has not incorporated climate-related metrics in its incentive schemes to date and, for the same reasons, nor have any other any (non-remuneration-linked) goals or targets been set by the Board or management to date. During the year, the Board and Remuneration Committee will consider the appropriateness of putting in place climate-related goals, metrics and targets.

Task force on climate-related financial disclosures ("TCFD") continued

Greenhouse gas emissions

The non-renewable energy sources used to power our buildings, recycling facilities and the products we sell, fossil fuels used in our transport fleet, and manufacturing within our global supply chains, all create greenhouse gases that are warming our planet.

At AO, we are committed to reducing our consumption appropriately where we can and seek renewable energy alternatives. We also know that we must consider the impact, not just within our own operations but across our entire value chain, including how our customers use the products that we supply to them and ultimately how they are repaired or recycled at the end of their first life.

Our carbon footprint is calculated by estimating the individual greenhouse gases that result from AO's activities, converted into a carbon dioxide equivalent (tCO_2e). This year, we have partnered with an expert third party, Green Jam, to calculate our Scope 1, 2 and 3 emissions for the year ended 31 March 2023 and for our UK-only Group. This will now act as AO's baseline year for the establishment of science-based targets in future years and aid us in prioritising our impact and investments.

AO reports on all of the greenhouse gas ("GHG") emission sources as required pursuant to The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which implement the Government's policy on Streamlined Energy and Carbon Reporting . The methodology used to calculate our GHG emissions and energy use is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and ISO 14064.

The total calculated Scope 1, 2 and 3 emissions for the reporting year are shown below.

Scope 1,2 & 3 Greenhouse Gas Emissions[1]

Year ending 31 March	% change FY23 v FY22	2023 tCO_2e	2022 tCO_2e	2021 tCO_2e	2020 tCO_2e
Scope 1 (direct emissions): Total emissions from operations and combustion of fuel	**-42%**	**21,919**	38,081	31,958	26,587
Scope 2 (indirect emissions):[2] Total emissions from energy purchased					
Market-based	**-90%**	**304**	2,992	1,284	1,697
Location-based	**-31%**	**2350**	3,396	3,411	3,679
Total gross Scope 1 and 2:					
Market-based	**-46%**	**22,222**	41,073	33,242	28,284
Location-based	**-41%**	**24,268**	41,477	35,369	30,266
Carbon Intensity ratio:[3]					
Tonnes of CO_2e per £m of revenue	**-29%**	**21.48**	30.32	21.29	28.55
Scope 3[4]					
Category 1: Purchased goods & services	**N/A**	**445,349**	-	260,044	-
Category 3: Upstream fuel and energy	**N/A**	**5,344**			
Category 5: Waste in operations	**N/A**	**15**			
Category 7: Commuting	**N/A**	**3021**			
Category 9: Downstream transport	**N/A**	**705**			
Category 11: Use of sold products	**N/A**	**1,036,426**	-	928,296	-
Category 12: End-of-life treatment of sold products	**N/A**	**34,417**			
Other Scope 3 emissions	**N/A**	-	-	14,564	-
Total gross Scope 3 emissions	**N/A**	**1,525,277**	-	1,202,904	-
Total gross Scope 1,2 and 3 (location) emissions	**N/A**	**1,549,545**	-	1,238,273	-
Energy use kWh (Scope 1 and 2)[4]					
		2023	**2022**	**2021**	**2020**
UK		**13,442,795**	15,769,141	13,156,641	14,573,240

1 FY20 and FY21 Scope 1, 2 and 3 (where reported) emissions included our emissions in those categories for both the UK and Germany. Figures reported for FY22 and FY23 relate only to the UK.

2 Emissions from electricity use, Scope 2, have been estimated using "location-based" and "market-based" approaches. For the location-based approach, the average emissions factor for the country is used, applying country-specific emissions factors published annually by the International Energy Agency ("IEA"). The alternative market-based approach refers to renewable energy certificates, and where no supplier-specific data is held, factors published for residual emissions.

3 In order to express our annual emissions in relation to a quantifiable factor associated with our activities, we have used revenue as our intensity ratio as this is a relevant indication of the size of our operation.

4 Emissions in Scope 3 relating to categories 1 and 12 have been estimated using secondary data (industry average); for category 5 we have used secondary data and some supplier data and for category 11 we have used primary (product efficiency) and secondary (product lifespan).

5 All calculations across Scope 1-3 use UK Gov GHG emissions factors.

Understanding our emissions

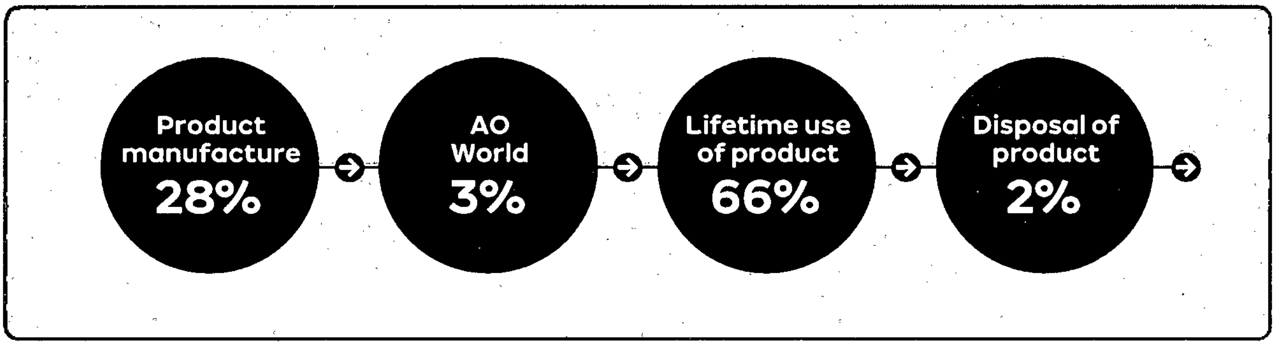
The total direct and indirect emissions of our Group during FY23 are estimated to stand at 1.54 million tCO_2e.

Scope 1 - The direct emissions of the AO Group for FY23 were 1.4% of our total emissions. Direct emissions have reduced significantly over the reporting period, largely due to a reduction of fleet activity in the UK. As would be expected, diesel combustion in our logistics business accounts for almost all of the Scope 1 emissions with CNG and natural gas the balance. However, our trial use of CNG vehicles has avoided a further c.850 tCO_2e compared to diesel - accounting for an estimated 4% reduction in home delivery and trunking emissions overall.

Scope 2 - The indirect Scope 2 emissions related to electricity consumption also show a large reduction on the previous year (31% on location-based and 90% on market-based) despite only a 15% reduction in energy consumption. The location-based reduction demonstrates the improvement in the UK average grid intensity whilst the market-based reduction reflects the greater transition to greener generation sources through our energy provider. As we move into FY24 we are continuing to right-size our property infrastructure which includes exiting some properties where electricity is supplied by the landlord. This will give us greater control over our total electricity procurement which, as mentioned above, we are targeting 100% renewable. Almost half our Scope 2 emissions are generated by our two recycling sites and we are exploring whether this usage and the associated costs could be offset against sustainable initiatives, for example by installing a wind turbine.

Scope 3 - The indirect emissions in the GHG inventory dominate our Group emissions, with the overwhelming majority of Scope 3 emissions linked to product lifecycle as a result of their manufacture, use and disposal. The figures in the table above show an increase in emissions generated in both the manufacturing and usage phases but we believe this is due to greater granularity in data sets which has helped to provide a more robust assessment of our Scope 3 emissions rather than a real increase. As noted earlier in our Sustainability Report supporting customers to understand this information in greater detail may influence buying behaviour and therefore reduce product use emissions. Approximately 2% of our estimated total emissions derives from the disposal of products but we try to do the right thing to minimise this through our in-house reuse and recycling capabilities.

Percentage split of emissions at key product stages of lifespan



Fair, equal and responsible

Fair, equal and responsible

Our c.3000 AOers are the foundation of our business and their dedication, innovation and ambition contribute to our success and sustainability. We believe that happy people care more and do the right thing. So, we make sure they are happy by giving them autonomy where appropriate, support where needed and a great and safe environment to work in, where they are treated fairly and with respect. They are empowered, they are incentivised and they know they are trusted. We love watching them grow and thrive. We aim to recruit and retain the best talent and look for people who live our values. They care not only about our customers but other AOers too, our suppliers and, of course, do it all with a sense of fun.

Culture and engagement

FY23 has been a challenging time for some AOers with employees impacted by a reduction in the number of people we employ as we reduced overheads. This drove concern on job security which impacted employee engagement, with morale being further affected by the cost of living crisis and, for office-based roles, the return to full-time office working which will underpin our high-performance culture.

As we move into FY24 on a sound financial footing, with clarity on our strategy and our high-performance culture, we are now starting to benefit from cohesion across the business following the re-introduction of our "work from work" strategy. The clear direction on culture has driven some changes in personnel but we are all collaborating together in the way we did pre-Covid, with renewed energy and ambition setting us up to drive a stronger performance over the coming years. We recognise that strong employee engagement which works best when we are physically together will help drive business sustainability through increasing customer satisfaction, boosting productivity, retaining the best talent and enhancing Company culture.

Chris Hopkinson, a Non-Executive Director, is our People Champion and has Board responsibility for our engagement initiatives. Chris reports back to the Board and this, along with our regular People updates, allows the Board to assess and monitor culture.

To support our engagement strategy, we use a variety of ways to engage with AOers to understand what matters to them. As with prior years, we ran an engagement survey over the year with questions covering basic needs, individual and team needs and personal growth and inclusion together with the question "How likely is it that you would recommend AO as a place to work?". From which our employee net promoter score ("eNPS") is derived.

The eNPS score has been mixed over the reporting period falling to -11 in the first half of the year (for the reasons mentioned above) but improving to +1 in the second half. Whilst we are not pleased with the average score of -5 it is understandable in the

circumstances, and it is pleasing that the more recent result has improved above 0, falling within the "Good" range. More still, we are encouraged by a "happiness" score of 7.3/10 which measures "How happy are you working for AO?".

The engagement survey completed in November 2022 achieved a completion rate of 73% and, therefore, represents the views of a significant proportion of our workforce.

Our listening channels are also an important way of providing a credible voice from AOers to ensure their views form part of decisions that are likely to affect their interests. As well as employee surveys, we have AO Engagement Champions and a people forum network, where AOers from across the business get together to share experience and create solutions to improve how we work.

We use the results from our engagement surveys, employee forums and external metrics such as Glassdoor to take action to improve the people experience. This insight allows us to work to increase our eNPS as well as other identified priority areas that need to be addressed so that we can focus local and Group-level actions.

To ensure there is a broad awareness and understanding of business-wide performance, and the financial and economic factors affecting AO, we hold a monthly "State of the Nation" led by our CEO who provides a business update with separate live Q&A sessions. There are also monthly meetings with the top 160 leaders, from which we provide a structured cascade so that all AOers hear the latest messages from their senior manager. We also use a number of internal social media channels, such as Yammer and YouTube, to ensure all AOers are kept up to date with the latest news and developments across the Group and to enable two-way conversations between AOers across the business.

We continue to embed our work from work model and are already seeing marked improvements in culture over the last few months as AOers spend more time face to face. Feedback indicates that AOers are appreciating the energy and collaboration that being together in the office brings.

Talent attraction and retention

The last year has seen unprecedented cost inflation affecting customer behaviour and volatile supply chains. Whilst we have seen a levelling of salaries that businesses are prepared to pay as markets adjust to a potential recession, the high number of UK vacancies and low unemployment means a candidate-driven market continues to affect availability and retention of people with critical talents. Retention at AO has weathered this backdrop and whilst our strategy of a full return to the office isn't for everyone, we have seen a positive annual improvement in retention, returning to levels not seen since November 2021 with notable improvements, particularly in Tech.

We continued to evolve our people proposition in line with the work from work strategy, to give candidates a compelling reason to join and remain at AO as they develop a fulfilling career. Our "Hiring The AO Way" ensures hiring teams remain focused on hiring for high performance and potential, with our attraction and selection processes underpinned by AO's values and a great candidate experience. Part of this programme has also enabled us to design a focused and robust selection programme to raise the bar for all senior hires, with candidates meeting with either the CFO or CEO as a final stage to the selection process.

As we navigate the challenging attraction environment, we are proud of how AOers continue to deliver exceptional service to all our customers. Our immediate focus is to re-create our AO culture within the framework of "Always Listening", to recognise and act on the impact of the changes to our ways of working; and delivering our people proposition.

Learning and development

Our learning philosophy is accessible, engaging, personalised and scalable, with a clear focus on AOers being the best version of themselves and understanding their role in a high-performing team. It is important we provide a clear development journey.

Building on earlier progress, development continues as a priority with investments at all levels. Leadership development has been an emerging theme to develop skills necessary to lead in a business that has undergone such a level of change and transformation. We have invested in situational leadership skills training, building on our firm belief that the most effective leaders are those that are able to adapt their style to the situation and are competent in two key behaviours: supporting and directing. This programme will continue into the next year.

AOers make AO unique, led by the best team managers. We have continued to extend our Licence to Manage line manager programme, which supports our commitment to ensure our line managers can be their best, focusing on building collaborative high-performing teams. Our managers also have ready access to a dedicated Manager Advice Line and Manager Toolkits with easy to follow "How Do I" guidance, advice and support to help them with all those moments that matter, from hiring to retiring and everything in between.

Fair, equal and responsible continued

To think differently about how to address skills shortages in Tech, we have partnered with Credersi to create a bespoke training course for AOers who, as complete coding beginners, are eager to learn and develop their career, taking them to fully trained software developers in 15 months. After an accelerated eight-week bootcamp, the AOers were embedded into one of our tech teams to be mentored towards becoming Junior Software Developers.

To support AOers who are keen to progress their career we introduced the STAR programme to support 30 AOers to discover their best self, taking them on a journey of self-discovery and immersion in areas of the business they had little exposure to; developing their skills in data and systems, effective communication, resilience, personal brand and exposure to leading a business project.

Apprenticeships continue to be a key focus for our learning and development team, unlocking existing potential as well as enabling us to recruit new talent. c.80 AOers are currently undertaking an apprenticeship across c.20 different programmes.

Over the next year, we will look to optimise our target operating model through roles, structures and ways of working. We will continue to raise the bar in the quality of new hires, extend our learning offer to include micro-learning and continue to focus on high-performance leadership teams. All of this, together with streamlined people processes to improve efficiencies and make it easier for all AOers to get the information and advice they need, will ensure that we are fit for the future and that our people are set up for personal and business success.

Reward

We believe that a fair and attractive reward package makes an important contribution to both employee engagement and the attractiveness of AO as a place to work. With high wage inflation over the period and recognising the national cost of living crisis, we looked at how we could support our employees, particularly those at lower work levels. A mid-year salary increase for our call centre employees was granted in November 2022 and a further increase made in April 2023's pay review, alongside introducing a skills-based pay structure, with the opportunity to earn up to £31,000 per annum within 18 months for developing into top performers. In our logistics operations we have increased salaries at a minimum rate of 4% with some roles seeing increases of more than double that. We have made a further cost of living payment to AOers in our Logistics business of £1000 to those earning £26,000 or less (in addition to the annual increase).

All AOers received a minimum of 4% increase in basic pay in April 2023's pay review.

For well-being support and healthcare benefits the Help@Hand app offers AOers access to a remote GP service, mental health support, physiotherapy and medical second opinions and has proved popular as an additional service to Lifeworks which offers 24/7 well-being support and advice, and access to exclusive cash back and savings on high street brands.

In our Logistics business we provide the Simplyhealth cash plan for all AOers who can claim money back on everyday health treatments that they pay for such as optician appointments and glasses, dental treatments, physiotherapy and podiatry. We also offer the plan with a range of different cover levels to choose from, all at a discounted rate, to AOers across other areas of the business and to make it simple and easy, payments are deducted straight from payroll.

We've improved our holiday benefit to give AOers more flexibility to have a work-life balance that works for them by introducing automatic holiday carry over, extra holiday buying and flexible bank holidays where AOers can request to "swap" up to three bank holidays for a day that is more meaningful for them.

AO's reward philosophy and principles support an enhanced reward package for leaders. As such we have introduced a flexible benefits scheme, giving leaders choice on benefits and bringing our leadership reward package more in line with the market.

We offer an annual Sharesave (SAYE) scheme to all employees, providing them with the opportunity to purchase ordinary shares in the Company. This helps to encourage employee interest in the performance of the Group. Further, during the year we granted awards under our restructured Value Creation Plan which gives all AOers an opportunity to share in the value created by the Company over the next five years.

Equity, diversity and inclusion ("E,D&I")

We are proud of AO's inclusive environment where everyone can succeed, grow their career and be rewarded for their efforts. There is no doubt that as well as being simply the right thing to do, this diversity of thought and contribution can make AO a better business for our customers and all stakeholders.

During the early part of the year, we continued to work to make our culture even more inclusive and develop inclusive leaders through our Advocates group, and established the "All together" group - with the aim of bringing our diverse groups together under one umbrella and having one clear strategy to drive forward our diversity and inclusion agenda.

This initially gained much traction with agreement on our overarching strategy and the launch of our D&I statement:

AO is for everyone.
We should all feel that we belong. That's why we are creating a welcoming and inclusive place to work.
However, as we progressed through the year and made the necessary headcount reductions mentioned elsewhere in this report, we removed our dedicated resource in this area and strategic progress since has been limited.

Notwithstanding this, we have continued to raise awareness of and celebrate diversity through a variety of initiatives, enabling AOers to have a contribution to shaping our inclusive culture and feel safe to share their personal stories and experiences.

Equity, Diversity & Inclusion initiatives in FY23

Gender equality	Celebrated international women's day with a week's programme of events including unconscious bias workshops, confidence building and inspirational talks from Karen Grieg (Head Coach at Manchester Thunder) and Jen Mitchell (General Manager at AO Arena) Working groups for women and menopause Implemented core hours to give parents and carers, in particular, more flexible working Launched information materials to educate, celebrate and provide support to families of all shapes and sizes
Ethnicity and race	Celebrated religious and cultural holidays such as Ramadan and Eid, Diwali and Holi to raise awareness of different beliefs Ran a Fast for Ramadan event where all AOers were encouraged to join in the fasting To support AOers whose first language is not English we provided a language app, encouraging AOers to use the tool with their families and friends - to help them socially in their communities, not just at AO
LGBTQ+	We sponsored and participated in Bolton Pride In conjunction with Pride month, launched materials to help educate our AOers on the history and language of LGBTQ+
Disability, neurodiversity, mental health and well-being	Celebrated Disability Awareness Month Ran Mental Health Awareness and Well-being sessions, with key leaders sharing their best tips for managing stress and recharging batteries Launched information materials to educate, celebrate and provide support on neurodiversity

Fair, equal and responsible continued

Our aim with these priorities is to engage all, and prospective, AOers to build a fully inclusive environment where people feel safe, respected, included and themselves.

Gender representation and gender pay gap

AO's 2023 Gender Pay Gap Report highlighted that our gender pay gap (as at the snapshot date of 5 April 2022) continues to narrow to 1% as does the overall Group's median gap which is significantly below the ONS average of 14.9%. However, our gender pay gaps (on a median basis) and at individual entity level are higher, ranging from 5% in Expert Logistics to just over 30% in AO World - the listed Company. Here the gap is predominantly due to stronger representation of men at more senior levels and, to some degree, because of industry-led higher pay in male dominated Tech roles.

In terms of gender representation, Our Logistics and Recycling businesses are typically male dominated, each with only 19% female representation. Retail and enabling functions have c.50% female representation and, whilst Tech is a male dominated industry, we have been promoting Tech careers for women and have experienced some small gains in diversity.

We will continue to support, develop and promote female AOers and strive to improve recruitment processes to be gender neutral. Our focus on developing a diverse and inclusive culture will continue to be a key focus for us this year. To continue to reduce our gender pay gap and improve diversity we have and will continue to work towards AO's diversity and inclusion strategy that is based on closing the gap between our intent and outcomes through:

- Career opportunities and progression routes that are clear and accessible to all
- Support for under-represented groups to proactively develop their career
- Ensuring that the people we hire at AO match the local demographic
- Diverse candidate shortlists
- Hiring teams who are diverse and knowledgeable to mitigate biases
- Guarding against bias in our job design and advertising

Our latest Gender Pay Gap Report with a snapshot date of 5 April 2022 can be found at www.ao-world.com./wpcontent/uploads/2023/04/Gender_Pay_Gap_April_2023.pdf

As at 31 March 2023, whilst our Executive Committee did not have any female representation, our Senior Leadership team (which reports directly into our Executive Committee) was c.31% female (FY22: 26%). The number of female AOers across the whole business was 30% (FY22: 30%).

Ethnicity

We currently do not report on ethnicity representation across our workforce. We are working towards improving our population data levels through building awareness and transparency about the reasons why we wish to hold such data, the value such insight can bring and how the data will be stored. We anticipate making improvements to this during the next year, to be able to better understand the backgrounds of our teams and, from there, devise an appropriate strategy to become more ethnically diverse.

Listing Rules diversity disclosures

In accordance with Listing Rule 9.8.6(R)10, annex 2, we set out our Board diversity data[1] as at 31 March 2023 below:

Gender:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive management	Percentage of Executive management
Men	6	75%	3	2	100%
Women	2	25%	1	0	0%
Other categories	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0

Ethnicity:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive management	Percentage of Executive management
White British or other white (including minority-white groups)	8	100%	8	2	100%
Mixed/multiple ethnic groups	0	0%	0	0	0%
Asian/Asian British	0	0%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified/ prefer not to say	0	0%	0	0	0%

1 Data has been collected by a survey of the Board, conducted by the Company Secretary.

As can be seen above, AO has not met the FCA's targets on Board diversity, save that one of the senior Board positions (i.e. that of Senior Independent Director) is currently held by a woman. As described elsewhere in the Annual Report the Directors recognise the FCA's diversity targets and remain supportive of the recommendations of the Parker and Hampton-Alexander reviews; they are committed to increasing female and ethnic representation on the Board and throughout the wider organisation, as they believe that the business should have a culture that truly accepts diversity of thought, equity and inclusion. In conducting its search for new Non-Executive Directors during the year we specifically highlighted to our search partner that increasing the diversity of the Board, in all aspects, was an important consideration with these appointments. Consequently, they were asked to bring forward shortlists with a significant representation of female and ethnically diverse candidates and these candidates comprised all but one of the recent interviews conducted by our Chair and Non-Executive Directors. Most importantly however, we will only appoint candidates who we judge can contribute strongly to the Board's experience and skillset. This will continue to be the Board's approach in making any new appointments.

Disabled people

Disabled people have equal opportunities when applying for positions at AO and we ensure they are treated fairly. Procedures are in place to ensure that disabled AOers are also treated fairly in respect of career development. Should an AOer become disabled during their course of employment with the Group we would seek, whenever practical, to ensure they could remain as part of our team.

Equal opportunities

AO is committed to maintaining good practice in relation to equal opportunities and reviews its policies on a regular basis in line with legislative changes and best practice benchmarking. It is Company policy that no individual (including job applicants) is discriminated against, directly or indirectly, on the grounds of colour, race, ethnic or national origins, sexual orientation or gender, marital status, disability, religion or belief, being part time or on the grounds of age, or frankly anything else. This policy underpins our talent attraction and recruitment process. Once people join AO, we aim to ensure that:

- working practices, career progression and promotion opportunities are free from discrimination or bias; and
- AOers are aware of their own personal responsibility in ensuring the support of the policy in practice.

In the opinion of the Directors, our equal opportunities policies are effective and adhered to.

We have put an inclusion lens over our leadership pipeline and succession process and built inclusive practices into our leadership programmes. This is coupled with comprehensive inclusion learning content on our learning hub for all AOers.

Health and safety

Safety with a smile

At AO we are committed to maintaining a safe working environment for all our employees and customers. We drive a culture aimed at continuous improvement whilst maintaining consistently high standards. Health, safety and well-being is always on the agenda at AO and we have multiple structured ways of communicating health and safety throughout the Group.

As a business we deliver a thorough inspection schedule to ensure that all our departments and premises are managing risk to the highest standard. We use the inspections and a range of KPIs to monitor the performance in each business unit. This year we launched our accident incident rate across the business which provides a more accurate way of measuring performance.

Maintaining our health and safety accreditations and management systems allows us to measure our performance using external benchmarks.

At AO Recycling we have maintained the ISO45001 standard and achieved RoSPA Gold for the fifth year in a row. At AO Logistics we achieved our second consecutive RoSPA silver award. We will now start a strong push towards attempting to achieve the gold award next year.

By being brilliant at the basics we are confident that each area will continue to operate safely. Using these key principles from our Group Health and Safety Policy will help us achieve our objectives for the year:

- Providing regular updates for the Board of Directors on our performance
- Provide regular reports to all stakeholders on the latest accident incident rates
- Providing all stakeholders with support to manage the risk in their departments
- Inspecting each operational area of the business on a risk-based frequency
- Assessing risks across the business and providing measures to control these risks
- Provide adequate information, instruction and training to all people working on behalf of the business
- Investigate all workplace incidents with the aim of preventing a reoccurrence

As we move into FY24 the above work will continue and we are also prioritising improving occupational health checks, particularly for employees working in areas where hazardous materials or tasks take place, to ensure pro-active engagement.

Non-financial information statement

The table below constitutes AO's non-financial information statement, produced to comply with Sections 414CA and 414BA of the Companies Act 2006, and also with the requirements of the Non-Financial Reporting Directive. The information set out below is incorporated by reference.

Reporting requirement	Policies and standards that govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
Environmental	Environmental policy	Sustainable living, pages 52 to 59 SECR/GHG emissions, pages 66 and 67
Employees	Group employee handbook Whistleblowing policy Health and safety policy Equal opportunities policy	Our culture, page 17 Fair, equal and responsible, pages 68 to 74
Social matters	Modern slavery policy Data protection policy	
Human rights	Modern slavery policy Code of conduct	Fit for the Future, pages 76 and 77
Anti-corruption and bribery	Anti-bribery policy	
Principal risks and impact on the business		Risk Report, pages 38 to 44
Description of business model		Our business model, pages 10 and 11
Non-financial KPIs		KPIs, pages 2 and 3, and 15

Our policies and procedures are available on our corporate website or from our Company Secretary on request.

Fit for the Future

Ethical and resilient supply chains

Our Modern Slavery statement for the year ended 31 March 2022 was published during the year. We have continued to look at our due diligence processes in this area to ensure we are complying with the law, but above all doing the right thing in accordance with our values. Our Modern Slavery statement can be found at ao-world.com/responsibility. We also have in place a formal anti-bribery policy and whistleblowing procedures. Our whistleblowing procedures allow our people to raise any issues of impropriety in confidence. As noted in the governance section, we have undertaken an assessment of these procedures during the year and are confident these continue to work effectively.

During the year, we continued to review our supplier onboarding process including the rollout of a supplier code of conduct, ensuring alignment to the Modern Day Slavery Act 2015; and we continue to look at our procurement processes and focus on our key risks.

With the implementation of the FCA's Consumer Duty rules on the horizon, we are analysing our practices and those of our partners to ensure that we meet or go beyond the required standards; delivering good outcomes and acting in good faith for consumers when we look at the types of financial products and services we promote and the price and value of them.

Our policies, including cyber security, GDPR, modern slavery, anti-bribery and treating customers fairly are supported through stakeholder training with employee modules included in our online employee learning hub, which helps to ensure that these principles are fully understood and are at the forefront of minds.

Internal governance

Board independence, diversity and Executive remuneration

Our Corporate Governance Report sets out further details of our governance around Board independence and diversity and Executive remuneration.

Risk management

Details of our risk management practices can be found on pages 38 to 45.

Tax strategy

As part of our Group strategy, we believe in doing what is right and fair. Our tax strategy seeks to serve the overall Group strategy, enhancing value for our shareholders and ensuring that the tax obligations are managed effectively, minimising risk and uncertainty for the business. We will continue to review the tax strategy to ensure that the two are aligned on a regular basis.

Our key objectives include:

- Maintaining integrity in respect of compliance and reporting;
- Controlling and mitigating tax risks; and
- Enhancing shareholder value.

A copy of our current tax strategy can be found at on our corporate website at ao-world.com/responsibility.

Data protection and cyber security

As an online retailer serving millions of customers, protecting their data, and ensuring safe online shopping, is critical to our business. We have data protection and cyber security teams, which set out our policies in this area and support stakeholder training with employee modules included in our online employee learning hub - helping to ensure that the GDPR principles are fully understood and at the forefront of our minds. The Data Protection and Security Committee meets quarterly to oversee our data protection and information security strategy, assess risk and monitor market developments. We continue to invest in this area, particularly in relation to information security.

Community and charity

This year has seen us commence our sponsorship of Manchester Thunder, one of the country's leading netball teams. Through this partnership we are hoping to raise awareness of the sport in general and the team's journey to professionalism and are excited at the prospect of encouraging young people to take part in the sport. In May 2023, Manchester Thunder broke its club record for attendance at AO Arena.

More recently, in June we were a principal sponsor of Soccer Aid for UNICEF at Old Trafford, helping create a family atmosphere with our thunder sticks and our Bear mascot present and raising vital funds for the charity.

Are You AO-K?

As part of our sponsorship of Sale Sharks, AO funds the "Are You AO-K?" programme in partnership with the Sale Sharks Foundation. It is an educational initiative designed to teach young people how to start taking care of their mental and physical well-being early on in life.

Delivered through a unique blend of classroom workshops and mood-boosting rugby tag sessions led by Sale Sharks players, the six-week curriculum has so far reached 50 primary schools across the North West, with new schools being registered each term.

At the end of each season, Sale Sharks and AO host a rugby tournament, where all pupils are invited. The 2023 tournament saw attendance from over 300 pupils, appearances from Sale Sharks men's and women's first team players including England Internationals, Jonny Hill, Dan du Preez and Raffi Quirke.

AOer volunteering

To facilitate volunteering, we offer two paid Make A Difference ("MAD") days a year to every AOer. We encourage AOers to support their local communities and the causes that matter to them. These include the Mobile Phones Direct team clearing a canal path for the Wiltshire Canal Trust, the logistics team supporting Men in Sheds in Crewe and the finance team helping to renovate a children's adventure playground at the Adventure Farm Trust in Lancashire. We also offer volunteering roles related to AO Smile charity partners such as Onside YouthZones. The AO Smile Foundation continues its role as a founding ambassador for Onside's HideOut Youth Zone, through a £25,000 a year donation and provision of volunteering opportunities to AOers from our neighbouring Bolton office.

Donations

At AO we assess requests and need for product donation on an individual basis and this year have made regular donations during the year.

Our teams in Bolton and Crewe supported HideOut Youth Zone in East Manchester and Cheshire Buddies in Crewe to provide hundreds of Easter eggs and Christmas gifts donated by AOers and supported by the AO Smile Foundation.

AO Smile

We support our people to make a positive contribution to the wider community. It is important to us to support what is important to our people, as a collective and individually. When AOers raise money for a charity close to their hearts, AO Smile foundation boosts the money raised by up to 50% up to £2,000.

During the year, AO Smile has boosted AOers' fundraising efforts by almost £9,000 for multiple good causes including Diabetes UK, Proud Trust, Children in Need and Mind UK. During the year, AOers donated £26,139 to AO Smile though payroll giving.

The Company's Strategic Report is set out on pages 02 to 77 and was approved by the Board on 4 July 2023 and signed on its behalf by:

Julie Finnemore
Company Secretary

4 July 2023

"We're delighted to have secured sponsorship from such a high-profile brand as AO. This partnership cements our vision to 'be the best elite netball club in the UK, on and off court' and we're excited to be associated with AO. I passionately believe that if we want to realise our potential as a sport, we need to bring the biggest brands into our support and this agreement represents a major step towards achieving this goal."

Manchester Thunder Managing Director,
Debbie Hallas.

Our Governance

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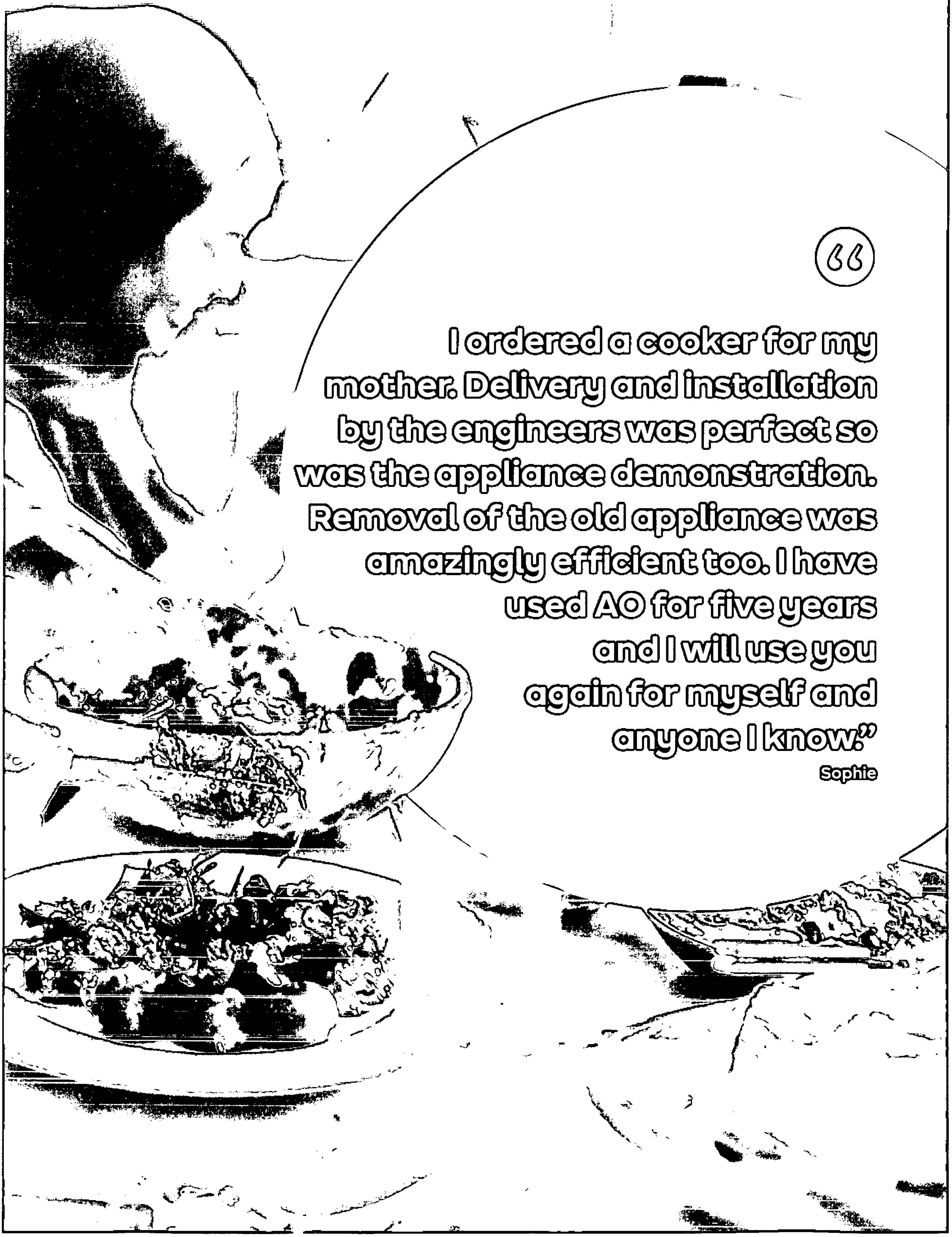


“I ordered a cooker for my mother. Delivery and installation by the engineers was perfect so was the appliance demonstration. Removal of the old appliance was amazingly efficient too. I have used AO for five years and I will use you again for myself and anyone I know.”

Sophie

Chair's letter and introduction

Read more about our culture on page 17

Read more about our pivot to profitability on page 32

Dear Shareholders

On behalf of the Board, I am pleased to present our Corporate Governance Report for the year ended 31 March 2023.

At AO, we believe that a healthy culture, positive values and high-quality team members are the key to delivering our strategic objectives and to supporting the long-term success of the Company. This, together with the "backstop" of a robust corporate governance framework, which provides effective control and oversight, is instrumental to promoting the long-term sustainable success of the Group.

In this report, we set out our approach to governance and the initiatives undertaken during the year. Our statement of compliance with the 2018 UK Corporate Governance Code is set out on page 81.

A key part of my role is to ensure that the Board works collaboratively with the Executive Committee, to provide support and guidance and to challenge management constructively when necessary. This involves having Directors with the right balance of skills and diversity of experience and perspective. During the year, Peter Pritchard and Sarah Venning were appointed as Non-Executive Directors, to enhance the Board's skills. Both Peter and Sarah have significant and relevant experience which deepens the Board's existing skills and knowledge. They have already made a substantial impact to the work of the Board and its Committees.

Driving good corporate governance to help steer the Company and achieve its purpose."

Having served as a Non-Executive Director for over nine years, Marisa Cassoni has decided to retire and will not be standing for re-election at the Company's forthcoming AGM. The Board wishes Marisa well for the future and thanks her for her significant contribution during her time with the Company, particularly for her influence as Chair of the Audit Committee and as a member of the Remuneration and Nomination Committees. Marisa has been instrumental in maturing the Company's risk and control processes, as it has matured into life as a public company.

This year has been busy for our Board, and the principal Committees with particular focus on: (a) conducting a robust review and assessment of the Group's strategy, including the strategic review of, and the decision to close, the German business (b) overseeing the initiation of the strategic pivot to focus on cash and project generation, including simplifying operations and driving operational efficiencies and overhead reduction, (c) assessing and supporting the actions undertaken by management in relation to the capital raise, (d) overseeing the two appointments made to our Board and (e) implementing the restructured Value Creation Plan approved at our 2022 AGM.

In accordance with section 172 of the Companies Act 2006, the Board recognises the importance of our wider stakeholders to the sustainability of our business. This has been particularly important during recent years and it has been clear that the relationships we have previously built have served us well. The Sustainability Report (pages 50 to 77) and our s172 statement (pages 46 to 49) set out in more detail how the Board has approached this duty.

Over the year the Board has also reviewed the Company's progress against its ESG strategy. You can read more about this work in our Sustainability Report (pages 50 to 77). As we have reported, we have not made as much strategic progress in this area as we would have liked given it has been necessary to focus on other priorities to protect shareholder value, however, local actions have continued, and we hope to be able to build on these in the year ahead.

Finally, I look forward to meeting shareholders at our next Annual General Meeting which will be held at 8.00 am on 27 September 2023 at AO Bolton, 5a The Parklands, Lostock, BL6 4SD. As was the case last year, all Directors wishing to remain in office will seek election and re-election at the AGM. Should shareholders wish to discuss any governance matters in advance of the meeting, I am more than happy to do so and would ask that contact is made initially through the Company Secretarial team at AGM@ao.com.

Geoff Cooper
Chair

4 July 2023

AO's compliance with the 2018 UK Corporate Governance Code

This Corporate Governance Statement ("Statement"), together with the rest of the Corporate Governance Report, explains key features of the Company's governance structure and how it has applied the provisions set out in the 2018 UK Corporate Governance Code (the "Code") during the reporting period. The Financial Reporting Council is responsible for the publication and periodic review of the Code. The Code and associated guidance are available on the Financial Reporting Council website at frc.org.uk.

This Statement also includes items required by the Listing Rules and the Disclosure Guidance and Transparency Rules, save that the disclosures required by the Disclosure Guidance and Transparency Rules DTR 7.2.6, regarding share capital, are set out in the Directors' Report on page 130. Disclosures required by LR 9.8.6 relating to the Group's diversity policy are detailed in the Sustainability: Fair, equal and responsible on pages 72 and 73 and in the Corporate Governance Report on pages 97 and 98 and Directors' biographies and membership of Board Committees are set out on pages 84 and 85.

The table below summarises how the Directors have applied the key principles of the Code during the year and where key content can be found in the report. Save as disclosed, the Directors consider that the Company has, throughout the period under review, complied with the provisions of the Code. The Directors confirm that, through the activities of the Audit Committee described on pages 100 to 106, it has reviewed the effectiveness of the Company's system of risk management and internal controls.

Areas of Code non-compliance:

- Whilst we have had more engagement with our workforce on reward in general, we recognise the need to further engage with the workforce to explicitly set out how Executive compensation aligns with the rest of the workforce.
- For the early part of the reporting period at least half the Board, excluding the Chair, did not comprise independent Non-Executive Directors. This has been rectified following the appointment of Peter Pritchard and Sarah Venning on 1 October 2022 and 1 November 2022, so now at least half of the Board, excluding the Chair, comprise independent Non-Executive Directors.

Selection of the code		Further information
Board leadership and Company purpose	The Board's role is to provide leadership to the Company to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board sets the Company's values and standards, making sure that they align with its strategic aims and purpose.	Business model - pages 10 and 11 Risk management - pages 38 to 44 Board of Directors - pages 84 and 85 Board leadership and purpose - pages 86 and 87 Shareholder and stakeholder engagement - pages 46 to 49 People and culture - pages 17 to 19 Workforce engagement - page 68
Division of responsibilities	There exists a clear division of responsibilities between the Chair and the Chief Executive Officer. The Chair's primary role includes ensuring the Board functions properly, that it meets its obligations and responsibilities, and that its organisation and mechanisms are in place and are working effectively.	Governance framework - page 86 Board of Directors - pages 84 and 85 Division of responsibilities - page 87 Independence and time commitments - pages 84 and 85 Nomination Committee Report - pages 96 to 99
Composition, succession and evaluation	The Nomination Committee is responsible for regularly reviewing the composition of the Board. It appraises the Directors and evaluates the skills and characteristics required on the Board.	Board evaluation - page 92 Nomination Committee Report - pages 96 to 99 Board skills and experience - page 90
Audit, risk and internal control	The Audit Committee plays a key role in monitoring and evaluating our compliance and risk management processes, providing independent oversight of our external audit and internal control programmes, accounting policies and ensures the Board Reports are fair, balanced and understandable.	Risk Management Report - pages 38 to 44 Audit Committee Report - pages 100 to 106
Remuneration	The Remuneration Committee sets levels of remuneration that are designed to promote the long-term success of the Group and structures remuneration to link it to both corporate and individual performance, thereby aligning management's interests with those of shareholders.	Remuneration Committee Report - pages 108 to 129

First impressions

Following the appointments of our new Non-Executives and their inductions, we asked them what their first impressions were of AO. Here's what they said:

"Everywhere, you feel the focus for service. The passion for serving customers well is a distinct advantage and in my experience, hard to get right in the way AO has. There is a belief in doing what is right (make your mum proud), upholding our promise to customers and excelling to ensure customers come back for more.

The people I have met demonstrate the pride, passion, and determination to drive change and deliver for the business.

The rapid refocus and turnaround of AO is impressive.

I was impressed by our capability in [recycling] and was surprised by the lengths we go to in recycling used appliances."

"The AO culture felt magical, unique and special.

I found AOers to be kind, passionate, happy and inspiring, and I could sense the care and concern about other people's lives.

I loved the level of obsession on customers."

Strengthening the team in 2022

01

Selection criteria established

Having evaluated the existing balance of skills, experience and knowledge already on the Board, a written description of the role, capabilities required and time commitment expected was prepared. Individuals with relevant industry and public company experience which would help to expand the Board's existing skill set were sought to deepen the effectiveness of the Board. In setting the criteria, an important consideration was to increase the diversity of the Board, in all aspects.

02

Market search

Based on our brief, together with an external search consultancy, Russell Reynolds Associates, we conducted a search using our high-level professional networks, industry knowledge and internal research resources to identify suitable candidates for the roles. Competency interviews, leadership questionnaires, culture assessments and references were then undertaken to compile a shortlist of individuals.

03

Candidates shortlisted

The Committee reviewed the shortlist of candidates against its selection criteria, having regard to each candidate's existing commitments to ensure sufficient time was available to undertake the role, with advice sought, as appropriate, from the external search consultancy. At each stage of refining the shortlist to a smaller group of candidates, our intention was to maintain a significant representation of female and ethnically diverse candidates, and these candidates have comprised all but one of the recent interviews conducted by our Chair and Non-Executive Directors.

04

Appointment

The recommendations for Peter and Sarah's appointments were based on merit, against objective criteria and with due regard for the benefits of diversity on the Board. Peter and Sarah's appointments to the Board were effective from 1 October 2022 and 1 November 2022 respectively, with the appropriate announcements and disclosures made.

05

Induction and site visits

A tailored induction process was created for Peter and Sarah involving the collation of relevant Company, Board and Committee information. One-to-one meetings were arranged with key personnel from across the business and, as our Board meetings are scheduled to take place at different locations, Peter and Sarah received tours at a number of our sites and therefore experienced AO's culture in action.

Board of Directors




Geoff Cooper
Non-Executive Chair

Committee membership
N R

Appointment to the Board
1 July 2016

Relevant skills and experience
- Over 25 years' UK public company board experience, including chair and chief executive officer roles
- Significant retail and customer-facing industry experience across the UK
- Ability to steer boards through high-growth strategies and overseas expansion
- Former non-executive chair of Bourne Leisure Holdings, Dunelm Group PLC, Card Factory PLC and Brakes Group, and former chief executive officer of Travis Perkins PLC
- Member of the Chartered Institute of Management Accountants

Significant current external appointments
None

Independent
Yes

John Roberts
Founder and Chief Executive Officer

Committee membership
None

Appointment to the Board
2 August 2005 (AO Retail Limited 19 April 2000)

Relevant skills and experience
- Co-founded the business over 20 years ago, giving him thorough knowledge and understanding of the Group's business
- Extensive CEO experience: led the management team to successfully develop and expand the business during periods of challenging market conditions
- Innovator and visionary lead
- Significant market knowledge and understanding

Mark Higgins
Chief Financial Officer

Committee membership
None

Appointment to the Board
1 August 2015

Relevant skills and experience
- Group Finance Director for four years prior to appointment as AO's Chief Financial Officer
- Senior finance roles held at Enterprise Managed Services Limited and the Caudwell Group
- Member of the Chartered Institute of Management Accountants

Marisa Cassoni
Senior Independent Non-Executive Director

Committee membership
A R N

Appointment to the Board
5 February 2014

Relevant skills and experience
- Wealth of board experience as an executive and non-executive director
- Previously finance director of John Lewis Partnership, Royal Mail Group and the UK division of Prudential Group
- Former non-executive director at Ei Group Limited (formerly known as Ei Group PLC) and Skipton Group Holdings Limited
- Panel member of the Competition and Markets Authority
- ICAEW chartered accountant with extensive financial and governance experience, in both private and public companies with strong technology and multi-channel customer offerings, particularly in the financial services, logistics and retail sectors

Significant current external appointments
Non-executive director at Galliford Try Limited (formerly known as Galliford Try PLC)

Independent
Yes

Key
A Audit Committee N Nomination Committee R Remuneration Committee P People Champion ● Chair of Committee

Chris Hopkinson
Non-Executive Director and People Champion

Committee membership
N P

Appointment to the Board
12 December 2005

Relevant skills and experience
- Former City financial analyst
- Significant industry experience
- Holds a Masters degree in Logistics

Significant current external appointments
Executive director of Clifton Trade Bathrooms Limited

Independent
No, due to length of tenure only

Shaun McCabe
Non-Executive Director

Committee membership
R* A

Appointment to the Board
24 July 2018

Relevant skills and experience
- ICAEW chartered accountant with a strong mix of knowledge of consumer-focused businesses and digital expertise
- Significant international, finance and general management experience
- Previous senior positions held at several online market leaders including chief financial officer for Trainline PLC, international director at ASOS PLC and vice president, chief financial officer for Amazon Europe

Significant current external appointments
Chief financial officer for boohoo group PLC

Independent
Yes

*Interim

Peter Pritchard
Non-Executive Director

Committee membership
A R

Appointment to the Board
1 October 2022

Relevant skills and experience
- Significant consumer and broad operational experience
- Previous chief executive officer at Pets at Home PLC and held other senior positions at several of the UK's best-known retail brands including Wilkinson Stores Limited, Asda/Walmart stores Inc, J Sainsbury PLC and M&S PLC

Significant current external appointments
Non-executive director at Motability Operations Group PLC and Voff Premium Pet Food Sweden AB.

Chair at Shiba Bidco S.p.A. (Arca Planet Italy)

Independent
Yes

Sarah Venning
Non-Executive Director

Committee membership
None

Appointment to the Board
1 November 2022

Relevant skills and experience
- Significant experience in digital and IT fields across retail, hospitality and transport sectors having worked previously at John Lewis Partnership and BAA
- Experience in digital transformation and information technology

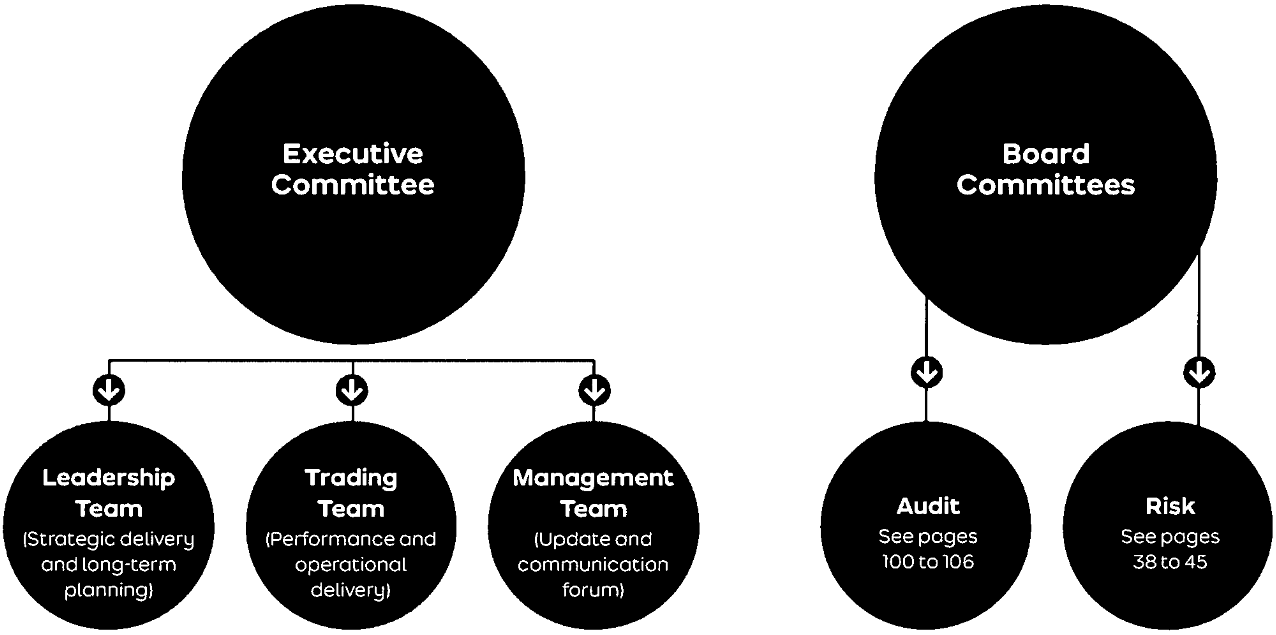
Significant current external appointments
Global chief digital officer at Pret A Manger

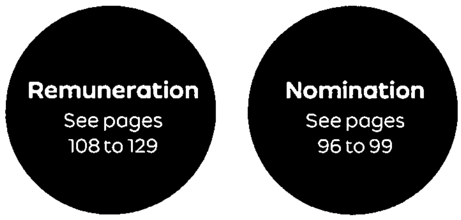
Independent
Yes

Corporate Governance Report

AO World PLC Board

The Company is led and controlled by the Board. The structure and business of the Board is designed to ensure that the Directors focus on strategy, monitoring, governance and the performance of the Group.





Governance framework

The Board is responsible for maintaining a strong and effective system of governance throughout the Group. Day-to-day management of the implementation of the matters approved by the Board, the Group's activities, governance and oversight is delegated to the Executive Committee comprising the CEO and CFO. The Executive Committee is supported by the leadership team, who are the direct reports of the Executive Committee, and comprise a team of highly skilled and experienced senior management including the leaders of the Group's business units, and leaders from our enabling and supporting functions including IT, finance, HR and legal. The leadership team meets with the Executive Committee periodically and is focused on the strategic direction and achievement of the Group's priorities.

Trading team meetings, led by the Executive Committee, are held weekly. This team focuses on performance, operational delivery, forecasting and resolution of any business issues with escalation to the leadership team as required. It is formed by leadership and management team members with operating responsibility. The Group's management team is led by the CFO and comprises our work level three and above AOers (defined as those who lead, run key operations, or have specialist knowledge to lead projects and processes). The management team meets monthly and receives an update from the Executive Committee on the financial performance and strategic priorities of the Group, as a two-way communication session.

Steering Committees are also in place for key areas of compliance such as the Data Protection and Information Security ("DPS"), Senior Managers and Certification Regime ("SM&CR"), and health and safety and are also formed for specific projects as required.

Formal Board meetings of our operating subsidiary companies are also held on a regular basis. Our Risk Management Committee, which reports to the Audit Committee and which includes the members of the Executive Committee, also meets at least bi-annually to ensure robust risk management procedures are implemented and to critically review the Group's risk register.

Board leadership and Group purpose

Our Board is collectively responsible for the Group's performance and to shareholders for the long-term sustainability and success of the Company; we recognise that a clearly defined and well-established strategy and purpose, combined with the Group's culture and values, are critical to achieving this.

The Board regularly reviews its composition, experience and skills to ensure that the Board and its Committees continue to work effectively and that the Directors are demonstrating a commitment to their roles. Further details of the relevant skills and experience of the Board are set out in their biographical details on pages 84 and 85.

The positions of our Chair and Chief Executive Officer are not exercised by the same person, ensuring a clear division of responsibility at the head of the Company. The roles and responsibilities of our Board members are clearly defined and are summarised below. For a more detailed description of the roles of the Chair, Chief Executive Officer and Senior Independent Director, please review the Terms of Reference on our website ao-world.com.

Role	Key responsibilities
Chair **Geoff Cooper**	• Providing leadership of the Board • Setting the Board's agenda to emphasise strategy, performance and value creation • Monitoring the effectiveness of the Board • Ensuring good governance • Facilitating both the contribution of the Non-Executive Directors and constructive relations between the Executive and Non-Executive Directors
Founder and Chief Executive Officer **John Roberts**	• Day-to-day running of the Group and effectively implementing the Board's decisions • Leading the performance and management of the Group • Proposing strategies and business plans to the Board • Providing entrepreneurial leadership of the Company to ensure the delivery of the strategy agreed by the Board
Chief Financial Officer **Mark Higgins**	• Providing strategic financial leadership of the Company and day-to-day management of the finance function • Day-to-day running of the Group and implementing the Board's decisions
Senior Independent Director **Marisa Cassoni**	• Acting as an internal sounding board for the Chair and serving as an intermediary for the other Directors, with the Chair, when necessary • Being available to shareholders if they require contact both generally and when the normal channels of Chair, CEO or CFO are inappropriate
Non-Executive Directors **Marisa Cassoni** **Chris Hopkinson** **Shaun McCabe** **Peter Pritchard** **Sarah Venning**	• Bringing independence, impartiality, experience and special expertise to the Board • Constructively challenging the Executive Directors and Group management team, and helping to develop proposals on strategy and ensuring good governance, to scrutinise and hold to account the performance of management and Executive Directors against performance objectives
Designated Non-Executive Director – People Champion **Chris Hopkinson**	• Providing an appropriate avenue for AOers to raise any areas of concern • Ensuring a regular dialogue between employees and the Board to aid information flow and to communicate the views and concerns of the workforce • Working with the Board to take appropriate steps to evaluate the impact of Board proposals on the workforce • Assessing and monitoring the Group's culture • Ensuring workforce policies and practices are consistent with the Company's values

Corporate Governance Report continued

Committees of the Board

The Board has delegated authority to its Committees to carry out certain tasks on its behalf and to ensure compliance with regulatory requirements, including the Companies Act 2006, the Listing Rules, the Disclosure Guidance and Transparency Rules and the Code. This also allows the Board to operate efficiently and to give the right level of attention and consideration to relevant matters. A summary of the Terms of Reference of each Committee is set out below and the reports of the Committee Chairs are set out on pages 96 to 129.

The full Terms of Reference for each Committee are available on the Company's website at ao-world.com, and from the Company Secretary upon request.

Committee	Role and Terms of Reference	Membership required under Terms of Reference	Minimum number of meetings per year under Terms of Reference	Committee Report on pages under Terms of Reference
Audit	Reviews and reports to the Board on the Group's financial reporting, internal control and risk management systems, whistleblowing, internal audit and the independence and effectiveness of the External Auditors	At least two Independent Non-Executive Directors (or such number as is required from time to time by the UK Corporate Governance Code)	Three	100 to 106
Remuneration	Responsible for all elements of the remuneration of the Executive Directors and the Chair, the Company Secretary and the direct reports of the CEO	At least two Independent Non-Executive Directors (or such number as is required from time to time by the UK Corporate Governance Code)	Three	108 to 129
Nomination	Reviews the structure, size and composition of the Board and its Committees, and makes appropriate recommendations to the Board	At least two members (or such number as is required from time to time by the UK Corporate Governance Code) and a majority shall be Independent Non-Executive Directors	Two	96 to 99

Board meetings

The Board meets as often as necessary to effectively conduct its business. Eight formal meetings are scheduled each year plus additional meetings to exclusively discuss the Group's strategy as appropriate. Unscheduled, ad hoc meetings are arranged as required where, for example, additional time is required or where a decision is required outside of the Board's normal meeting cycle. The Board also holds several informal dinners before or after a Board meeting, which help foster a healthy culture and promote open and transparent debate.

The Board has an annual rolling plan of items for discussion, which is reviewed and adapted regularly to ensure all matters reserved for the Board, with other items as appropriate, are discussed. Pre-agreed meeting agendas ensure that time is balanced between operating performance, strategy, governance and compliance so that the Board can discharge their duties effectively. To ensure the Board's time is used effectively in meetings, papers are circulated several days in advance to provide adequate time for reading and to raise any specific queries or questions.

At each meeting, the Chief Executive Officer updates the Board on key operational developments and performance, provides an overview of the market and other key operational risks, and highlights the important milestones reached in the delivery of the Group's strategic objectives. The Chief Financial Officer provides an update on the Group's financial performance, banking arrangements, AO's relationships with investors and potential investors and shareholder feedback and analysis. Meeting proceedings and any unresolved concerns expressed by any Director are minuted by the Company Secretary who, as Director of Group Legal, provides the Board with an update on any legal issues and reports on health and safety. Other members of management are also invited to attend Board meetings to present on specific business issues and proposals. This way, the Board is given the opportunity to meet with the next layers of management and gain a more in-depth understanding of key areas of the business. External speakers are also invited to present to the Board on topical industry and regulatory issues.

There is a formal schedule of matters reserved to our Board for decision, which the Company Secretary ensures is complied with and which is available on the Company's website at ao-world.com, and from the Company Secretary upon request.

Key Board activities during the year to 31 March 2023

Examples of some of the key matters considered by the Board during the year are set out below.

Strategy

- Oversaw the strategic review of the Group's German operation, considering the strategic direction of the business and the available options, and the decision to close the German business
- Conducted a robust review and assessment of the Group's strategy and oversaw the initiation of the strategic pivot to focus on cash and project generation including simplifying operations and driving operational efficiencies and overhead reduction
- Through, and with, the Remuneration Committee, supported the design and implementation of the all-employee Restructured Value Creation Plan, which supports and incentivises execution of strategy
- Reviewed the Company's progress against its ESG strategy

Operational performance

- Review of regular reports from senior management on trading, business performance and health and safety
- Supported management in the continual review of current trading and reforecasting and reviewed the actions proposed to drive efficiencies and to tailor the Group's cost base appropriately
- Approved the annual budget, the business plan for the Group and individual capital expenditure projects

Finance and investor relations

- Reviewed and approved the Group's full-year and half-year results, together with trading statements and the Group's viability statement and going concern status
- Reviewed the monthly reports produced by the CFO
- Received reports and updates on investor relations activities and the views of shareholders (including engagement with key shareholders by the Chair to understand, in particular, current investor sentiment on governance arrangements and the strategic development of the Group)
- Approval of various matters in connection with the capital raise
- Approval of renewal of the Group's Revolving Credit Facility

Governance

- Oversaw the appointment of two new Non-Executive Directors to the Board
- Continuing review of compliance with the Code
- Consideration of the composition and effectiveness of the Board
- Received updates from the HR Director on people issues, for example, gender pay gap analysis
- Conducted the annual review and approved the appropriate updates of matters reserved for the Board and other policies and statements including the Company's gender pay gap statement and annual modern day slavery statement

Risk management

- Undertook the annual review of the principal and emerging risks of the Group and consideration of risk appetite
- Via the Audit Committee, reviewed and validated the effectiveness of the Group's systems of internal controls and risk management framework
- Received reports on specific risk areas across the Group including Data Protection and the IT security environment
- Undertook a cyber attack simulation exercise to consider, challenge and test response plans at Board level (including, legal and regulatory, PR and comms, and third-party partnerships)

Corporate Governance Report continued

Board meeting attendance

The table below summarises the attendance of the Directors during the year ended 31 March 2023.

Director	Meetings eligible to attend
Geoff Cooper	12/12
John Roberts	12/12
Mark Higgins	12/12
Chris Hopkinson	11/12
Marisa Cassoni	12/12
Shaun McCabe* **	10/12
Peter Pritchard*	5/5
Sarah Venning**	5/5

* Peter Pritchard was appointed to the Board on 1 October 2022.

** Sarah Venning was appointed to the Board on 1 November 2022.

*** Shaun McCabe attended all scheduled meetings but was unable to attend two meetings called at short notice.

Where Directors are unable to attend meetings, they receive the papers scheduled for discussion at the relevant meetings, giving them the opportunity to raise any issues and give any comments to the Chair in advance of the meeting.

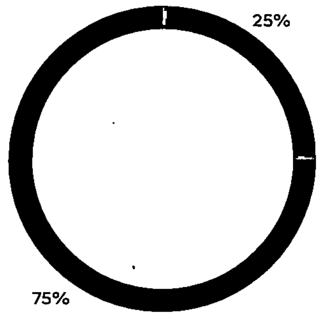
Board Tenure at 31 March 2023

Sarah Venning	appointed 1 November 2022
Peter Pritchard	appointed 1 October 2022
Shaun McCabe	appointed 24 July 2018
Geoff Cooper	appointed 1 July 2016
Mark Higgins	appointed 1 August 2015
Marisa Cassoni	appointed 5 February 2014
Chris Hopkinson	appointed 12 December 2005
John Roberts	appointed 2 August 2005

Skills Matrix

	Geoff Cooper	John Roberts	Mark Higgins	Marisa Cassoni	Chris Hopkinson	Peter Pritchard	Shaun McCabe	Sarah Venning
Retail/customer-focused business experience	●	●	●	●	●	●	●	●
Digital experience						●	●	●
Finance and accounting	●		●	●	●		●	
International experience	●	●				●	●	●
Functional experience in management and operations			●			●	●	●
Marketing								●
Strategy	●	●	●	●		●		●
Public company governance	●			●		●	●	

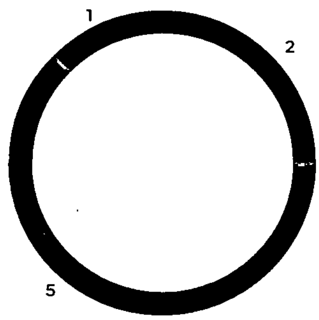
Board Gender



● Male

● Female

Board Role and Independence



● Executive Directors

● Independent NEDs including the Chair

● Non-independent NED (Chris Hopkinson is considered non-independent in respect of his Board tenure only)

Composition, succession and evaluation

Composition

As at the date of this Annual Report, the Board comprises eight members: the Chair, two Executive Directors and five Non-Executive Directors, which includes the Senior Independent Director. Excluding the Chair, four Board members (i.e. at least half) are considered independent in line with the Code. As at 4 February 2023, the Senior Independent Director, Marisa Cassoni had served a nine-year term which is a factor that points to her no longer being independent under the Code. Notwithstanding this, the Board concluded that Marisa remained independent because she was capable of carrying out independent judgement, was able to appropriately challenge management and was not unduly influenced by the Executive Committee or other members of the Board. None of the other circumstances listed in the Code as potentially impacting independence applied to Marisa. The Nomination Committee therefore agreed that Marisa would remain in her position as chair of the Audit Committee, a member of the Nomination and Remunerations Committees, and Senior Independent Director until the Company's AGM in September when she is expected to retire.

Peter Pritchard and Sarah Venning were appointed to the Board on 1 October 2022 and 1 November 2022 respectively. All other current Directors served throughout the year. Details of the skills, career background, Committee membership, tenure and external appointments of all Directors are set out on pages and 84 and 85. Further details on the role of the Chair and members of the Board can be found on page 87. The Chair, Senior Independent Director and Non-Executive Directors are appointed for a three-year term, subject to annual re-election by shareholders following consideration of the annual Board effectiveness evaluation.

The composition of the Board has continued to be an area of focus for the Nomination Committee this year as it considers succession planning and seeks to ensure that the Board maintains the appropriate balance of skills, experience and independence, as well as providing the appropriate challenge and promoting diversity.

During the year, the Nomination Committee defined the process and brief for the recruitment of three additional Independent Non-Executive Directors as we sought to enhance the skill set of the Board, address areas of Code non-compliance and as part of succession planning. A specialist third party was engaged to assist with the search. As a result of the recruitment process, Peter Pritchard and Sarah Venning were appointed as Non-Executive Directors on 1 October 2022 and 1 November 2022 respectively. Following these appointments, our Board currently includes two women, representing 25% of its membership (2022: 17%). We continued to assess whether any additional Non-Executive expertise would be beneficial to the Company.

The Directors remain supportive of the recommendations of the Parker and Hampton-Alexander reviews and are committed to increasing female and ethnic representation on the Board and throughout the wider organisation, as they believe that the business should have a culture that truly accepts diversity of thought, equity and inclusion. In conducting its search for new Non-Executive Directors during the year we specifically highlighted to our search partner that increasing the diversity of the Board, in all aspects, was an important consideration with these appointments. Consequently, they were asked to bring forward shortlists with a significant representation of female and ethnically diverse candidates and these candidates comprised all but one of the recent interviews conducted by our Chair and Non-Executive Directors. Most importantly, however, we will only appoint candidates who we judge can contribute strongly to the Board's experience and skill set. This will continue to be the Board's approach in making any new appointments.

The Nomination Committee has delegated authority for any new appointments to the Board following a formal, rigorous and transparent procedure with the decision for any appointment a matter reserved for the Board. Further detail on the work of the Nomination Committee during the year, including the Board's policy on diversity, can be found on page 97. The disclosure relating to gender diversity within the Company and further information on the work being undertaken across the Group to further diversify our workforce is included in the Sustainability: Fair, equal and responsible report on page 73. For information on our procedures concerning the appointment and replacement of Directors, please see page 97.

For the purposes of assessing compliance with the Code, the Board considers that Marisa Cassoni, Shaun McCabe, Peter Pritchard and Sarah Venning are Non-Executive Directors who are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The Board also considers that Geoff Cooper, Chair of the Company, was independent at the time of his appointment in July 2016 and remains so. Chris Hopkinson is not considered to be independent for the purposes of the Code given his long-term involvement with the business, but otherwise exercises independent judgement.

Having regard to the character, judgement, commitment and performance of the Board and Committees to date, and following the internal Board evaluation conducted during the year, the Board is satisfied that no one individual will dominate the Board's decision making and considers that all of the Non-Executive Directors are able to provide objective challenges to management. A key objective of the Board is to ensure that its composition is sufficiently diverse and reflects a broad range of skills, knowledge and experience to enable it to meet its responsibilities. As can be seen from the biographies on pages 84 and 85 and the skills matrix on page 90, the Chair and the Non-Executive Directors collectively have significant industry and public company experience, which will support the Company in executing its strategy.

Directors' skills and experience

The Board skills and experience matrix above details some of the key skills and experience that our Board has identified as particularly valuable to the effective oversight of the Company and execution of our strategy.

Induction process

In line with the Code, we ensure that any new Directors joining the Board receive appropriate support and are given a comprehensive and tailored induction programme organised through the Company Secretary, with each Director's individual experience and background taken into account in developing a programme tailored to their own requirements. The induction typically includes the provision of background material on the Company, one-to-one meetings with the CEO and CFO and briefings with senior management as appropriate. Any new Director will also be expected to meet with major shareholders if required. New Directors also receive appropriate guidance on key duties as a Director of a listed company.

Evaluation and effectiveness

The effectiveness and performance of the Board is vital to our success. The Code requires that there should be a formal and rigorous annual evaluation of the performance of the Board, its Committees, the Chair and individual Directors and that consideration should be given to conducting a regular, externally facilitated Board evaluation, which, for FTSE 350 companies, should be at least every three years. The Company was not, during the year, nor is it currently, part of the FTSE 350. Our last external evaluation was carried out in the year ended 31 March 2018 and in the last few years the Board has determined that, given the pace at which the outlook of the business was changing and the impact of Covid on the usual workings of the Board, an external review would have been conducted in somewhat artificial circumstances and not given a true reflection of the way in which the Board was operating. In addition, with the recent appointments of two additional Non-Executive Directors, the Board felt it would be appropriate to allow the new Board composition to settle before conducting an external review. The Board therefore determined that an internal review of its effectiveness was, again, more appropriate for the year ended 31 March 2023.

The internal evaluation was led by the Chair. As part of this process, one-to-one meetings were conducted with all Directors and the Company Secretary who were given the opportunity to express their views about:

- the performance of the Board and its Committees, including how the Directors work together as a whole;
- the balance of skills, experience, independence and knowledge of the Directors; and
- individual performance and whether each Director continues to make an effective contribution.

The results of the evaluation were collated by the Chair and an assessment was provided to the Nomination Committee for further discussion. The results of the evaluation indicated that the Board is working well and that there are no significant concerns amongst the Directors about its effectiveness. Some actions were agreed and will be progressed over the coming year.

During the year, the Chair met with the Non-Executive Directors without the Executive Directors present to discuss Board balance, monitor the powers of individual Executive Directors and raise any issues between themselves as appropriate. An annual appraisal of the performance of the Chair by the Non-Executive Directors, led by the Senior Independent Director, was also conducted. Following evaluation, it was agreed that all Directors contribute effectively, demonstrate a high level of commitment to their role and together provide the skills and experience that are relevant and necessary for the leadership and direction of the Company.

Information, support and development opportunities available to Directors

All Board Directors have access to the Company Secretary, who advises them on governance matters. The Chair and the Company Secretary work together to ensure that Board papers are clear, accurate, delivered in a timely manner to Directors and of sufficient quality to enable the Board to discharge its duties. Specific business-related presentations are given by members of the Group management team when appropriate and external speakers also attend Board meetings to present on relevant topics.

As well as the support of the Company Secretary, there is a procedure in place for any Director to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary; for example, Deloitte advise on remuneration matters, and Audit Committee members have received guidance from Deloitte on the UK Corporate Reform proposals concerning internal controls. As part of the Board Evaluation process, training and development needs are considered and training courses are arranged, where appropriate. Directors are encouraged to be proactive and identify areas where they would like additional information to ensure that they are adequately informed about the Group.

The Board confirms that all members have the requisite knowledge, ability and experience to perform the functions required of a Director of a UK premium-listed company.

External directorships and time commitment

Each Director is expected to attend all meetings of the Board and of those Committees on which they serve and is required to be able to devote sufficient time to the Group's affairs allowing them to fulfil their duties effectively as Directors. In accordance with the Code, full Board approval is sought prior to a Director accepting an external appointment to a publicly listed company or other significant commitment. Prior to the approval of any external appointments, the Board considers the time commitment required by Directors to perform their duties effectively. As part of the selection process for any new Board candidates, any significant time commitments are considered before an appointment is agreed. All Non-Executive Directors are required to devote sufficient time to meet their Board responsibilities and demonstrate commitment to their role.

During the year, Shaun McCabe requested approval to accept the external directorship as Chief Financial Officer of boohoo group plc, stepping down as Chief Financial Officer of Trainline plc at the same time. The Board assessed the appointment and was satisfied that the time commitment required would not prevent Shaun from performing his duties to AO effectively and approval was granted. As part of its annual review, the Nomination Committee has also considered the external directorships and time commitment of all the Directors and agreed that these do not impact on the time that any Director devotes to the Company, and believes that such experience only enhances the capability of the Board. Save for Crystalcraft Limited, a dormant company, and AO Smile Foundation, for which he receives no fees, John Roberts does not hold any external directorships. During the year, John Roberts resigned from his position as a director of OnSide Youth Zones, for which he received no fees. Mark Higgins holds no external directorships. Details of the Directors' significant external directorships can be found on pages 84 and 85.

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles of Association, which are in line with the Companies Act 2006, allow the Board to authorise potential conflicts of interest that may arise and to impose limits or conditions, as appropriate, when giving any authorisation. Any decision of the Board to authorise a conflict of interest is only effective if it is agreed without the conflicted Director's voting or without their votes being counted. In making such a decision, the Directors must act in a way they consider in good faith will be most likely to promote the success of the Company.

The Company has established a procedure for the appropriate authorisation to be sought prior to the appointment of any new Director, or prior to a new conflict arising and for the regular review of actual or potential conflicts of interest. An Interests Register records any authorised potential conflicts and will be reviewed by the Board on a regular basis to ensure that the procedure is working effectively.

Director election

Following the Board evaluation process and the subsequent recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, committed to their roles and are able to devote sufficient time to their duties. Accordingly, all Directors will seek re-election at the Company's AGM, other than Marisa Cassoni who is expected to retire at the AGM.

Whistleblowing and anti-bribery and corruption procedures

AO is committed to the highest standards of ethical conduct, honesty and integrity in our business practices. The Board recognises that transparent communication is essential to maintain our business values and is supportive of a culture where there is genuine means for the workforce to raise any concerns. During the year, the Board, via authority delegated to the Audit Committee, reviewed the whistleblowing policies in place across the Group and received regular updates on reports arising from its operation. The review confirmed that AO's policies were appropriate, accessible and comprehensive, and provided colleagues with the opportunity to raise concerns about any form of wrongdoing anonymously.

The Group also has zero tolerance of corruption, fraud, criminality (including financial crime), or the giving and receiving of bribes for any purpose. The Group has online training modules via its learning and development platform for anti-bribery and corruption, which colleagues are required to complete periodically. Any breach of procedures will be regarded as serious misconduct, potentially justifying immediate dismissal.

Shareholder engagement

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance are understood and that it remains accountable to them. The Company has established an Investor Relations function, headed by the Chief Financial Officer. The Investor Relations function ensures that there is effective communication with shareholders on matters such as strategy and, together with the Chief Executive Officer and Chief Financial Officer, is responsible for ensuring that the Board understands the views of major shareholders on such matters.

There is an ongoing programme of dialogue and meetings between the Executive Directors and institutional investors, fund managers and analysts. This includes formal meetings with investors to discuss interim and final results, and maintaining an ongoing dialogue with the investment community through regular contact with existing and potential shareholders, attendance at investment conferences and holding investor roadshows as required. At these meetings, a wide range of relevant issues, including strategy, performance, management and governance are discussed within the constraints of information that has already been made public. The Investor Relations function deals with ad hoc queries from individual shareholders. The Remuneration Committee Chair also engages in discussion with shareholders on significant matters relating to Executive remuneration, in particular any amendments or material changes to our remuneration policy and the Chair of the Board also engages with shareholders as and when requested or required. During the year the Chair of the Board also engaged individually with a number of shareholders to understand, in particular, current investor sentiment on Board composition and independence, governance arrangements and the strategic development of the Group.

The Board is aware that institutional shareholders may be in more regular contact with the Company than other shareholders, but care is exercised to ensure that any price-sensitive information is released to all shareholders - institutional and private - at the same time, in accordance with legal and regulatory requirements. The Senior Independent Director is available to shareholders if they have concerns that cannot be raised through the normal channels or if such concerns have not been resolved. Arrangements can be made to meet with her through the Company Secretary. The Board obtains feedback from its joint corporate brokers, Jefferies and Numis Securities, on the views of institutional investors on a non-attributed and attributed basis. Any concerns of major shareholders would be communicated to the Board by the Executive Directors. As a matter of routine, the Board receives regular reports on issues relating to share price and trading activity, and details of movements in institutional investor shareholdings. The Board is also provided with current analyst opinions and forecasts. All shareholders can access announcements, investor presentations and the Annual Report on the Company's corporate website (ao-world.com).

Annual General Meeting

The AGM of the Company will take place at 8:00 am on 27 September 2023 at the Company's head office at 5a The Parklands, Lostock, Bolton BL6 4SD. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The notice of the AGM can be found in a booklet that is being mailed out at the same time as this report, and can also be found on our website ao-world.com. The notice of the AGM sets out the business of the meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue. Whether or not you are able to attend, the Board encourages all shareholders to vote as soon as possible and, in any event, by no later than 8.00 am on 25 September 2023 by taking advantage of our registrar's secure online voting service (via aoshareportal.com) by using the CREST system, or by using a proxy voting form which is available on request from the Company's registrars, Link Group.

Shareholders have the opportunity to submit questions on the AGM resolutions electronically before the meeting and such questions, limited to matters relating to the business of the AGM itself, should be sent to AGM@ao.com and these will be responded to on an individual basis.

The results of the voting will be announced to the London Stock Exchange and made available on our corporate website as soon as practicable after the meeting. At last year's AGM, all resolutions were passed with votes in support ranging from 88.8% to 99.9%.

Stakeholder voice into the Boardroom

Section 172 of the Companies Act 2006 requires a Director of a Company to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. Further information on how the Group engages with its key stakeholders including suppliers, employees and the community and the Group's s.172 statement can be found on pages 46 to 49. In setting and monitoring strategy, the Board is mindful of the impact that its decisions will have on the Group's stakeholders.

The Board's aim is to make sure that its decision making follows a consistent process, by considering the Company's strategic priorities whilst working within a governance framework for key decision making that takes into account all relevant stakeholders and balances their various interests. The Board considers the need to act fairly between stakeholders and continues to maintain high standards of business conduct. Nevertheless, the Board acknowledges that stakeholder interest may conflict with each other and that not every decision can result in a positive outcome for all stakeholders.

The following are used to bring the voice of the stakeholder into the Boardroom:

- Board papers include consideration of section 172 factors to ensure that decision making is fully informed and to enable discussion
- Regular updates are received from the HR Director on people, culture, diversity, talent and engagement
- The Non-Executive Director and People Champion, Chris Hopkinson, provides regular feedback and updates from the Employee Voice to the Board forum
- The CEO regularly holds intereactive Q&A sessions which complement the monthly "State of the Nation" communications forums
- The Board's strategy sessions include the potential impact to stakeholders when deciding and agreeing on strategic priorities
- The CEO and CFO meet with major shareholders and feedback is provided to the Board
- The Board receives regular presentations from the Group management team, Legal Director and external advisers

Nomination Committee Report

Geoff Cooper
Chair

Delivering a balanced Board with the right skills mix."

I am pleased to introduce the report of the Nomination Committee for the year ended 31 March 2023. Full details of the Committee and its activities during the year are given below.

Committee members and meetings attended

	Meetings eligible to attend
Geoff Cooper	3/3
Chris Hopkinson	3/3
Marisa Cassoni	3/3

Membership and meetings

- During the year, the Nomination Committee comprised three Non-Executive Directors.
- The Code requires that the majority of the Committee are Independent Non-Executive Directors. I am Chair of the Board and of the Committee and was deemed independent on appointment and the Board considers that I continue to be so. Marisa Cassoni is also deemed independent. Marisa has served a nine-year term which is a factor that points to her no longer being independent under the Code. Notwithstanding this, the Board concluded that Marisa remained independent because she was capable of carrying out independent judgement, was able to appropriately challenge management and was not unduly influenced by the Executive Committee or other members of the Board. None of the other circumstances listed in the Code as potentially impacting independence applied to Marisa. The Nomination Committee therefore agreed that Marisa would remain in her position as chair of the Audit Committee, a member of the Nomination and Remuneration Committees, and Senior Independent Director until the Company's AGM in September when she is expected to retire. Following Marisa's retirement, Peter Pritchard is expected to replace her as a member of the Nomination Committee. Chris Hopkinson is not deemed to be independent due to his historic involvement with the Company; however, the continuity, experience and knowledge of Chris made a significant contribution to the work of the Committee, ensuring it was run effectively. Therefore, the Board considers that the Committee comprises a majority of Independent Non-Executive Directors and complies with the requirement of the Code.
- Detailed experience, skills and qualifications of all Committee members can be found on pages 84 and 85.
- The Group Legal Director and Company Secretary serves as Secretary to the Committee. By invitation, the meetings of the Nomination Committee may be attended by the Chief Executive Officer, Chief Financial Officer, the Group HR Director and the other Non-Executive Directors.
- Under its Terms of Reference, the Committee is required to meet no less than twice a year. This year the Committee met three times; this number being deemed appropriate to the Committee's role and responsibilities during the year.
- The timing of meetings is scheduled to coincide with key dates in the Group's financial cycle and in advance of a Company Board meeting to maximise effectiveness. As Chair of the Committee, I provide an oral report to the next Board meeting after each meeting of the Committee to report on its activity and matters of particular relevance to the Board in the conduct of their work.

Key responsibilities and Terms of Reference

The Committee is responsible for regularly reviewing the structure, size and composition of the Board, and has responsibility for nominating candidates for appointment as Directors to the Board, having regard to its composition in terms of diversity and ensuring it reflects a broad range of skills, knowledge and experience to enable it to meet its responsibilities. It also ensures that plans are in place for orderly succession for appointments to the Board. The Nomination Committee makes recommendations to the Board on its membership and the membership of its principal Committees.

The Nomination Committee also makes recommendations to the Board concerning the reappointment of any Non-Executive Director as they reach the end of the period of their initial appointment (three years) and at appropriate intervals during their tenure. The Committee also considers and makes recommendations to the Board on the annual election and re-election of any Director by shareholders, including Executive Directors, after evaluating the balance of skills, knowledge and experience of each Director against the Company's strategy and with regard to the results of the review of Board effectiveness.

The Nomination Committee takes into account the provisions of the Code and any regulatory requirements that are applicable to the Company.

The Chair does not chair the Nomination Committee when it is dealing with the appointment of a successor Chair. In these circumstances, the Committee is chaired by an independent member of the Nomination Committee elected by the remaining members.

The responsibilities of the Committee are delegated by the Board and are set out in its written Terms of Reference, which are reviewed, updated as necessary and approved each year. A copy of the Terms of Reference is available on our corporate website or upon request from the Company Secretary.

Board appointment process

The Nomination Committee has a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. When the need to appoint a Director is identified, the Committee determines the role profile including the skills, knowledge and experience required. This takes into account the existing composition of the Board and any required experience and understanding of our stakeholders. We use a combination of external recruitment consultants and personal referrals in making any required appointments. We consider the gender, nationality, ethnic background, educational and professional background of candidates, as well as individual characteristics that will enhance diversity of thinking of the Board and delivery of our strategy. Suitable candidates are interviewed by Committee members, the Executive team and the Company Secretary. We give careful consideration to ensure proposed appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board is appropriate. When the Nomination Committee has identified a suitable candidate, we then make a recommendation to the Board which has responsibility for making the final decision. All appointments are made on merit, against objective criteria and with due regard to the benefits of diversity on the Board.

Board composition and succession planning

Following the resignation of an Independent Non-Executive Director at the end of January 2022, the Board became non-compliant with an aspect of the Code, namely, the provision requiring that half the Board, excluding the Chair, are Independent Non-Executive Directors. During the year, the Nomination Committee defined the process and brief for the recruitment of three additional Independent Non-Executive Directors as we sought to enhance the skill set of the Board, address areas of Code non-compliance and as part of succession planning. It conducted a skills audit of the current Board, matched against expected challenges and requirements, and engaged a specialist third party to assist with the search; focusing on candidates with a mixture of PLC Board, Remuneration Committee, technology, digital and financial skills and experience with it being stressed to the firm that the diversity of the Board, in all aspects, was an important consideration with these appointments. As a result of the recruitment process, Peter Pritchard and Sarah Venning were appointed as Non-Executive Directors on 1 October 2022 and 1 November 2022 respectively. We are continuing to assess whether any additional Non-Executive expertise would be beneficial to the Company.

Diversity and inclusion

The Board's diversity policy forms part of AO's Group-wide diversity and inclusion strategy, which seeks a workforce with a culture that truly accepts diversity of thought, equity and inclusion. The Board believes that diversity in its composition is an important part of its overall effectiveness and that a diverse Board with different perspectives, and those that reflect the Group's customer base, will enhance the quality of debate and decision making. The Directors consider that, although relatively small in number, its composition should aim to reflect diversity in its broadest sense including aspects such as diversity of skills, perspectives, industry experience, educational and professional background, gender, ethnicity and age. All these aspects are to be considered in determining the optimum composition of the Board and the Executive Committee to ensure an appropriate balance.

Nomination Committee Report continued

The Directors remain supportive of the recommendations in both the Hampton-Alexander Review on gender diversity and the Parker Review on ethnic diversity, together with the new Listing Rules' targets, and are committed to increasing female and ethnic representation on the Board and throughout the wider organisation, as they believe that the business should have a culture that truly accepts diversity of thought, equity and inclusion. In conducting its search for new Non-Executive Directors during the year, we specifically highlighted to our search partner that increasing the diversity of the Board, in all aspects, was an important consideration with these appointments. Consequently, they were asked to bring forward shortlists with a significant representation of female and ethnically diverse candidates and these candidates comprised all but one of the recent interviews conducted by our Chair and Non-Executive Directors. Most importantly, we will only appoint candidates who we judge can contribute strongly to the Board's experience and skill set. This will continue to be the Board's approach in making any new appointments.

Female representation on our Board is currently 25% (2022: 17%), and 27% at senior management level (which comprises our Executive Committee (none of whom are female) and their direct reports) (2022: 26%). Currently we have no ethnic diversity at any of these levels. Accordingly, we do not meet the diversity targets set out in the Listing Rules but, as covered above, this will remain an important consideration in future appointments.

The disclosure relating to gender diversity within the Company and further information on the work being undertaken across the Group to further diversify our workforce is included in the Sustainability: Fair, equal and responsible report on pages 68 to 75.

Board effectiveness

Pursuant to the recommendation set out in the Code, an externally facilitated review of the Board was considered in the previous financial year but as previously reported, it was determined that, given the pace at which the business was operating and the impact of Covid on the usual workings of the Board (such as reduced face-to-face meetings), an externally facilitated review should not be prioritised. It was therefore the Board's intention to conduct an externally facilitated review during the FY23 reporting period but, given the changing dynamics of the Board, wider business challenges and the recent appointments of two additional Non-Executive Directors, the Board again determined that this was not appropriate. An internal process of evaluating the performance of the Board, led by me, was instead undertaken. We will consider conducting an external review once the new Board composition has settled.

Further details of this year's internal review and its results can be found on page 92 of the corporate governance section. Overall, the evaluation indicated that the Board is working well and that there are no significant concerns about its effectiveness.

Assessment of independence and time commitments of the Non-Executive Directors

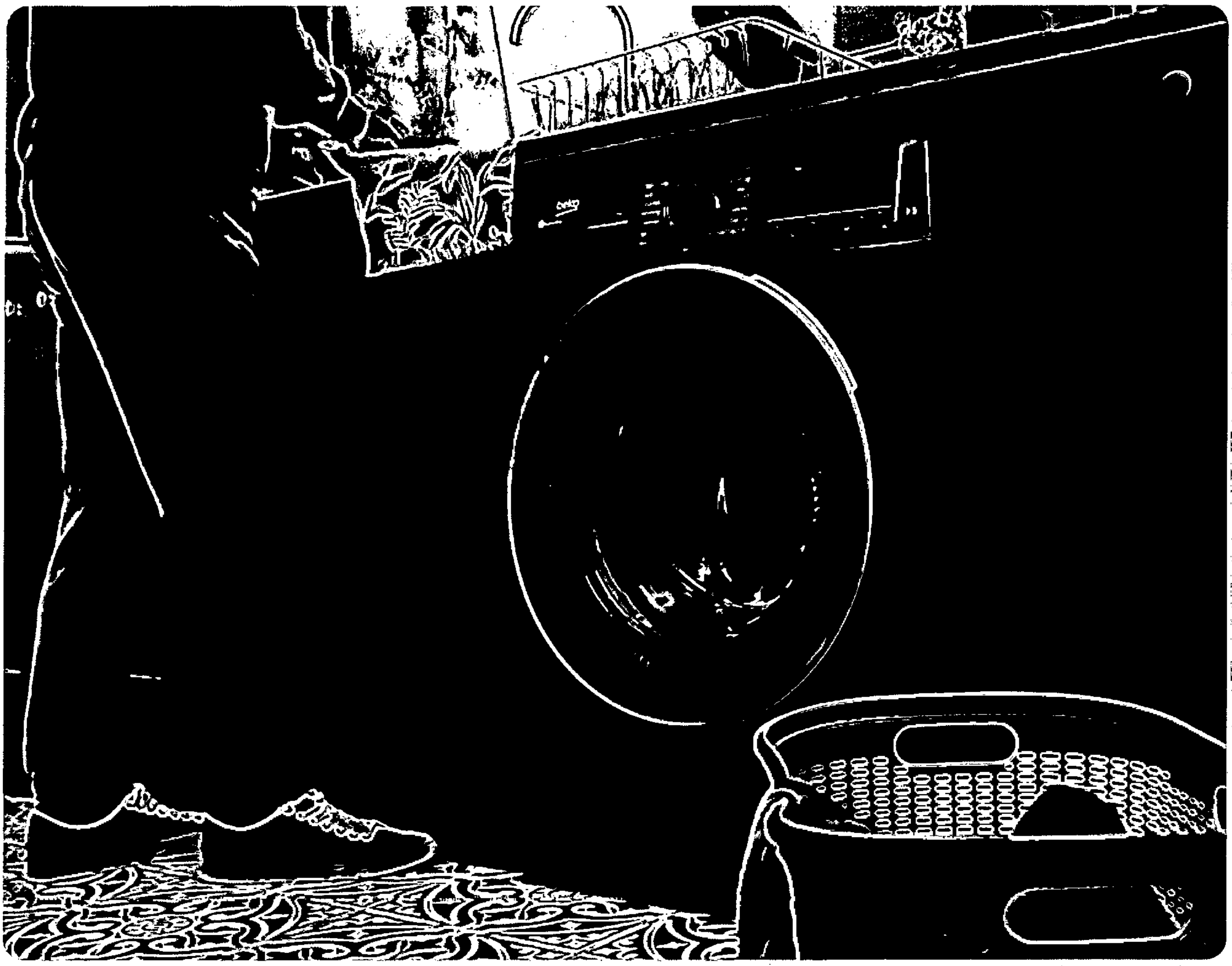
Following our assessment this year, the Nomination Committee is satisfied that, throughout the year, all Non-Executive Directors remained independent as to both character and judgement and in accordance with the Code, notwithstanding the tenure of Marisa Cassoni as covered above. This was with the exception of Chris Hopkinson who is designated as non-independent due to his tenure of appointment and historic involvement with the Company. However, the Committee remains confident that the continuity, experience and knowledge of Chris continued to make a significant contribution to the work of the Board over the reporting period.

Before appointing prospective Directors, the Board takes into account the other demands on the Directors' time and any significant time commitments are disclosed prior to appointment. The letters of appointment for the Chair and Non-Executive Directors set out their expected time commitments to the Group. Any additional external appointments following appointment to the Board require prior approval by the Board in accordance with the Code.

In its assessment of the effectiveness of the Board, the Committee gave consideration to the number of external appointments held by the Non-Executive Directors, including the time commitment required for each. No instances of over boarding were identified and the Nomination Committee confirms that all individual Directors have sufficient time to fulfil their responsibilities and are fully engaged with the Group's business. During the year, Shaun McCabe requested, and was granted approval from the Board, to accept an external directorship as Chief Financial Officer of boohoo group plc, stepping down as Chief Financial Officer of Trainline plc at the same time.

Reappointment of Directors

On the recommendation of the Nomination Committee and in line with the Code, all currently appointed Directors will retire at the 2023 AGM and offer themselves for reappointment, other than Marisa Cassoni who is expected to retire at the AGM. The biographical details of the current Directors can be found on pages 84 and 85. The Committee considers that the performance of the Directors standing for election and re-election continues to be effective and that they each demonstrate commitment to their role and devote sufficient time to attend Board and Committee meetings and any other duties.



The terms and conditions of appointment of Non-Executive Directors, including the expected time commitment, are available for inspection at the Company's registered office.

Looking ahead

Over the coming year, the Committee will be focused on the integration of the two new Independent Non-Executive Directors and the structure and composition of the Company's Committees, following the retirement of Marisa Cassoni at the AGM. Senior management succession planning and strengthening our senior talent pipeline will also remain under consideration, along with supporting the business as it continues to build on the work undertaken to build a more diverse and inclusive business.

Geoff Cooper
Chair, Nomination Committee
AO World PLC

4 July 2023

I would like to say a big thank you to the two guys who fitted it for me. Nothing was too much trouble and they were so polite and friendly. They took their time to explain things to me. I would highly recommend your company."

Lee

Audit Committee Report

Ensuring effective internal control and risk management, together with fair, balanced and understandable reporting."

On behalf of the Committee, I am pleased to present this year's Audit Committee Report for the year ended 31 March 2023. The report provides an overview of the Committee's role and how it has discharged its responsibilities in monitoring and reviewing the integrity of financial information and in ensuring appropriate challenge and oversight across the Company's internal control environment and financial reporting, setting out the significant issues we have reviewed and concluded on during the year.

Overview

Committee members and meetings attended

	Meetings eligible to attend
Marisa Cassoni	6/6
Shaun McCabe	6/6
Peter Pritchard*	3/3

* Peter Pritchard was appointed as an Independent Non-Executive Director of the Company and a member of the Audit Committee (and Remuneration Committee) on 1 October 2022.

Membership

- During the year, the Audit Committee comprised a minimum of two Independent Non-Executive Directors, including for half of the year* three Independent Non-Executive Directors.
- As required by the 2018 Code, both Shaun McCabe and I have recent and relevant financial experience and are Members of the Institute of Chartered Accounts in England and Wales, and so can provide appropriate challenge to management.
- The Committee, as a whole, has competence relevant to the sector in which it operates in line with the 2018 Code requirements. Detailed experience, skills and qualifications of all Committee members can be found on pages 84 and 85, and the Board has confirmed that it is satisfied that the Committee members have the appropriate range of financial, commercial and sectoral expertise and that it satisfies the 2018 Code requirements.

Key responsibilities and Terms of Reference

The responsibilities of the Committee are delegated by the Board and are set out in its written Terms of Reference, which are reviewed, updated as necessary and approved each year. A copy of the Terms of Reference is available on our corporate website ao-world.com (via the Board Committees page), or upon request from the Company Secretary.

Effectiveness of the Audit Committee

The effectiveness of the Committee is assessed annually and as part of the annual Board and Committee effectiveness review, further details of which are set out in the report on Corporate Governance on page 92. The review for the year to 31 March 2023 concluded that the Committee continued to operate effectively during the year.

Key work during the year

- Focused on financial reporting, to ensure the Annual Report and Accounts are fair, balanced and understandable.
- Reviewed interim results statements and financial results presentations, including going concern statements.
- Reviewed the effectiveness of external and internal audit processes and the effectiveness and appropriateness of our system of internal controls.
- Reviewed the quarterly internal audit reports together with management responses and reviewed the progress on required actions to improve the controls environment.
- Reviewed updates on the changing regulatory environment, in particular the UK Corporate Reform proposals concerning internal controls.

- Reviewed Internal Audit practices against IIA International Professional Practices standards.
- Recommended the reappointment of the External Auditor, terms of engagement and reviewed audit and non-audit fees.
- Reviewed the Group's risk management procedures.
- Reviewed the Group's whistleblowing and anti-bribery and fraud prevention procedures and controls.
- Reviewed the Group's finance function.

During the year, the Financial Reporting Council ("FRC") carried out a review of the Company's Annual Report and Accounts for the year ended 31 March 2022 in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. During its review, the FRC noted that the net assets of the Company at 31 March 2022 were less than half of its called-up share capital. Under section 656 of the Companies Act 2006 (the "Act"), this constitutes a "serious loss of capital". The Company was asked to explain what steps were taken to call a general meeting, as required by the Act, to consider steps to deal with the loss of capital. The Company described the actions it took to remedy the loss of capital by way of a share placing and offer completed in July 2022, which raised £40m before expenses. In view of the Company's remediation, the FRC has taken no further action on this matter. Other observations were made by the FRC in relation to enhancing certain disclosures which management and the Committee have considered and taken forward, as appropriate, in this year's Report.

In the FRC's correspondence it clarified that its review was based on the Annual Report and Accounts for the year ended 31 March 2022 and did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into. It was, however, conducted by staff of the FRC who had an understanding of the relevant legal and accounting framework. The FRC confirmed that it supports continuous improvement in the quality of corporate reporting and recognised that those with more detailed knowledge of the Company's business, including the Company's Audit Committee and independent auditors, may have recommendations for future improvement, consideration of which the FRC would encourage.

The FRC provided no assurance that the Annual Report and Accounts for the year ended 31 March 2022 were correct in all material respects; the FRC confirmed that its role was not to verify the information provided but to consider compliance with reporting requirements.

The FRC confirmed that its correspondence was written on the basis that the FRC (which includes its officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors or shareholders.

Assessment of the Group's internal controls and risk management

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls in the achievement of its objectives. Good internal controls also facilitate the effectiveness and efficiency of operations, help to ensure the reliability of internal and external reporting and assist in compliance with applicable laws and regulations. However, the system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

During the year, the Committee continued to oversee and review AO's internal financial controls and risk management processes, notably reviewing the actions identified by the External Auditor and the Internal Audit function to improve certain aspects of the Group's control environment.

Other key elements of the Group's risk management and internal controls systems, which have been reviewed by the Committee during the year, include: the Group's financial reporting and information systems; and information security and IT controls framework. Our Risk Management Committee operates separately (meeting bi-annually and attended by Executive Directors) sitting alongside the Audit Committee, and issues regular reports to the Audit Committee. In line with the 2018 Code, this year the Risk Management Committee has reviewed the Group's risk management processes and procedures. A separate report of the work of the Risk Management Committee, including the Group's risk management practices, its principal risks and its long-term viability, can be found in the risk section on pages 38 to 45.

Internal Audit

Through the Committee, the Group's Internal Audit function provides independent assurance to the Board on the effectiveness of the internal control framework through its dynamic audit plan which is aligned to the key risks of the business. The Head of Group Audit and Risk reports to me and, as a Committee, we are responsible for ensuring that the Internal Audit team has adequate skills and resource levels that are sufficient to provide the level of assurance required.

The Audit Committee receives reports from the Internal Audit functions on a quarterly basis. These reports, along with risk management updates, enable the Committee to discuss key findings, recommendations and any plans by management to address any areas of weakness, with management action tracked and reviewed as appropriate. Progress against the audit plans is also reviewed and any proposed amendments to the plans are approved by the Committee.

The Committee concluded, based on the information received over the year, that the system of internal control was appropriately monitored and managed.

The steps taken to simplify the business and become more efficient have had the effect of decreasing risk in some areas. However, due to the organisational structure changes and attrition, there are some risks, controls and processes that require clarification of ownership and responsibilities.

Our Group IT/Tech audits have continued to highlight some deficiencies in the control environment, particularly in terms of governance oversight and risk maturity. However, given that our Internal Audit proposition in this area has only been established for less than two years, these issues are being formally highlighted for the first time. We have noted a trajectory of improvement activity and expect to see improvements in the control environment as we start to revisit our initial audits in FY24.

From a thematic perspective, there have been recurring audit concerns raised regarding reliance on compensating manual controls, legacy systems and deficiencies at the second line of defence. These themes are consistent across the Group and not specific to a particular business area. The ability to improve in these areas has been restricted over the last couple of years by tough trading conditions. Critical areas have been highlighted by management as requiring change over the coming financial years, which is expected to also improve the clarity and ownership of processes and controls.

Internal Audit effectiveness review

We monitor and assess the role, effectiveness and independence of the Internal Audit function in the overall context of the Group's risk management systems annually.

Following last year's External Quality Assessment and this year's internal assessment, and when taken with its review of the annual plan and Internal Audit reports outlined above, the Committee confirms that it is satisfied that, throughout the reporting period, the Internal Audit function provided the level of assurance required and had an appropriate level of resources in order to carry out its responsibilities effectively and that it continues to do so. The necessary procedures are also in place to ensure the appropriate independence of the Internal Audit function.

Whistleblowing

The Group has established formal whistleblowing procedures by which all employees may, in confidence, raise concerns about possible improprieties in finance and other matters. Our whistleblowing policy sets out the ethical standards expected of everyone that works for and with us, and includes the procedures for raising concerns in strict confidence through two channels - email or voicemail. Both channels are manned by the Company Secretary and Head of Internal Audit to ensure independence. All investigations are carried out independently with findings reported to the Audit Committee and all significant matters reported directly to the Board.

The Audit Committee monitors and reviews the effectiveness of the Group's whistleblowing arrangements. Following its annual review of whistleblowing arrangements, the Committee is satisfied that they are effective, facilitate the proportionate and independent investigation of reported matters and allow appropriate follow-up action to take place. The Committee also reviewed the Group's anti-bribery and corruption and fraud prevention procedures and controls, and were satisfied that these were effective.

The Board has confirmed that, through the Audit Committee's review of the key financial and internal control matters for 2023 as detailed above, it has reviewed the effectiveness of the system of internal, financial, operational and compliance controls and risk management.

Review of financial statements and reporting

The Audit Committee is responsible for reviewing the appropriateness of and monitoring the financial reporting processes for the Group. This includes reviewing reports from the External Auditor, reports on internal controls, accounting and report matters, and management representation letters concerning accounting and reporting matters. The Committee reviews management's report on areas of significant amounts of judgement and estimation and considers if these correlate with the key audit risks identified by the External Auditor and the comments of the External Auditor on management's chosen approach. The Committee also considers the accounting policies and practices adopted by the Group, the application of the applicable reporting standards, compliance with governance frameworks and the presentation and disclosure of financial information.

Fair, balanced and understandable

The Directors are responsible for preparing the Annual Report and Accounts and, at the request of the Board, we have considered whether the Annual Report and Accounts for the year ended 31 March 2023 when taken as a whole, are fair, balanced and understandable and whether they provided the information necessary for members to assess the Group's position, performance, business model and strategy.

Following the Committee's review, we were pleased to provide assurance to the Board that the Annual Report and Accounts for the year ended 31 March 2023 are fair, balanced and understandable and that the Directors have provided the necessary information for our shareholders to assess the Company's position, prospects, business model and strategy. This was confirmed to the Board, whose statement in this regard, is set out on page 135 of the Directors' Report.

Significant financial statement reporting issues

In reviewing the financial statements with management and the External Auditor, the Audit Committee reviewed and discussed reports from management on accounting policies, current accounting issues and the key judgements and estimates in relation to this Annual Report. It assessed whether suitable accounting policies had been adopted and the reasonableness of the judgements and estimates that had been made by management. The following table highlights the most significant issues, judgements, estimates and policies for the Period in the opinion of the Audit Committee.

Significant financial matters	
Revenue recognition and contract asset recoverability in respect of product protection plans	The Company sells product protection plans to customers purchasing electrical appliances, as agent, for Domestic & General, who administer the plans, collect money from the customers and pay a commission to the Company for each plan sold. Commission for sales of product protection plans, for which the Group acts as an agent, are included within revenue and as a contract asset based on the estimated value of future commissions receivable over the life of the product protection plan. Revenue is recognised at the point of sale on the basis that the Group has fulfilled its obligations to the customer in line with accounting standards relating to revenue recognition. The calculation takes into consideration the anticipated length of the plan, the historical rate of customer attrition and any other matters which could affect future attrition and is discounted to reflect the time value of money but also risks around the recoverability of the receivable balance attributable to the product protection plans. In line with normal practice, management has reassessed all the key estimates, assumptions and judgements used in recognising revenue (which are set out in Notes 4 and 22). It has prepared a detailed paper setting out the results of this reassessment. The Committee has reviewed the assumptions, judgements and estimates used in this area by management and, following appropriate challenge, we consider the policy and practice appropriate.
Revenue recognition and contract asset recoverability in our Mobile business	The Group's Mobile business receives commission from the Mobile Network Operators. The network commission revenue is based on the value of commissions due over the expected life of the network contract. As this requires subjective estimates, the future outcomes of these estimates could be different which would affect the amount of revenue recognised. Management reassesses the judgements and estimates used on a half-yearly basis taking into account any changes in customer behaviour particularly with regard to cancellations. Changes in contractual entitlement, particularly with regard to significant CPI/RPI increases invoked by the Mobile Network Operators has resulted in management reassessing the estimates and judgements used in quantifying revenue and in particular the amount of variable consideration which should be constrained. Management has prepared a detailed paper setting out the key assumptions used in recognising revenue (which are set out in Notes 4 and 22. The Committee has reviewed the judgements and estimates made in this area by management and, following appropriate challenge, we consider the policy and practice appropriate.
AO Mobile – carrying value of goodwill and intangible assets	On the acquisition of Mobile Phones Direct Limited (since renamed AO Mobile Limited) in December 2018, the Group recognised goodwill and intangible assets which at 31 March 2023 had a carrying value of £23.5m. The carrying value is assessed by performing a value-in-use calculation at each balance sheet date based on a discounted cash flow using the Company's three-year plan as a base. Sensitivity analysis is performed against the base case predominantly in relation to forecast revenue and EBITDA growth. Should performance and the assumptions made by management not be in line with expectations, there is a risk that the carrying value could be impaired. At 31 March 2023, the amount of headroom above the carrying value was £11.9m. Note 16 to the Annual Report and Accounts sets out the key assumptions used in the value-in-use calculation in addition to the impact of a change in these assumptions on the amount of headroom. The management team has prepared a detailed paper setting out the key assumptions, estimates and judgements in this area and the sensitivities applied to the base case. The Committee has reviewed the estimates and judgements made in this area by management and, after due challenge and debate, was content with the assumptions made, the judgements applied, and the sensitivity analysis undertaken.

Going concern and viability assessments

The Committee reviewed the Group's going concern and viability statements as set out on page 45. It considered the reports prepared by management in support of such statements and obtained the External Auditor's views on the work undertaken by management to assess the Group's resilience to its principal risks under various scenarios. The Committee was satisfied that the viability statement set out in the Strategic Report presented a reasonable outlook for the Group to March 2026 and recommended to the Board the adoption of both the going concern and viability statements for inclusion in this report.

External audit

The Audit Committee has primary responsibility for leading the process for selecting the External Auditor and overseeing the relationship and performance. It is required to make appropriate recommendations on the appointment, reappointment and removal of the External Auditor, through the Board, to the shareholders to consider at the Company's AGM. It is also required to assess the independence of the External Auditor on an ongoing basis and to negotiate the terms of engagement, audit fee and to ensure that they have an appropriate audit plan in place. Following approval by shareholders at the AGM held on 28 September 2022, KPMG LLP was reappointed as AO's External Auditor for the financial year ended 31 March 2023. The External Auditor was not asked to look at any specific areas by the Audit Committee during the review period.

Review of effectiveness of external audit process

A key responsibility of the Committee is to review and monitor the effectiveness of the external audit process and independence of the External Auditor. The assessment of the audit effectiveness for the year ended 31 March 2022 was undertaken at the completion of that audit as part of an ongoing process of review throughout the year.

In conducting its review, the Committee had regard to:

- openness of communication between the External Auditor and senior management;
- any risks to audit quality that the External Auditor identifies;
- the key controls that the External Auditor relied on to address any identified risk to audit quality such as appropriate audit methodologies;
- the findings from internal and external inspections of the external audit and audit firm;
- whether the original audit plan was met;
- the reports that are brought to the Committee by the lead audit engagement partner and other senior members of the audit team;
- the quality of the management responses to audit queries;
- the skills and experience of the audit team including whether, in the opinion of the Committee, the External Auditor demonstrated sound understanding of the business;
- whether an appropriate degree of challenge and professional scepticism was applied by the External Auditor through its meetings with management; and
- a review of the independence and objectivity of the audit firm and also the quality of the formal audit report given by the Auditor to shareholders.

The assessment process is based on open and honest dialogue with the External Auditor. The Committee sought assurance from KPMG at the half-year review and year-end audit planning meetings on the approach to the audit, an explanation of their understanding of the Group's significant risks to audit quality and the level of their understanding of the business, its industry and related risk. Further, the Committee held discussions with the External Auditor at various stages during the year to discuss their remit and any issues arising from their work that helped to ensure that the audit remained on track and that the deliverables would be achieved.

Based on the above, the Committee was satisfied that KPMG delivered a robust and quality audit with the appropriate resources available to the Company, suitable focus was placed on the significant risk areas and key areas of accounting judgement and that they provided effective challenge to management. We therefore concluded that the relationship with the External Auditor continued to work well and we are satisfied with their effectiveness and independence.

An inspection of the External Auditor's audit of the Company for the year ended 31 March 2022 was undertaken following completion of that audit by the Financial Reporting Council's ("FRC") Audit Quality Review ("AQR") team. The inspection of individual audit engagements by the FRC's AQR team is intended to contribute to safeguarding and promoting improvement in the overall quality of auditing in the UK. The inspection covered selected aspects of the audit only, including: the financial statements audit, the quality of communication with the Committee and certain matters relating to planning, completion, ethics and quality control. The Committee and KPMG LLP have disucssed the review findings and KPMG LLP have confirmed that it has captured all of the actions taken to incorporate identified areas for improvement into its audit plan for the year ended 31 March 2023.

External audit partner rotation

On behalf of the Board, the Committee oversees the relationship with the External Auditor. KPMG was appointed as Auditor to the Company in July 2016 for the financial year ended 31 March 2017, and was reappointed at the 2022 AGM. David Neale replaced the incumbent Audit Partner in September 2020 and has led the audit for the years ending 31 March 2021, 2022 and 2023.

External audit tenure

In accordance with requirements set out within the Competition and Markets Authority's regulations (the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014) (the "CMA Order") and the UK Corporate Governance Code, published in July 2018, the Committee is required to retender the external audit contract by no later than the 2027 year-end audit, this being ten years since appointment. Under the CMA Order, when an incumbent Auditor has been in office for five consecutive years, the Company is required to explain when it plans to conduct a new tender process and the reasons why completing it in that year is in the best interests of the Company's members.

The Committee has assessed the quality, effectiveness and continuity of the relationship with KPMG as the Group's current External Auditor, and has recommended to the Board that it is in the best interests of the Group and shareholders to tender the audit contract by a date no later than that stipulated by the current regulations, being for the 2027 year-end audit, subject to the annual assessment of the effectiveness and independence of the External Auditor carried out by the Committee.

Reappointment of External Auditor for the 2024 financial year

Through open and honest dialogue with the External Auditor, as well as feedback received from the CFO and senior management, the Committee is satisfied with the objectivity and independence of the External Auditor. The Committee is also satisfied that KPMG continues to perform its audit work to a high standard and with robust challenge. On this basis, the Committee has recommended to the Board that KPMG be reappointed at the 2023 AGM.

Statement of compliance with the Competition and Markets Authority ("CMA") Order

The Company confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), including with respect to the Audit Committee's responsibilities for agreeing the audit scope and fees and authorising non-audit services.

Non-audit services

There are policies and procedures in place in relation to the provision of non-audit services by the External Auditor. The Company's general policy is not to use the appointed External Auditor for any non-audit services. However, the Committee recognises that it may be appropriate to use the External Auditor to provide specialist advice where, as a result of their position as Auditor, they either must, or are best placed to, perform the work in question as a result of their position, subject always to audit rules surrounding prohibited non-audit services. In such ad hoc occurrences, the Group's policy ensures that: there is adequate protection of their independence and objectivity, any such use requires approval by the Audit Committee; any non-audit services must fall within the limits specified by legislation of not more than 70% of the average audit fee over a consecutive three-year period, and various services are wholly prohibited, including tax, legal, valuation and payroll service. Further, the External Auditor is not permitted to perform any work, which they may later be required to audit, or which might affect their objectivity and independence or create a conflict of interest.

During the year, KPMG undertook non-audit-related assignments relating to the review of the Group's half-year report amounting to £89,700 (2022: £75,000) and £nil (2022: £5,000) in relation to agreed-upon procedures in relation to the Group's covenant reporting pack, and representing c.11% of the value of the Group audit fee (2022: c.9%). This assignment was conducted in accordance with the Group's policy and was consistent with the professional and ethical standards expected of the External Auditor, and the Committee considers that the assurance provided by the Auditor on this item is considered necessary in the interests of the Group. The Audit Committee was satisfied with work performed and considered the level of these fees against the fees paid to KPMG for audit services determining that they are not material relative to the income of the external audit as a whole, and therefore did not conflict with KPMG's objectivity and independence.

Audit Committee Report continued

The Group has also continued with the appointment of other accountancy firms to provide certain non-audit services to the Group, for example, in connection with tax advisory services, remuneration advice and debt advice, and anticipates that this will continue during the year ending 31 March 2024.

External Auditor fees

During the financial year, the Group External Auditor's fees were £0.8m (2022: £0.8m). The Audit Committee was satisfied that the level of audit fees payable in respect of the audit services provided was appropriate and that an effective audit could be conducted for such a fee.

Details of the fees paid to the External Auditor for audit and non-audit services are set out in Note 9 to the consolidated financial statements.

Independence and objectivity

The Audit Committee monitors and assesses the independence and objectivity of the External Auditor, including the evaluation of potential threats to independence and the safeguards in place to mitigate these. The Committee considered there were no relationships between the External Auditor and the Group that could adversely affect its independence and objectivity. The External Auditor reported to the Committee that it had considered its independence in relation to the audit and confirmed that it complies with UK regulatory and professional requirements and that its objectivity is not compromised. The Committee also considered the tenure of the External Auditor, the Auditor's own processes for maintaining independence and the nature and amount of non-audit work undertaken by the Auditor. The Audit Committee took these factors into account in considering the External Auditor's independence and concluded that KPMG remained independent and objective in relation to the audit.

Priorities for year ending 31 March 2024

A forward agenda will be used for the coming year's activities focused around the review of the annual financial statements, the results of the external annual audit and interim reviews, and internal audit quarterly updates and the external audit plan, review of risk management reports, review of internal audit plans and findings and recommendations.

The work of the Committee will continue to focus on overseeing management's preparations for the UK Corporate Reforms. The Committee will also seek to undertake a full appraisal of the effectiveness of the Group's risk management process and procedures.

Marisa Cassoni
Chair, Audit Committee
AO World PLC

4 July 2023

"The delivery personnel were very friendly, very smiley, they were helpful with tips or when we installed our appliances and kept us in the loop with the delivery. Would happily use AO again due to the pleasant experience with the delivery drivers."

Christopher

Directors' Remuneration Report

Shaun McCabe
Interim Chair, Remuneration Committee

"Ensuring a reward strategy that supports short and long-term sustainable performance."

This section sets out the Company's Directors' Remuneration Report. The report is structured as follows:

- The annual statement from the Chair of the Remuneration Committee
- The Directors' remuneration policy (which received shareholder approval at the 2022 AGM)
- The Annual Report on Remuneration for FY23 (which will be subject to an advisory vote at the 2023 AGM)

FY23 highlights

Highlights of the work of the Remuneration Committee in FY23 and to the date of this report:

- Considered the restructuring of and implementation of the Value Creation Plan 2022 (VCP22) which was approved at the 2022 AGM.
- Introduced a flexible benefits scheme for our Executives and leadership team.
- Reviewed the effectiveness of the Directors' remuneration policy and considered the latest guidance on Executive compensation.
- Determined the levels of vesting for the AO Incentive Plan FY23 Award.
- Determined the shares to be released pursuant to the AO Incentive Plan FY20 Award.
- Considered pay levels for the wider workforce in light of the cost of living crisis in the UK.
- Determined the remuneration for FY24 for our Executive Directors and certain senior management.
- Set the performance conditions for the AO Incentive Plan FY24 Award.
- Reviewed the Company's gender pay gap report and recommended actions.

Annual Statement by the Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for our financial year ended 31 March 2023 (FY23).

Looking back

Our Executive Board performed strongly throughout the year, delivering on the strategy pivot to turn the Group into a cash generative business focused on profitable growth, whilst successfully completing a capital raise and renewing the Group's revolving credit facility, putting the business on a strong financial footing. UK Adjusted EBITDA for the year was c.£45m (FY22 £22.5m) with adjusted profit before tax (PBT) of £12.1m (FY22 loss before tax £10.5m), vastly improving on the prior period. There has been good strategic progress as we focused on the UK business, continuing to build our customer proposition and digital capabilities whilst simplifying and joining up the remaining business areas better than ever before. This performance is reflected in the remuneration earned by our Executives, for which a high proportion is performance-related variable pay, as per our policy.

AOIP Award FY23

In terms of variable pay, the Executives were granted AOIP FY23 Awards where the performance conditions were set along three sets of deliverables:

1. Financial (output) metrics, focused on profit before tax and liquidity headroom (30% weighting each);
2. A strategic transformation measure, specifically aimed at transforming the strategy of the business (away from international top line growth to a more simplified UK-only business focused on profitable growth) (20% weighting); and
3. Stakeholder impact measures, focusing on customers and employees (10% weighting each).

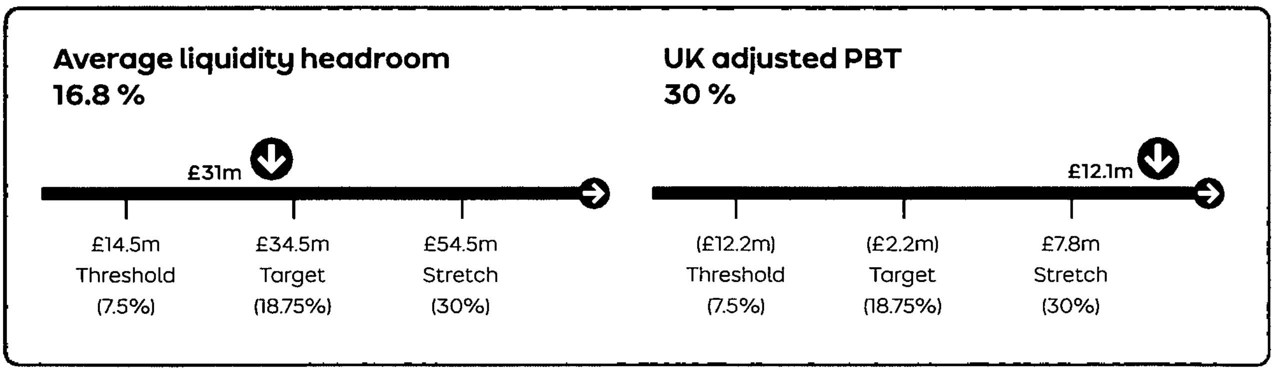
The financial performance is detailed above and earlier in this report. The charts below shows the threshold, target and stretch levels for performance and the results against these, with the vesting levels set out respectively.

In relation to the strategic transformation measure, given the excellent progress made in the pivot in strategy to focus on a more simplified profitable and cash generative UK business and resulting performance both financially and operationally, the Committee judged that it was appropriate that the full amount pertaining to this metric, i.e. 20%, be awarded.

Customer satisfaction, measured via NPS, has remained strong over the year, averaging in excess of 80 across our ao.com and mobilephonesdirect.co.uk platforms which is considered "Excellent". This score is market leading and an excellent achievement by the team during challenging and difficult consumer markets and with some of the structural and policy changes made by the team as they focus on profitable sales. Accordingly, the Committee has determined that this performance condition has been met in full.

The employee NPS score has been mixed over the year falling to -11 in the first half of the year but improving to +1 in the second half. This is unsurprising as we continued to right-size the business to reduce the infrastructure and supporting teams that we had invested in to capitalise on the rapid growth initially presented by Covid and also in light of our economic situation (which culminated in our capital raise in summer last year). Such overhead reduction drove concerns around job security impacting employee morale, with the macroeconomic uncertainty and the cost of living crisis adding further pressure. The pivot on strategy has also been a huge change for our people who historically have been laser-focused on top line growth. Whilst we are not pleased with the average score of -5, it is understandable in the circumstances, and it is pleasing that the more recent result has improved above 0, falling within the "Good" range. More still, we are encouraged by a "happiness" score of 7.3/10 (which measures "How happy are you working for AO?" whereas ENPS measures "How likely is it that you would recommend AO as a place to work?"). In the round, the Committee considers that, despite the average score of -5 being below the threshold target, the Group's performance in this area has been strong and merits some level of payout. This is in the context of the strategy pivot undertaken in the year - whilst being the right decision for the long-term future of the business, given the nature of the changes being made, the implementation of the strategy pivot adversely impacted employee satisfaction and therefore NPS scores (as expected). The Committee considers that the Executive Directors performed strongly with regards to reaffirming AO's culture and values and boosting morale during uncertain times for parts of the business. Accordingly, the Committee has exercised its discretion and determined that threshold performance (25% of this element) has been met. The Board believes that our culture and our people are what help make AO stand apart. Rebuilding this culture - which has suffered from our more remote working practices during Covid restrictions - remains a key priority for us as we move forward.

In total, the Committee has awarded 79.3% of the maximum AO Incentive Plan Award, which we feel is a fair reflection of the progress made in pivoting the strategy and business operations during the year, our customer impact and the hard work and dedication shown by the Executives and the team over the year. The award value will be settled as to one-third in cash and two-thirds as a nil-cost option over shares to vest in 2026 (subject to the performance underpin and continued employment). Nil-cost options will also be subject to a further one-year holding period following vesting.



Full details of the cash amount to be paid and share awards to be issued to our Executive Directors under the AO Incentive FY23 Award are disclosed on page 122.

The Committee deems that the payout levels over the past years show the AOIP functioning as intended, with the level of payout this year reflecting the Company's turnaround performance.

AOIP FY20 Award – release of conditional deferred shares

Each of John Roberts and Mark Higgins were granted a conditional deferred share award pursuant to the FY20 AOIP Award which had a deferral period spanning FY21 to FY23 inclusive and which, at the point of grant, had a value of £430,199 and £325,040 respectively. These awards were subject to a performance underpin based on overall business performance (both operational and strategic) over the vesting period, which was assessed by the Committee following the end of FY23. The Remuneration Committee has deemed that the performance underpin has been met in full given the transformational progress achieved over the period and accordingly the share award should vest in full. The conditional awards have been amended to nil-cost options and accordingly nil-cost options over 284,900 and 215,258 shares for John and Mark will vest in July 2023.

Pension and benefits

During FY23 we introduced a flexible benefits regime for the Executives and our leadership team, replacing the provision of their current pension of non-monetary benefits with a fixed amount (which equated to 13% and 15% of salary for the CEO and CFO respectively) which can be used to acquire benefits as they see fit. Through this mechanism, leaders can choose the level of their pension contributions. The flexible benefits programme is intended to be rolled out to all management levels during FY24.

The Annual Report on Remuneration (set out on pages 120 to 129) describes further details on the remuneration earned by our Executives and the wider Board and how the policy approved at the 2022 AGM has been implemented in the year under review. It will be the subject of an advisory vote at the forthcoming AGM.

Value Creation Plan

During the year, we restructured our all-employee AO Value Creation Plan ("VCP") to reflect the strategy pivot. The plan still targets sustained profitable high growth measured by the resulting creation of sustained shareholder value but the entry point was reset to ensure it met its aims of incentivising and retaining our people.

In designing the original VCP, the Committee was mindful of potential inherent risks, and incorporated a number of safeguards within the plan design. Those included a phased vesting schedule over three years to drive long-term sustainable performance, a dilution cap, a cap on individual awards of £20m for the Executive Directors, a robust recovery mechanism (malus and clawback), and broad discretionary Committee authority for overriding the formulaic outcome if the Committee considers that it would not be reflective of the overall performance of the business over the period. These features have been retained in the VCP22.

However, in order to fully incentivise and reward employees from the current share price, the VCP22 will begin funding at a share price of £1. In recognition of the reduced threshold target, the funding rate of the scheme has been significantly reduced from 10% of the value created above the threshold to 5.5%. The plan would cease funding on achievement of a £10.43 share price. For any payments to be made under the plan, our share price will need to increase by more than two-fold from last summer's placing price of £0.43 and would represent a c.18% compound annual growth rate from that share price over a five-year period (with a compound annual growth rate over a five-year period of c.89% for the plan to pay out in full).

The Committee consulted with shareholders and we were pleased that the VCP22 was approved by shareholders at the 2022 AGM with a favourable vote of 88.9%. Since this approval our Executives have run workshops for all our employees on what the VCP22 means for them; it has started to prove powerful in engaging the broad employee population effectively on a common stretching path, creating understanding of value creation drivers, market mechanics, clarity in understanding and steering progress and immense pride of being one team. We would like to thank shareholders for their engagement and support.

Looking forward

As we look to FY24 and beyond, we have reviewed our remuneration policy and its effectiveness, considered corporate governance requirements and also had regard to the cost of living crisis.

Pay for sustainable performance; our remuneration policy

Our remuneration policy was approved by shareholders in September 2022 and has been in force throughout the year. The Committee has determined it continues to support sustained value creation and performance steering along our goals and stretching targets. The single incentive plan (the AOIP) which allows the Committee to refresh targets each year, aligns effectively with AO's strategy of working towards annual milestones to deliver long-term performance, allowing the Company to remain agile and respond to a rapidly changing market, whilst ensuring that both performance measures and targets align with our evolving business strategy.

The Committee continues to believe that the AOIP works well with the VCP22 to drive short, medium and long-term sustainable performance and ensure that the interests of Executives are aligned to that of shareholders.

UK Corporate Governance Code

When making decisions relating to remuneration, the Committee is mindful of the guidance in the UK Corporate Governance Code around clarity, simplicity, risk, predictability, proportionality, and alignment to culture. As detailed in this report, various steps have been taken to ensure that the approach to remuneration is consistent with these principles, although we will always consider the use of discretion to deliver the right outcome for the business where we deem that appropriate.

Cost of living crisis

Recognising the national cost of living challenge, we looked at how we could support our employees, particularly those at lower work levels. A mid-year salary increase for our call centre employees was granted in November and a further increase made in April's pay review, alongside introducing a skills-based pay structure, with the opportunity to earn up to £31,000 per annum within 18 months for developing into top performers. In our logistics operations we have increased salaries at a minimum rate of 4% with some roles seeing increases of more than double that. We have made a further cost of living payment of £1000 to those earning £26,000 or less (in addition to the annual increase).

Approach to remuneration for FY24

Executives

The Remuneration Committee has awarded pay increases to Executives of 4%, in line with the lowest rate of increase awarded to the wider workforce, but below the average increase of c.6%, recognising the ongoing cost of living crisis which disproportionately impacts our lower-paid employees. As noted above, a flexible benefits scheme has been introduced for our Executives.

In terms of variable pay, the Executives will be entitled to participate in the AOIP.

We have continued to set the performance conditions along three sets of deliverables:

1. Financial (output) metrics, focused on profit before tax and liquidity headroom (70% weighting);
2. A strategic measure, tied to delivering a new strategic plan with first steps of execution on UK growth drivers (10% weighting); and
3. Stakeholder impact measures, focusing on customers and employees (20% weighting - 10% each).

Given the progress made in delivering the strategy pivot over FY23, the Committee is of the view that the proportion of the AOIP based on financial performance should be increased to 70% for FY24 (from 60% in FY23). Of this, 50% will be based on PBT, with the remaining 20% based on liquidity headroom. The increased focus on PBT relative to liquidity headroom for FY24 reflects the progress made on delivering the strategy and the focus on turning AO into a cash generative business focused on profitable growth.

We continue to recognise the importance of ESG and in the context of remuneration have set "stakeholder" measures encompassing customers and employees which are aimed at ensuring the goodwill of the business and driving long-term sustainability.

The Committee believes these measures provide the appropriate balance, continuing to drive transformation, recognising the importance of key stakeholders, and output measures that should drive the creation of shareholder value.

Non-Executives

Fees for the Non-Executive Directors (including the Chair) were reviewed during the year and benchmarked against peers. It was determined (by the Executives in consultation with the Chair) that the NED base fee should be increased by £2,000 per year (an increase of 3.6%, below the average awarded to the wider workforce), with the fee for chairing the Remuneration Committee reducing from £20,000 to £15,000 per annum to align with the fee for the Audit Committee Chair role.

Further details regarding the implementation of our policy in the year ahead are provided on pages 126 to 129.

Employees

As set out in the Corporate Governance Report, Chris Hopkinson, our designated People Champion, has headed up engagement with the workforce generally and looked at areas of pay through survey feedback and Voice to the Board sessions.

We plan to continue engaging with employees to ensure both transparency of remuneration, and that employee views are taken into account when setting and determining Executive remuneration in the year ahead.

I trust this sets out clearly how the Committee has implemented the existing policy during FY23, the key features of the policy and how we propose to implement it in FY24.

If shareholders wish to discuss any aspects of this report, please contact me through the Company secretarial team at cosec@ao.com.

Shaun McCabe
Interim Chair, Remuneration Committee
AO World PLC

4 July 2023

Policy report

This part of the Directors' Remuneration Report sets out the Directors' remuneration policy for the Company (the "Policy") and has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the UKLA's Listing Rules. The Policy has been developed taking into account the principles of the UK Corporate Governance Code (the "Code") as it currently applies.

The Policy was put to a binding shareholder vote at the 2022 AGM and received support from in excess of 88% of the votes cast (with the separate vote on the Value Creation Plan also receiving in excess of 88% of votes cast in favour).

Whilst it is intended that the Policy will apply for three years following approval, the Policy will be kept under review on an annual basis.

Role of the Committee in setting the Policy

The Committee is responsible for determining, on behalf of the Board, the Company's Policy on the remuneration of the Executive Directors, the Chair and other senior Executives of the Group.

The Committee's overarching aims in setting the Policy are: to attract, retain and motivate high-calibre senior management for sustained contribution and to focus them on the delivery of the Group's strategic and business objectives; to promote a strong winning and customer orientated culture that builds on accountability of results; to incentivise profitable growth and innovation; and to align the interests of Executive Directors with those of shareholders and stakeholders. In promoting these objectives, the Committee aims to ensure that Executives are paid fairly. It has set a policy framework that is structured so as to adhere to the principles of good corporate governance and appropriate risk management. The Committee also recognises the importance of promoting a strong "collegiate culture"; this is reflected in the approach to setting pay across the whole senior management population as a team, and to overall principles for remuneration and benefits for the overall employee population of AO.

Executive Directors are invited to attend Remuneration Committee meetings when it is considering and developing policy to ascertain their views, particularly given application of the policy beyond Executives. However, the Executives do not vote on and do not attend parts of the meeting where their specific compensation is being considered and approved.

As mentioned previously, following a review of the remuneration policy in the context of the remuneration landscape, taking into account our evolving strategy and stakeholder views, we believe that it is operating effectively and closely aligns to our strategy and so we are not proposing any changes to the Policy or its operation. Input was received from the Chair and management whilst ensuring that conflicts of interest were suitably mitigated. The Committee also considered carefully corporate governance developments.

The Committee's Terms of Reference are available on the Company's website at ao-world.com.

How the views of shareholders are taken into account

The Committee understands that constructive dialogue with shareholders plays a key role in informing the development of a successful remuneration policy, values this dialogue as a source of exchange and learning, and we regularly seek to actively engage with shareholders in these matters. The Committee will continue to consider any further shareholder feedback throughout the year and further in relation to the AGM each year. Any such feedback, plus any additional feedback received from time to time, will be considered as part of the Company's annual review of the Policy.

In addition, when it is proposed that any material changes are to be made to the Policy, the Committee Chair will consult with major shareholders of these in advance and will ensure that there is opportunity for discussion, in order that any views can be properly reflected in the Policy formulation process.

Consideration of employment conditions elsewhere in the Group

When designing the Policy for Executive Directors, the Committee takes into account the overall approach to reward for, and the pay, benefits and employment conditions of, other employees in the Group. This process ensures that any increase to the pay of Executive Directors is set in an appropriate context and is appropriate relative to increases proposed for other employees, ensuring our reward philosophy is consistently and fairly applied. The Committee is also provided with periodic updates on employee remuneration practices and trends across the Group.

During FY23 we introduced a flexible benefits regime for the Executive and our leadership team. Through this mechanism leaders can choose the level of their pension contributions.

Consideration of the impact of remuneration on risk

The Committee is committed to keeping the balance between reward and risk under review to ensure the Policy is aligned appropriately with the risk appetite of the Company. The Committee had conducted this assessment and remains satisfied that the proposed Policy is appropriately aligned with the risk profile of the Company and that the remuneration arrangements, whilst rewarding entrepreneurial spirit and innovation, do not encourage excessive risk taking.

Summary of our remuneration policy

The table below provides a summary of the key aspects of the Policy for Executive Directors.

Element	Base salary	Pension	Other benefits
Purpose and link to strategy	• To aid the recruitment and retention of high-calibre Executive Directors with the expertise and experience to deliver the Company's strategy • To reflect individual experience and expertise • To provide a fair and appropriate level of fixed basic income	• To provide an externally competitive benefit whilst remaining internally consistent with percentages of contributions • To provide an appropriate level of percentage of in-service fixed income in retirement	• To provide a competitive benefits package to aid recruitment and retention of high-calibre Executive Directors with the expertise and experience to deliver the Company's strategy
Operation	• Normally reviewed annually, with any increase normally effective on 1 April (increases may be awarded at different times if considered appropriate by the Committee) • Set initially at a level required to recruit suitable Executive Directors, reflecting their experience and expertise and in context of other comparable positions • Any subsequent increase determined by the Committee may be influenced by (a) the scope of the role; (b) experience and personal performance in the role; (c) average change in total workforce salary; (d) performance of the Company; (e) any changes in the size and complexity of the organisation; (f) any changes in market practice; and (g) external economic conditions, such as inflation • Periodic account of practice in comparable companies (e.g. those of a similar size and complexity) may be taken by the Committee	• Executive Directors may receive an employer's pension contribution and/or a cash payment in lieu of pension	• Directors are entitled to benefits, including a car allowance or company car, private family medical cover, death in service, life assurance and other Group-wide benefits offered by the Company. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with HMRC guidelines currently prevailing (where relevant), on the same basis as for other eligible employees • In certain circumstances, the Committee may also approve additional allowances relating to relocation of an Executive Director or other expatriate benefits (including tax thereon) required to perform the role • The Committee may provide other employee benefits to Executive Directors on broadly similar terms to the wider workforce • The Committee has the ability to reimburse reasonable business-related expenses and any tax thereon
Maximum opportunity	• Whilst no monetary maximum has been set, annual increases will generally be linked to those of the average of the wider workforce • Increases beyond those awarded to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances, such as where there is a change in responsibility or experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group and where this has also been applied to other employees in similar circumstances • The Committee retains the flexibility to set the salary of a new hire at a discount to the market initially, and implement a series of planned increases over the subsequent few years, potentially higher than for the wider workforce, in order to bring the salary to the desired position, subject to Group and/or individual performance	• Employer's defined contribution and/or cash supplement of up to the rate received by others in the business	• As the value of benefits may vary from year to year depending on the cost to the Company and the Executive Director's individual circumstances, no monetary maximum has been set • The Committee has discretion to approve a higher cost in exceptional circumstances (such as relocation), or where factors outside of the Committee's control have changed materially (such as increases in insurance premiums)
Framework used to assess performance	• The Committee reviews the salaries of Executive Directors each year taking due account of all the factors described in how the salary policy operates	N/A	N/A

AO incentive plan	Value Creation Plan ("VCP")
• To reward the delivery of annual objectives relating to the business strategy • Through significant deferral into the Company's shares to align the long-term interests of Executive Directors with those of shareholders	• To retain and motivate all of our employees and drive exceptional value creation over the long term
• The vesting of awards will be subject to the satisfaction of performance conditions set by the Committee and measured over a performance period • The performance period will be of at least one year and will normally be one financial year of the Company • Upon completion of the performance period, the Committee will deliver a portion of the award in cash and defer the remaining portion into an award of shares • No more than one-third of the total award will be delivered in cash • Deferred share awards will normally be subject to additional performance underpin conditions measured over a period of at least three years running from the end of the performance period • Normally 62.5% of maximum is payable for target levels of performance with 25% normally paying for threshold levels of performance. • Following the vesting of deferred shares awards, Executives will normally be required to hold the awards for one further year, bringing the overall period to five years. The shares held may be net of tax if determined by the Committee • Awards are not pensionable • Awards are subject to recovery provisions that enable the Committee to withhold or recover the value of awards within five years of the grant date where there has been a material misstatement of accounts, an error in assessing any applicable performance condition or employee misconduct, a material failure of risk management, serious reputational damage; a material corporate failure or any other circumstances that the Board in its discretion considers to be similar in their nature or effect	• A conditional share award over ordinary shares in the Company with a value equal to the units in the award. The value of the units will depend on the plan value on the relevant measurement dates • The plan will be funded based on the creation of shareholder value above share price hurdles as determined by the Committee. The plan will cease funding at a set share price as considered appropriate by the Committee. The plan may be funded at different rates between hurdles if considered appropriate. Details of the share price hurdles are provided in the Annual Remuneration Report • For Executive Directors the award will vest (to the extent that the share price hurdles are met) with a maximum of one-third following the completion of the performance periods ending 31 March 2027, 31 March 2028 and 31 March 2029 (the measurements dates) • The level of funding of the plan is subject to a maximum dilution of 5% of the Company's issued share capital • Awards are subject to recovery provisions that enable the Committee to withhold or recover the value of awards within three years of each measurement date as set out above where there has been a material misstatement of any Group member's financial results, an error in assessing the plan value applicable to the award or in the information or assumptions on which the award was granted or vests, a material failure of risk management, fraud or material financial irregularity in any Group member or a relevant business unit, serious reputational damage to any Group member or a relevant business unit, serious misconduct or material error on the part of the participant, a material corporate failure or a material safety failure in any Group member or a relevant business unit or any other circumstances which the Board in its discretion considers to be similar in their nature or effect
• Up to 300% of salary for each Executive Director in respect of any financial year	• The maximum value that an individual can receive from the scheme is capped at £20m
• Awards are based on performance measures with stretching targets as set and assessed by the Committee • Financial measures (e.g. EBITDA, revenue, cash flow) will represent the majority (at least 50%) of the award, with any other measures representing the balance • Subject to the above, measures and weightings may change each year to reflect any year-on-year changes to business priorities and ensure they continue to be aligned to the business strategy • The Committee may, in its discretion, adjust AOIP payouts if it considers that the formulaic outcome is not reflective of the underlying financial or non-financial performance of the Group or the individual performance of the participant over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement the Committee may take into account such factors as it considers relevant. Any use of discretion will be detailed in the following year's Annual Report on Remuneration • No vesting will occur below a threshold level of performance as set by the Committee on a year-by-year basis	• Performance will be assessed based on the three-month average share price at each measurement date versus share price hurdles determined by the Committee. These share price hurdles have been disclosed in the Annual Remuneration Report • The Committee will have absolute discretion on the vesting of the awards to override the formulaic outcomes. Framework of performance measures (revenue growth profitability, cash, customer satisfaction and employee engagement) for assessing holistic Company performance against macroeconomic factors

Historic arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretion available to it in connection with such payments) notwithstanding that they are not in line with the Policy where the terms of the payment were agreed (i) before 17 July 2014 (the date the Company's first shareholder-approved Directors' remuneration policy came into effect); (ii) before the Policy came into effect, provided that the terms of the payment were consistent with the remuneration policy in force at the time they were agreed; (iii) where otherwise approved by shareholders; or (iv) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Terms of the AO Incentive Plan

Awards under the AO Incentive Plan, may:

a. be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect;

b. have any performance condition or underpin applicable to them amended or substituted by the Committee if an event occurs that causes the Committee to determine an amended or substituted performance condition or underpin would be more appropriate and not materially less difficult to satisfy;

c. incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends, which would have been paid on the shares under a share-based award that vest up to the time of vesting. This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;

d. in respect of the portion of the award granted in shares, be settled in cash at the Committee's discretion (it is intended that this provision would only be used for Executive Directors where it is not possible to settle share portion of the award in shares due to regulatory or legal reasons); and

e. be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may materially affect the Company's share price.

The Committee also retains the discretion within the Policy to adjust performance targets and/or set different performance measures and alter weightings if events happen that cause it to determine that the conditions are unable to fulfil their original intended purpose.

Choice of performance measures and approach to target setting

The performance metrics and targets that are set for the Executive Directors via the AO Incentive Plan are carefully selected to align closely with the Company's strategic plan.

The AO Incentive Plan is determined on the basis of performance against specific performance indicators and strategic objectives set annually. The precise metrics chosen, along with the weightings of each, may vary in line with the Company's evolving strategy from year to year. The Committee will review the performance measures and targets each year and vary them as appropriate to reflect the priorities for the business in the year ahead.

Where possible, the Committee will disclose the targets for each of the Executive Directors' awards in advance in the Annual Report on Remuneration, but targets will generally be disclosed retrospectively where they are considered to be commercially sensitive. The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each performance year and will consult with major shareholders in the event of any significant proposed change.

Challenging targets are set whereby modest rewards are payable for the delivery of threshold levels of performance, rising to maximum rewards for the delivery of substantial out-performance of our financial and operating plans.

The Policy was amended last year in relation to the weightings that apply to financial performance measures against non-financial measures with financial measures required to comprise at least 50% of the measures whilst giving the Committee the flexibility to incentivise management to drive some important strategic initiatives.

Share ownership guidelines

The Committee's Policy is to have formal shareholding guidelines for the Executive Directors, which create alignment between their interests and those of shareholders.

Executive Directors are expected to build a minimum shareholding of 200% of salary. Where the holding is not already attained it is expected to be achieved through retention of at least 50% of shares or the vesting of awards (on a net of tax basis) from share plans.

Post-cessation of office ownership guidelines

Executive Directors are normally expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for two years following departure from the Board. The Committee retains discretion to waive this guideline if it is not considered to be appropriate in the specific circumstance.

Differences in remuneration policy for Executive Directors compared to other employees

The Committee has regard to pay structures across the wider Group when setting the remuneration policy for Executive Directors. The Committee considers the general basic salary increase for the broader workforce when determining the annual salary review for the Executive Directors.

Overall, the remuneration policy for the Executive Directors is more heavily weighted towards performance-related pay than for other employees. In particular, performance-related incentives are generally not provided outside of senior management as they are reserved for those considered to have the greatest potential to influence overall levels of performance. That said, whilst the use of the AO Incentive Plan is confined to the senior managers in the Group, the Company is committed to widespread equity ownership. It has historically rolled out, and intends in the future to roll out, an all-employee SAYE scheme on an annual basis, in which Executive Directors are eligible to participate on a consistent basis to all other employees. Further, the restructured VCP implemented during FY23 extends to all current employees.

The level of performance-related pay varies within the Group by grade of employee, but in general the Policy is applied consistently across each grade of the senior management population.

Service contracts, and loss of office payments

Service contracts normally continue until the Executive Director's agreed retirement date or such other date as the parties agree. The Company's policy is that Executive Directors' service contracts must provide that no more than six months' notice to terminate employment (by either party) must be given. However, incumbent Executive Directors' service contracts are subject to 12 months' notice to terminate in line with the historic policy.

A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums earned up to the date of termination, on the occurrence of certain events such as gross misconduct. The circumstances of the termination (taking into account the individual's performance) and an individual's duty and opportunity to mitigate losses are taken into account by the Committee when determining amounts payable on/following termination. Our Policy is to reduce compensatory payments to former Executive Directors where they receive remuneration from other employment during the notice period. The Committee will consider the particular circumstances of each leaver on a case-by-case basis and retains flexibility as to at what point, and the extent to which, payments would be reduced. Details will be provided in the relevant Annual Report on Remuneration should such circumstances arise. In summary, the contractual provisions are as follows:

Provision	Detailed items
Notice period	12 months from both the Company and incumbent Executive Directors. Six months for newly appointed Executive Directors
Termination payment	Payment in lieu of notice of 115% of base salary, which is calculated to cover the value of contractual benefits and pension, normally subject to mitigation and paid monthly* In addition, any statutory entitlements would be paid as necessary
Change of control	There will be no enhanced provisions on a change of control

* The Committee may elect to make a lump sum termination payment (up to a maximum of 12 months' base salary and contractual benefits as part of an Executive Director's termination arrangements where it considers it appropriate to do so).

Termination provisions

AO Incentive Plan

Any cash or share entitlements granted under the AO Incentive Plan will be determined on the basis of the relevant plan rules. During the vesting period, the default position is that where the Executive Director leaves due to ill health, injury or disability, or the sale of their employing company or business out of the Group, the "leaving" Executive Director will be deemed to be a good leaver. In all other circumstances (unless the Committee has exercised its discretion), the "leaving Executive Director" will be classed as a bad leaver and any outstanding awards and unvested share awards will lapse immediately when the Executive Director ceases to be employed by or to hold office with the Group. Where an Executive Director ceases employment during the holding period they shall not normally forfeit their award.

If deemed by the Committee to be a "good" leaver:

a. during the performance period, awards will ordinarily continue to be satisfied in accordance with the rules of the plan; and
b. during the vesting period, deferred share awards will ordinarily continue to vest on the date when it would have vested as if they had not ceased to be a Group employee or Director.

The extent to which awards may be satisfied and deferred share awards may vest in these circumstances will be determined by the Committee, taking into account the satisfaction of any relevant performance or underpin conditions measured over the original performance period.

Unless the Committee decides otherwise, any outstanding awards will also be reduced to take into account the proportion of the performance period that has elapsed on the individual's cessation of office or employment.

However, the Committee retains discretion to allow awards to be satisfied and deferred share awards to vest as soon as reasonably practicable after the individual's cessation of office or employment. If the participant ceases to hold office or employment prior to the satisfaction of an award, the Committee may also decide to satisfy awards entirely in cash, rather than delivering a deferred share award to the Executive Director.

If a participant dies, unless the Board decides otherwise, their outstanding awards will be satisfied and deferred share awards will vest as soon as reasonably practicable after the date of their death on the basis set out for other "good leavers" above.

Value Creation Plan

Awards normally lapse on cessation of employment. The Committee will have discretion to allow awards to vest in exceptional circumstances as considered appropriate. Awards may be pro-rated for the proportion of the performance period completed.

Approach to recruitment and promotions

The remuneration package for any new Executive Director would be set in accordance with the terms of the Company's approved Policy in force at the time of appointment. In addition, with specific regard to the recruitment of new Executive Directors (whether by external recruitment or internal promotion), the Policy will allow for the following:

- Where new joiners or recent promotions have been given a starting salary at a discount to the mid-market level, a series of increases above those granted to the wider workforce (in percentage of salary terms) may be awarded over the following few years, subject to satisfactory individual performance and development in the role.
- An initial award granted to any new Executive Director under the AO Incentive Plan would operate in accordance with the terms of the Policy. The opportunity would normally be pro-rated for the period of employment unless the Committee determined otherwise. Depending on the timing and responsibilities of the appointment, it may be necessary to set different performance measures and targets in the first year.
- The Committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company and shareholders. Any such additional payments would normally be based solely on remuneration relinquished when leaving the former employer and would reflect (as far as possible) the nature and time horizons attaching to that remuneration and the impact of any performance conditions. Replacement share awards, if used, will be granted using the Company's existing share plans to the extent possible. Awards may also be granted outside of the Company's existing incentive arrangements if necessary and as permitted under the Listing Rules. Shareholders will be informed of any such payments at the time of appointment.
- Any new Executive Director may participate in the all-employee AO Value Creation Plan 2022, subject to the terms of the plan.
- For an internal Executive appointment, any variable pay element awarded in respect of the former role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment would continue.
- For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

For the appointment of a new Chair or Non-Executive Director, the fee arrangement would be set in accordance with the approved fee structure policy in force at that time.

Changes of control provisions

AO Incentive Plan

Awards will be satisfied and deferred share awards will vest taking into account the extent to which the performance and/or underpin conditions have been satisfied. In these circumstances, the Committee may determine that any outstanding awards are settled in cash, rather than delivering a deferred share award. Unless the Committee determines otherwise, outstanding awards will also be reduced to take into account the proportion of the performance period that has elapsed. If the Company is wound up or there is a demerger, delisting, special dividend or other event, which, in the Committee's opinion, may materially affect the Company's share price, the Committee may allow awards to be satisfied and deferred share awards to vest on the same basis as a takeover.

Value Creation Plan

Awards will vest based on the value of the plan at the relevant date and any other factors that the Board considers relevant. In these circumstances, the Committee may determine that any outstanding awards are settled in cash.

Chair and Non-Executive Directors' letters of appointment

The Chair and Non-Executive Directors do not have service contracts with the Company, but instead have letters of appointment. The letters of appointment are usually renewed every three years but may be renewed on an annual basis where deemed appropriate. Termination of the appointment may be earlier at the discretion of either party on three months' written notice. None of the Non- Executive Directors are entitled to any compensation if their appointment is terminated. Appointments will be subject to re-election at the AGM.

Non-Executive Directors' fees

The Non-Executive Directors' fees policy is described below:

Element	Purpose and link to strategy	
To recruit and retain high-calibre Non-Executive Directors	• Fees are determined by the Board, with Non-Executive Directors abstaining from any discussion or decision in relation to their fees • Non-Executive Directors are paid an annual fee and do not participate in any of the Company's incentive arrangements or receive any pension provision • The Chair is paid a consolidated all-inclusive fee for all Board responsibilities • The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairing the Audit, Nomination and Remuneration Committees and for performing the Senior Independent Director role • Additional fees may be paid to reflect additional Board or Committee responsibilities as appropriate • The fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels in companies of comparable size and complexity • Non-Executive Directors shall be entitled to have reimbursed all fees (including travel expenses) that they reasonably incur in the performance of their duties. The Company may meet any tax liabilities that may arise on any such expenses • Additional non-significant benefits may be introduced if considered appropriate	There is no cap on fees. Non-Executive Directors are eligible for fee increases during the three-year period that the remuneration policy operates to ensure they continue to appropriately recognise the time commitment of the role, increases to fee levels for Non-Executive Directors in general and fee levels in companies of a similar size and complexity.

Directors' Remuneration Report continued

Annual Report on Remuneration

The annual remuneration for FY23 was structured within the framework of the remuneration policy adopted by shareholders at the 2022 AGM and has been implemented accordingly. This will be put to an advisory vote at the Company's AGM in September.

Single figure of total remuneration for FY23 (audited)

The audited table below shows the aggregate emoluments earned by the Directors of the Company during FY23 being the period 1 April 2022 to 31 March 2023 (or relating to that period in the case of the AO Incentive Plan) and, for comparison, the amounts earned during FY22, being the period 1 April 2021 to 31 March 2022 (or relating to that period in the case of variable remuneration).

		Salaries and fees £	Benefits/ taxable expenses £[1]	Pension[2] £	Total fixed £	AOIP cash[3] £	AOIP deferred shares[4] £	Total variable £	Total £
Executive Directors									
John Roberts	FY23	490,795	60,106	4,000	554,901	389,200	180,228	569,428	**1,124,329**
	FY22	476,500	19,960	42,885	539,345	71,475	–	71,475	**610,820**
Mark Higgins	FY23	370,285	50,288	4,000	424,573	293,636	136,172	429,808	**854,381**
	FY22	359,500	16,661	32,355	408,516	53,925	149,485	203,410	**611,926**
Chair									
Geoff Cooper	FY23	200,000	–	–	200,000	–	–	–	**200,000**
	FY22	200,000	–	–	200,000	–	–	–	**200,000**
Non-Executive Directors[5]									
Chris Hopkinson	FY23	55,000	0	–	55,000	–	–	–	**55,000**
	FY22	55,000	0	–	55,000	–	–	–	**55,000**
Marisa Cassoni	FY23	80,000	0	–	80,000	–	–	–	**80,000**
	FY22	80,000	0	–	80,000	–	–	–	**80,000**
Shaun McCabe	FY23	75,000	0	–	75,000	–	–	–	**75,000**
	FY22	55,000	0	–	55,000	–	–	–	**55,000**
Peter Pritchard[6]	FY23	27,500	0	–	27,500	–	–	–	**27,500**
	FY22	–	0	–	–	–	–	–	**–**
Sarah Venning[6]	FY23	22,917	0	–	22,917	–	–	–	**22,917**
	FY22	–	0	–	–	–	–	–	**–**
Total	FY23	1,321,497	110,394	8,000	1,439,891	682,836	316,400	999,236	**2,439,127**
Total[7]	FY22	1,226,000	36,621	75,240	1,337,861	125,400	149,485	274,885	**1,612,746**

1 From 1 September 2022, the Group introduced a flexible benefits scheme for the Executives and other senior leaders. The total value of the flexible benefits allowance for the last seven months of FY23 for John Roberts was £32,767 and for Mark Higgins was £29,976. The allowance has been calculated based on the costs of the provision of benefits to which they were entitled (whether they had previously chosen to take that benefit or not). The percentage increase in the total of benefits and pension for Mark Higgins for FY23 as against FY22 is predominantly due to the entitlement to private medical insurance that was not previously taken up. The remainder of the increase and the increase for John Roberts is the inflationary cost of providing benefits previously received. Prior to 1 September 2022 (and for FY22) John Roberts' benefits included medical cover and a car allowance of £12,000 paid in cash and private fuel and Mark Higgins' benefits included a car allowance of £12,000 paid in cash and private fuel. The benefits amount also comprises an attendance bonus of £200, which is paid Group-wide to employees with the relevant attendance.

2 Executive Directors were entitled to Company pension contributions of 9% of gross basic salary for the first five months of FY23 (and for FY22) but from 1 September 2022 flexible benefits were introduced. However, due to pension tapering rules, some of the benefit was paid as cash alternative and is included in the benefits column.

3 Each of John Roberts and Mark Higgins were granted an award under the AO Incentive Plan of 300% of salary for the performance period of FY23. Following partial attainment of the performance conditions 79.3% of the award has vested of which one-third has been paid in cash with the remaining two-thirds of value payable in the form of a deferred share award (granted in the form of a nil-cost option). The deferred share award will be released in July 2026 subject to continued employment and attainment of the performance underpin based on overall business performance over the vesting period, following which Executives will be required to hold awarded nil-cost options for a further year.

4 Each of John Roberts and Mark Higgins were granted a conditional deferred share award pursuant to the FY20 AOIP Award which had a deferral period spanning FY21 to FY23 inclusive and which, at the point of grant, had a value of £430,199 and £325,040 respectively. The conditional awards have since been amended to be nil-cost options. The Remuneration Committee has deemed that the performance underpin has been met in full and accordingly nil-cost options over 284,900 and 215,258 shares will be vest for John and Mark in July. For the purpose of the single figure calculations these awards have been valued based on the three-month average share price to 31 March 2023 of 63.26p. The share price used to determine the awards in July 2020 was £1.51. None of the value disclosed is therefore attributable to share price growth and therefore discretion is not applicable.

For the deferred share value for FY22 reported for Mark Higgins, in the previous report we used an estimate of 95.35p (being the three-month average share price to 31 March 2022) and the estimated value of the deferred shares was £341,250; when the shares were released on 19 August 2022, the actual share price was 40.24p (resulting in an actual value on vesting of £149,485).

5 Reasonable expenses incurred by any Non-Executive Director will be reimbursed by the Company but they have no other contractual entitlement to benefits. For Non-Executive Directors, certain expenses relating to the performance of a Non-Executive Director's duties in carrying out activities, such as accommodation, travel and subsistence in relation to Company meetings, are classified as taxable benefits by HMRC and as such are reported here.

6 Peter Pritchard and Sarah Venning were appointed as Non-Executive Directors from 1 October 2022 and from 1 November 2022, respectively. Amounts shown in the above table are the pro-rated fees for their tenure.

7 FY22 total figures have been restated to exclude Luisa Delgado who did not serve in office during FY23. Total remuneration paid to Luisa for FY22 was £63,079.

Details of variable pay earned in FY23 (audited)

AO Incentive Plan FY23 Award

John Roberts and Mark Higgins both participated in the AO Incentive Plan (which combines a cash award and conditional deferred share award) under which they could receive an award of up to 300% of salary, for the year ended 31 March 2023.

The targets for the AO Incentive Plan Award were weighted towards financial metrics (60%), with the remaining 40% subject to the achievement of strategic objectives; as set out below.

The following table sets out the targets, actual performance against these targets and accordingly, the applicable payout for the FY23 AO Incentive Plan Award.

Measure (weighting)	Targets		% payout (for this element)	Performance achieved	Award
Average Liquidity Headroom (30%)[1]	Threshold	£14.5m	25%		
	On target	£34.5m	62.5%	£31m	16.8%
	Stretch	£54.5m	100%		
UK Adjusted Profit Before Tax (30%)	Threshold	(£12.2m)	25%		
	On target	(£2.2m)	62.5%	£12.1m	30%
	Stretch	£7.8m	100%		
Customer NPS (10%)[2]	Threshold	70	25%		
	On target	75	62.5%	83	10%
	Stretch	80	100%		
Employee NPS (10%)[3]	Threshold	0	25%		
	On target	15	62.5%	(5)	2.5%[4]
	Stretch	30	100%		
Business Transformation (20%)	Committee judgement based on the progress achieved in relation to the strategic pivot of the business			20	20%
				Total	79.3%

1 Excludes funds raised in the capital raise (from the placing, retail offer and Directors subscriptions) in summer 2022.

2 This is the average NPS figure across ao.com and mobilephonesdirect.co.uk, weighted by revenue.

3 This is the average ENPS figure taken across the two surveys conducted in the year.

4 The Committee exercised its discretion to determine that threshold vesting would be achieved.

Performance against financial targets

As is covered in the CFO report on page 30, the Group needed to focus on cash and profit generation this year and performance has been pleasing against those targets. The Group has made profits in excess of the stretch target and liquidity headroom was just short of the target level. Accordingly, 46.8% of the award relevant to financial targets (of the possible 60%) has been met.

Performance against strategic targets

Customer satisfaction

The Committee is delighted that customer satisfaction, measured via NPS, has remained strong over the year and this is particularly so given some of the policy changes we have introduced to drive up gross margin which have affected the customer proposition. For ao.com we have an average NPS score of 86 and our Mobile Phones Direct business achieved an average NPS of 69. This delivered a weighted average NPS of 83. These scores are market leading and an excellent achievement by the team during a year where consumers have been affected by the cost of living crisis and extraordinary macroeconomic uncertainty. Accordingly, the Committee has determined that this performance condition has been met in full.

Employee NPS

The employee NPS score has been mixed over the year falling to -11 in the first half of the year but improving to +1 in the second half. This is unsurprising as we continued to right-size the business to reduce the infrastructure and supporting teams that we had invested in to capitalise on the rapid growth initially presented by Covid and also in light of our economic situation (which culminated in our capital raise in summer last year). Such overhead reduction drove concerns around job security impacting employee morale, with the macroeconomic uncertainty and the cost of living crisis adding further pressure. The pivot on strategy has also been a huge change for our people who historically have been laser-focused on top line growth. Whilst we are not pleased with the average score of -5 it is understandable in the circumstances, and it is pleasing that the more recent result has improved above 0, falling within the "Good" range. More still, we are encouraged by a "happiness" score of 7.3/10 (which measures "How happy are you working for AO?" whereas ENPS measures "How likely is it that you would recommend AO as a place to work?"). In the round, the Committee considers that, despite the average score of -5 being below the threshold target, the Group's performance in this area has been strong and merits some level of payout. This is in the context of the strategy pivot undertaken in the year - whilst being the right decision for the long-term future of the business, given the nature of the changes being made, the implementation of the strategy pivot adversely impacted employee satisfaction and therefore NPS scores (as expected). Despite this, the Committee considers that the Executive Directors performed strongly with regards to reaffirming AO's culture and values and boosting morale during uncertain times for parts of the business. Accordingly, the Committee has exercised its discretion and determined that threshold performance (25% of this element) has been met. The Board believes that our culture and our people are what help make AO stand apart. Rebuilding this culture - which has suffered from our more remote working practices during Covid restrictions - remains a key priority for us as we move forward.

Strategic transformation

The strategic transformation measure was specifically aimed at transforming the strategy of the business (away from growth at all costs to a more simplified UK-only business focused on profitable growth and cash generation). This has entailed a complete shift in mindset for our people and has meant taking some difficult decisions on which business opportunities to progress and which to cut, whilst ensuring that the business is more joined up than ever. The Committee deems this has been achieved in full given the operational simplification achieved during the year and the shift towards sustainable profit and cash generation (as demonstrated by financial performance in FY23).

In total, therefore, we have awarded 79.3% of the maximum award to our Executive Directors.

	Max opportunity (% salary)	Outcome % max	Cash award (1/3rd)[1]	Share award (2/3rd)[2]
CEO	300%	79.3%	£389,200	£778,401
CFO	300%	79.3%	£293,636	£587,272

1 The cash element has been paid following the determination of vesting by the Board.

2 The share award will be granted in July 2023 by way of a nil-cost option which will vest after a period of three years, subject to the performance of the business until the completion of our financial year ending 31 March 2026 as well as the Executive's continued employment. Following vesting, the nil-cost option will be subject to a further one-year holding period.

Vesting of shares under the FY20 AOIP Award

Each of John Roberts and Mark Higgins were granted a conditional deferred share award pursuant to the FY20 AOIP Award which had a deferral period spanning FY21 to FY23 inclusive and which, at the point of grant, had a value of £430,199 and £325,040 respectively. These awards were subject to a performance underpin based on overall business performance over the vesting period, which was assessed by the Committee following the end of FY23. The Remuneration Committee has deemed that the performance underpin has been met in full and accordingly the share award should vest in full. The conditional awards have been amended to be nil-cost options and accordingly nil-cost options over 284,900 and 215,258 shares for John and Mark will vest in July. For the purpose of the single figure calculations, these awards have been valued based on the three-month average share price to 31 March 2022 of 63.26p. The share price used to determine the award in July 2019 was £1.51. None of the value disclosed is therefore attributable to share price growth and therefore discretion not applicable.

Percentage change in remuneration levels

The table below shows the movement in the salary, benefits and cash element of the AO Incentive Plan Award for each Director between the financial year ended 31 March 2023 and the previous two financial years compared to that for the average employee of the Company - AO World PLC - (but not the wider Group). For the benefits and bonus/Incentive Award (cash element) per employee, this is based on those employees eligible to participate in such schemes.

	FY23 vs FY22			FY22 vs FY21			FY21 vs FY20		
	Salary[1]	Taxable benefits[2]	AOIP cash element[3]	Salary[1]	Taxable benefits[2]	AOIP cash element[3]	Salary[1]	Taxable benefits[2]	AOIP cash element[3]
John Roberts	3%	2.0%	445%	2.7%	4.3%	-84%	3%	-10.8%	110%
Mark Higgins	3%	10.8%	445%	2.7%	1.1%	-84%	3%	-14.3%	110%
Geoff Cooper	0%	0%	0%	0%	0%	0%	0%	0%	0%
Chris Hopkinson	0%	0%	0%	0%	0%	0%	0%	0%	0%
Marisa Cassoni[3]	0%	0%	0%	6%	0%	0%	0%	0%	0%
Shaun McCabe[4]	36.6%	0%	0%	0%	0%	0%	0%	0%	0%
Other employees (AO World PLC)	8.5%	27.6%	8%	-1.1%	7.4%	221%	4%	-29.9%	102%

1 Reflects the average change in pay for employees, calculated by reference to the aggregate remuneration for all employees of AO World PLC in each year divided by the number of employees.

2 As covered elsewhere in this report, there are no changes to benefit entitlements per se for employees or Executives; however we have introduced a flexible benefit scheme part way through the year which gives Executives (and senior leaders) a "benefit allowance" which they can spend on a choice of benefits. The allowance has been calculated based on the costs of the provision of benefits to which they were entitled (whether they had chosen to take that benefit or not. The percentage increase in the total of benefits and pension for Mark Higgins for FY23 as against FY22 is predominantly due to the entitlement to private medical insurance that was not previously taken up. The remainder of the increase and the increase for John Roberts is the inflationary cost of providing benefits previously received.

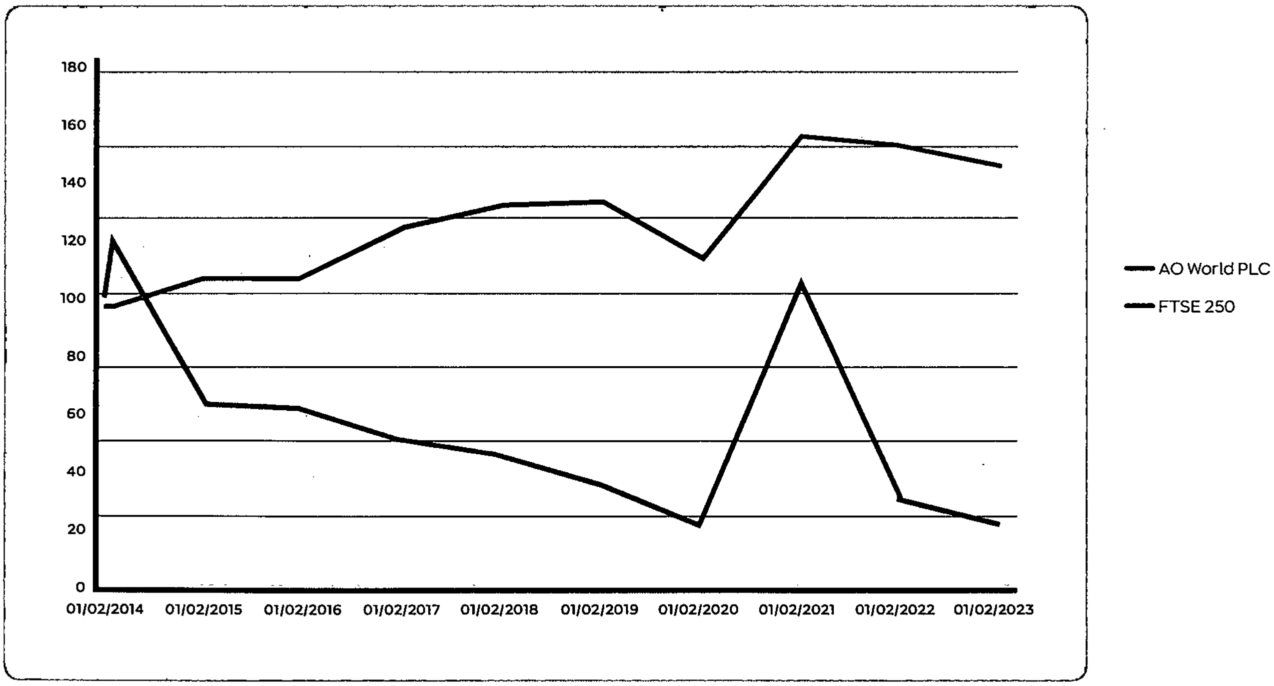
3 The percentage change in remuneration AO Incentive Plan Award cash element for "other employees" is calculated by looking at the average amount participants in the scheme in a financial year received in cash, compared to the cash element participants in the AO Incentive Plan are expected to receive relating to the following financial year, in each case excluding Executive Directors.

4 Shaun McCabe's salary/fee increase reflects him being appointed as interim Chair of the Remuneration Committee from 1 April 2022.

5 Peter Pritchard and Sarah Venning, who joined the Company as Non-Executives during the year, have been excluded from the table above as there is no comparison to previous years.

Performance graph and pay table

The chart below shows the Company's Total Shareholder Return (TSR) performance against the performance of the FTSE 250 Index from 25 February 2014 (the date on which the Company's shares were first conditionally traded) to 31 March 2023. This index was chosen as it represents a broad equity market index, of which AO has historically been a constituent, which includes companies of a broadly comparable size and complexity.



The table below shows the total remuneration figure for the Chief Executive during the financial years ended 31 March 2013 to 31 March 2023. The total remuneration figure includes the annual bonus payable for performance in each of those years up to FY19 and from FY19 the cash element of the AOIP. The total remuneration figure for FY23 also includes the value of vested nil-cost options under the AOIP (this is the first year in which such share awards under the AOIP is applicable for the CEO).

1 Total remuneration of CEO

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Total remuneration (£'000)[1]	537†	537†	588†	575*‡	781*	551†‡	733†	977†	611†	1,124†
Annual bonus (% of maximum)	0%	0%	10%	10%	37.5%	–	–	–	–	–
AO Incentive Plan Award (% of maximum)	–	–	–	–	–	50.5%	47.8%	97.5%	15%	79.3%
PSP vesting (% of maximum)	–	–	–	–	–	8.59%	–	–	–	–

† John Roberts * Steve Caunce ‡ Figures calculated for full year pro-rata

Relative importance of the spend on pay

The table below shows the movement in spend on staff costs versus that in distributions to shareholders.

	FY22[2]	FY23	% change
Staff costs[1]	£151.4m	£127.7m	-15.7%
Distributions to shareholders	No distributions were made to shareholders in FY22 or FY23		

1 Includes base salaries, social security and pension, but excludes share-based payment charges.

2 Figures are reported based on the continuing Group only and therefore excludes any staff costs in Germany

CEO pay ratio

The table below shows the ratio of the single total figure of remuneration ("STFR") of the CEO to the equivalent pay for the 25th, 50th and 75th percentile employees (on a full-time equivalent basis).

Year	Method	P25 25th percentile pay ratio	P50 50th percentile pay ratio	P75 75th percentile pay ratio
FY23	Option A	46:1	39:1	29:1
FY22	Option A	27:1	23:1	16:1
FY21	Option A	46:1	37:1	26:1
FY20	Option A	35:1	28:1	20:1

Notes:

1. Of the three calculation approaches available in the regulations, we have chosen Option A as we believe it to be the most appropriate and statistically accurate means of identifying the median, lower and upper quartile employees.
2. The single total figure of remuneration of all AOers employed by the Group for FY23 was calculated and ranked using 2022/23 P60 and P11D data, employer pension contributions and payments under the Company share schemes, in line with the reporting regulations. The total remuneration for FY23 for the employees identified at P25, P50 and P75 is £24,430, £28,567, and £39,062 respectively. The base salary in respect of FY23 for the employees identified at P25, P50 and P75 is £21,630, £23,181 and £37,000 respectively.
3. FY23 payments to the wider employee base referred to above include the FY22 cash element of the FY22 AOIP payment, which was paid in FY23, but for the CEO, we have used the single total figure value, which includes the FY23 AOIP cash payment to be paid in early FY24, but which relates to the FY23 performance.
4. Part-time colleagues' earnings have been annualised on a full-time equivalent basis. In-year joiners' earnings were also annualised on the same full-time equivalent basis.

These ratios form part of the information provided to the Committee on broader employee pay practices to inform remuneration decisions for Executive Directors and senior management. As noted in the policy section, the Company's principles for making pay decisions for our Executives are the same as for the wider workforce, reflecting our One AO Pay Philosophy; a fair and attractive reward package, market competitive in the context of the relevant talent market and differentiated by the level of value creation.

The ratios therefore reflect the different remuneration arrangements between our warehouse and call centre employees at one end, and our senior Executives whose roles require them to focus on long-term value and alignment with shareholder interests.

Given a significant proportion of the CEO's total remuneration is variable and linked to the AOIP, the increase in the pay ratio this year compared to last is influenced by the AOIP outcome (which has vested at 79.3% for FY23 vs 15% in the prior year for the CEO).

For the reasons given above and AOIP outcomes, the Company believes that the ratio is consistent with the pay, reward and progression policies across the Group.

Payments to past Directors and loss of office payments (audited)

There were no payments to past Directors or loss of office payments made in the year ended 31 March 2023.

External appointments

No fees were received by Executive Directors for external appointments during the year ended 31 March 2023.

Directors' shareholdings and share interests (audited)

Directors' shareholdings as at 31 March 2023 are set out below.

During the year under review no options were exercised by either of the Executive Directors. However, for Mark Higgins, conditional awards over 371,484 shares (awarded in July 2019 as part of the FY19 AOIP Award) were released in August 2022 of which 179,781 were sold to cover tax liabilities arising on that award.

There have been no changes to Directors' shareholdings during the period from 1 April 2023 to the date of this report.

2 Directors' shareholdings

	Shares held beneficially at 31 March 2023[1]	Target shareholding guidelines (% of salary)[2]	Target shareholding achieved	PSP options[3]	AOIP options[4]	SAYE options[5]
Geoff Cooper	**154,274**	N/A	N/A	N/A	N/A	N/A
John Roberts	**105,892,224**	200%	Yes	43,153	1,033,335	33,962
Mark Higgins	**306,231**	200%	No	NIL	779,810	33,962
Chris Hopkinson	**24,631,306**	N/A	N/A	N/A	N/A	N/A
Marisa Cassoni	**63,148**	N/A	N/A	N/A	N/A	N/A
Shaun McCabe	**NIL**	N/A	N/A	N/A	N/A	N/A
Peter Pritchard	**93,517**	N/A	N/A	N/A	N/A	N/A
Sarah Venning	**NIL**	N/A	N/A	N/A	N/A	N/A

1 Includes shares held by connected persons.

2 Comprises shares held beneficially only (and excludes options).

3 For John Roberts, these PSP options relate to the 2016 PSP award that has vested, but have yet to be exercised.

4 For John Roberts, conditional awards over 284,900 shares were awarded in July 2020 as part of the AOIP FY20 Award (based on a share price of £1.51), which will vest in July 2023. Conditional awards over 390,000 shares were awarded in July 2021 as part of the AOIP FY21 Award (based on a share price of £2.32), which will vest in July 2024 subject to the attainment of the performance underpin and continued employment and then be subject to a further one-year holding period. Conditional awards over 358,435 shares were awarded in July 2022 as part of the AOIP FY22 Award (based on a share price of £0.40), which will vest in July 2025 subject to the attainment of the performance underpin and continued employment and then subject be to a further one-year holding period. For Mark Higgins, conditional awards over 215,258 shares were awarded in July 2020 as part of the AOIP FY20 Award (based on a share price of £1.51), which will vest in July 2023. Conditional awards over 294,181 shares were awarded in July 2021 as part of the AOIP FY21 Award (based on a share price of £2.32), which will vest in July 2024 subject to the attainment of the performance underpin and continued employment and then be subject to a further one-year holding period.. Conditional awards over 270,371 shares were awarded in October 2022 as part of the AOIP FY22 Award (based on a share price of £0.40), which will be released in July 2025 subject to the attainment of the performance underpin and continued employment and then be subject to a further one-year holding period. All AOIP share awards have been converted to options over the relevant number of shares, which upon vesting will be capable of being exercised by the Executives in accordance with scheme rules. All awards from 2021 onwards are subject to a further one-year holding period following vesting.

Further nil-cost options are expected to be granted to John Roberts and Mark Higgins in July 2023 as part of the AO Incentive Plan Award FY23 grant - with a value of £778,401 and £578,272 at grant respectively, which will be released in July 2026 subject to the attainment of the performance underpin and continued employment.

5 Each of John Roberts and Mark Higgins cancelled previous SAYE schemes and on 1 March 2023 entered into a new three-year SAYE contract, under which options over 33,962 shares were granted.

Grant of VCP awards

As noted in the annual statement from the Chair of the Remuneration Committee, we have, during the year, restructured the Value Creation Plan, which was approved by shareholders at the 2022 AGM (the VCP22). The Executive Directors, along with all employees, will be eligible to participate in the plan.

The VCP22 will begin funding at a share price of £1 and will then fund at 5.5% of the value created above this threshold (the "Plan Value"). On 20 December 2022, awards representing 10% of the Plan Value were allocated to each of the two current Executive Directors, with the remaining 80% allocated to current and future employees. The plan will cease funding on achievement of a £10.43 share price. The level of funding is subject to a maximum dilution of 5% of the Company's issued share capital.

All awards will normally be delivered in shares and there is a cap on the aggregate payments to any individual of £20m.

For Executives, awards vest in three equal tranches in respect of the financial years ending 31 March 2027, 2028 and 2029, subject to the share price of the Company measured over the last three months of each financial year.

For all other employees, awards will vest based on the three-month average share price of the Company at 31 March 2027. The Remuneration Committee retains discretion around the treatment of awards after year five including the ability to measure performance at a later date.

The Committee will have absolute discretion on the vesting of the awards to override the formulaic outcomes.

As previously set out, we see the AOIP as our driver for sustained short to medium- term achievement, and the VCP22 for extraordinary performance over five to seven years. After careful assessment, and combining technical advice and our judgement, we believe that the two levels are currently balanced: AOIP levels are competitive in the light of the market, and our payout levels over the past years show it is functioning as intended, with an actual payout of 79.3% for the very strong performance in the year ended 31 March 2023, and payouts of 15% for the year ended 31 March 2022.

Each year, when reviewing overall compensation packages, we will take into account the VCP award potential, AOIP awards and base salary and benefits.

Implementation of remuneration policy for 2023/2024 ("FY24")

The Policy can be found on pages 112 to 119 of this Annual Report.

Salary

The Remuneration Committee has awarded pay increases to Executives of 4%, in line with the lowest rate of increase awarded to the wider workforce, but below the average increase of c.6%. As noted above, a flexible benefits scheme has been introduced for our Executives.

The current salaries as at 1 April 2023 (and those as at 1 April 2022) are as follows:

Individual	Role	Base salary at 1 April 2023	Base salary at 1 April 2022	% increase
John Roberts	CEO	[redacted]	£490,795	4%
Mark Higgins	CFO	[redacted]	£370,285	4%

Pension and other benefits

During FY23 we introduced a flexible benefits regime for the Executive and our leadership team. Through this mechanism leaders can choose the level of their pension contributions. For FY24, the total value of flexible benefits for John and Mark is £67,150 and £57,602 respectively. The allowance has been calculated based on the FY23 costs of the provision of benefits to which they were previously entitled (whether they had chosen to take that benefit or not) and for FY24 has been increased by 4% (i.e. at the same level as the inflationary increase on pay). As a percentage of salary John's benefit allowance is 13% and Mark's is 15%. Other members of the flexible benefit scheme receive a percentage between 15.5 and 23% depending on legacy arrangements, but for new entrants will be fixed at 15.5% of salary. As noted above, it is intended that the flexible benefits scheme is rolled out to all management level employees during FY24.

AO Incentive Plan

In respect of FY24, the Executive Directors will have a maximum award opportunity of 300% of basic salary. Performance will be measured between 1 April 2023 and 31 March 2024 and against the measures disclosed below.

Subject to the achievement of the performance measures, one-third of the award will be paid in cash subject to approval of the audited accounts for FY24. The remaining two-thirds of the award will be granted as a nil-cost option over shares. These options will vest after three years subject to the Committee's satisfaction that their value reflects the underlying performance of the business and, post vesting, are subject to a one-year holding period. This, therefore, means the total performance, vesting and holding period is five years, in line with the requirements in the Code.

Performance conditions for the FY24 AO Incentive Plan Award

We have continued to set the performance conditions along three sets of deliverables:

1. Financial (output) metrics, focused on profit before tax and liquidity headroom (70% weighting);
2. A strategic measure, tied to delivering a new strategic plan with first steps of execution on UK growth drivers (10% weighting); and
3. Stakeholder impact measures, focusing on customers and employees (20% weighting).

We continue to recognise the importance of ESG, however, given the continued transition of the business and the focus on driving profitable growth whilst maintaining appropriate cash resources, we have not set ESG-related metrics per se; albeit the stakeholder measures encompassing customers and employees are aimed at ensuring the goodwill of the business and driving long-term sustainability.

The Committee believes these measures provide the appropriate balance, further driving transformation, recognising the importance of key stakeholders, and output measures that should drive the creation of shareholder value.

For the financial/output metrics we have set targets with regard to the Company's budget for the year ahead and following a robust process with a stretching and ambitious mindset. We deem the budget numbers to be commercially sensitive at this juncture but will disclose these retrospectively in next year's Annual Report on Remuneration.

Given the progress made in delivering the strategy pivot over FY23, the Committee is of the view that the proportion of the AOIP based on financial performance should be increased to 70% for FY24 (from 60% in FY23). Of this, 50% will be based on PBT, with the remaining 20% based on liquidity headroom. The increased focus on PBT relative to liquidity headroom for FY24 reflects the progress made on delivering the strategy and the focus on turning AO into a cash generative business focused on profitable growth.

Customer and employee satisfaction are central to our strategy with both being key drivers for creating long-term sustainable growth.

Our customer NPS results are already best-in-class and therefore the targets have been set with regard to the already strong performance in this area and the need to maintain great customer service as we continue to grow and expand. As with the prior year, the customer NPS score will be calculated by taking a weighted average of customer NPS scores across our e-commerce sites, weighted by revenue.

Employee NPS (ENPS) remains a key measure and is derived from responses to a specific engagement survey question "How likely are you to recommend AO as a place to work?" This question can, via proven methodologies, be empirically translated into an externally benchmarked engagement score. AO's ENPS will be calculated by taking the results from employee surveys in the UK throughout the performance period. As noted above, the Board believes that our culture and our people is what helps make AO stand apart. Rebuilding this culture - which has suffered from our more remote working practices during Covid restrictions - remains a key priority for us as we move forward.

	Performance condition	Weighting
Group financial (70%)	UK PBT	50%
	Liquidity headroom	20%
Strategic transformation non-financial (10%)	Strategic pivot	10%
Stakeholder measures non-financial (20%)	Customer NPS	10%
	Employee NPS	10%

The award pays out in full for achieving maximum levels of performance, 62.5% of maximum pays out for achieving target levels of performance. The target requirements are set to be significantly stretching and therefore the Committee considers that this level of payout at target is appropriate. 25% of maximum pays out for threshold performance.

The Committee has discretion to override the formulaic outcome if it considers that the formulaic outcome is not reflective of the underlying financial or non-financial performance of the Group or the individual performance of the participant over the relevant period.

All-employee share plans

The Company proposes to roll out a new SAYE scheme each year and all Executive Directors will be entitled to participate on the same basis as other employees.

Share ownership requirements

As with prior years, the required share ownership level for the Executive Directors for FY23 will be 200% of salary.

All Executives are required to hold shares to the value of 200% of salary for two years following stepping down from the Board.

Additionally, for good leavers, AO Incentive Plan options will typically vest at the end of the normal vesting period, subject to the attainment of performance underpin and then subject to a further holding period of one year.

There are no share ownership requirements for the Non-Executive Directors.

Non-Executive Director fees

Changes to Non-Executive Director fees for FY24 have been agreed as follows:

Non-Executive Director fees	2022/2023	2023/2024	% change
Chair fee covering all Board duties	£200,000	£200,000	0%
Non-Executive Director basic fee	£55,000	£57,000	3.6%
Supplementary fees to Non-Executive Directors covering additional Board duties			
Audit Committee Chair fee	£15,000	£15,000	0%
Remuneration Committee Chair fee	£20,000	£15,000	-25%
Senior Independent Director fee	£10,000	£10,000	0%

Details of Directors' service contracts and letters of appointment

Details of the service contracts and letters of appointment in place as at 31 March 2023 for Directors are shown in the table below.

Geoff Cooper, Marisa Cassoni and Chris Hopkinson have agreed to extensions of the term of their appointments following expiry of the initial three-year terms and subsequent extensions. The extension of such appointment is subject to the terms of the letters of appointment in force. Marisa Cassoni has indicated her intention to step down from office at the Company's AGM in September following reaching a nine-year term in office.

3 Directors' service contracts and letters of appointment

Director and date of service contract or letter of appointment	Unexpired term	Notice period by Company (months)	Notice period by Director (months)	Date joined Group
Marisa Cassoni 31/01/2014	Initial term of three years expired – renewed for successive one-year periods subject to termination by either party	3	3	05/02/2014
Geoff Cooper 01/07/2016	Initial term of three years from date of letter subject to notice – renewed for successive one-year periods subject to termination by either party	3	3	01/07/2016
Mark Higgins 31/05/2014	Continuous employment until terminated by either party	12	12	10/07/2011
Chris Hopkinson 14/02/2014	Initial term of three years expired – renewed for successive one-year periods subject to termination by either party	3	3	12/12/2005
Shaun McCabe 25/07/2018	Initial term of three years from date of appointment	3	3	25/07/2018
John Roberts 14/02/2014	Continuous employment until terminated by either party	12	12	19/04/2000

Remuneration Committee membership

The members of the Committee were, for the year in question, Shaun McCabe, Marisa Cassoni, Geoff Cooper and, from 1 October 2022, Peter Pritchard. Shaun McCabe took the role of Interim Chair following Luisa's Delgado's departure in January 2022. It is intended that Peter Pritchard will take the Chair following the AGM, with Shaun McCabe remaining as a member of the Committee and Sarah Venning joining the Committee as an additional member from that point.

All current members of the Committee are deemed to be independent. Accordingly, the Committee continues to comply with the independence requirements set out in the Code.

During FY23, there were eight formal meetings of the Remuneration Committee, including two where the design of the VCP was discussed. All relevant committee members attended the meetings, other than Marisa Cassoni who did not attend the meetings on the VCP redesign.

The responsibilities of the Committee are set out in the corporate governance section of the Annual Report on page 82 onwards. The Executive Directors and the HR Director may be invited to attend meetings to assist the Committee in its deliberations as appropriate. The Committee may also invite other members of the management team to assist as appropriate. No person is present during any discussion relating to their own remuneration or is involved in deciding their own remuneration.

Advisers to the Committee

Deloitte LLP provided advice during the year to 31 March 2023 in relation to incentive arrangements and the review of the remuneration policy for Executive Directors. It was appointed by the Committee. Deloitte is a signatory to the Remuneration Consultants Group Code of Conduct and any advice provided by them is governed by that code.

Deloitte also provided certain tax advice during the year to the Group.

The Committee is committed to regularly reviewing the external adviser relationship and is comfortable that Deloitte's advice remains objective and independent and that the engagement team, which provides advice to the Committee, do not have connections with the Company or any of its Directors, which may impair their independence.

For the year under review, Deloitte's fees for remuneration advice were £6,400 plus VAT for general advice and a further £32,000 for advice specifically in connection with the restructured VCP.

Shareholder feedback

At the 2022 AGM, the Annual Remuneration Report for the year ended 31 March 2022 was put to shareholders by way of an advisory vote and both the Policy and the Value Creation Plan were put to shareholders for a binding vote. Votes cast are set out in the table below.

	Votes in favour No. of shares	%	Votes against No. of shares	%	Total number of votes cast	Votes withheld No. of shares
2022: To approve the Directors' Remuneration Report	472,852,547	97.35	12,866,597	2.65	485,720,025	881
2022: To approve the Directors' remuneration policy	431,426,258	88.82	54,291,724	11.18	485,720,025	2,043
2022: To approve the Value Creation Plan 2022	431,776,581	88.91	53,875,037	11.09	485,720,025	68,407

As ever, the Committee welcomes any enquiries or feedback shareholders may have on the Policy or the work of the Committee.

Shaun McCabe
Interim Chair, Remuneration Committee
AO World PLC

4 July 2023

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of AO World PLC (the "Company") and its subsidiaries (together, the "Group") for the financial year to 31 March 2023. This report set outs additional statutory information.

2023 Annual General Meeting

The Annual General Meeting ("AGM") of AO World PLC (the "Company") will be held at 5a The Parklands, Lostock, Bolton BL6 4SD on Wednesday 27 September 2023 at 8.00 am. The notice convening the meeting with details of the business to be transacted at the meeting and explanatory notes is set out in a separate AGM circular which has been issued to all shareholders at the same time as the Report.

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 147 to 190. The Directors do not recommend payment of a dividend by the Company in respect of the year ended 31 March 2023.

Issued share capital and control

The Company's issued share capital comprises ordinary shares of 0.25p, each of which are listed on the London Stock Exchange (LSE: AO.L). The ISIN of the shares is GB00BJTNFH41. As at 31 March 2023, the issued share capital of the Company was £1,442,302.47, comprising 576,920,989 ordinary shares of 0.25p each. As at the date of this document the issued share capital of the Company was £1,442,302.47 comprising 576,920,989 ordinary shares of 0.25p each. Shortly following the date of this document, the Company intends to complete a listing issue of up to 1,649,459 new ordinary shares of 0.25p each in the Company to satisfy the release of share awards under the terms of the Company's employee share schemes.

During the year, the Company conducted a capital raise, raising gross proceeds of c.£41m by the issue of a) 93,801,251 ordinary shares of 0.25p each on 11 July 2022 to certain institutional investors and (via PrimaryBid) to certain retail investors; and b) 2,055,301 ordinary shares of 0.25p each on 24 August 2022 to certain Directors to satisfy their subscriptions for shares in connection with the capital raise. The aggregate nominal value of these shares is £234,503.10. The market price of the allotted securities on the date which the terms of the issue were fixed (being 6 July 2022) was 0.47p per share. 9,220,166 ordinary shares of 0.25p each were allotted for cash at a price of 0.43p per share and 86,636,386 ordinary shares of 0.25p each were allotted other than for cash pursuant to a cashbox structure. In addition, 1,541,911 ordinary shares of 0.25p each to satisfy the release of share awards under the terms of the AO 2018 Incentive Plan (FY19 grant). Further details of the issued share capital of the Company, together with movements in the issued share capital during the year, can be found in Note 28 to the financial statements on page 173. All the information detailed in Note 28 on page 173 forms part of this Directors' Report and is incorporated into it by reference.

Details of employee share schemes are provided in Note 31 to the financial statements on pages 174 to 175.

At the Annual General Meeting of the Company, to be held on 27 September 2023, the Directors will seek authority from shareholders to allot shares in the capital of the Company up to a maximum nominal amount of £961,534.98 (384,613,992) shares (representing approximately 66.6% of the Company's issued ordinary share capital)) of which 192,306,996 shares (representing approximately 33.3% of the Company's issued ordinary share capital (excluding treasury shares)) can only be allotted pursuant to a rights issue.

Authority to purchase own shares

The Directors will seek authority from shareholders at the forthcoming Annual General Meeting for the Company to purchase, in the market, up to a maximum of 57,692,098 of its own ordinary shares, either to be cancelled or retained as treasury shares. The Directors will only use this power after careful consideration, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The Directors will also take into account the effects on earnings per share and the interests of shareholders generally.

Rights attaching to shares

All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends that have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off-market, subject to the Companies Act 2006 and the requirements of the Listing Rules.

No shareholder holds shares in the Company that carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme that have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the AO Sharesave Scheme, the AO Performance Share Plan ("PSP"), the Employee Reward Plan ("ERP") or the AO Single Incentive Plan ("AOIP"), where share interests of a participant in such scheme can be exercised by the personal representatives of a deceased participant in accordance with the scheme rules.

Voting rights

Each ordinary share entitles the holder to vote at general meetings of the Company. Under the Articles, a resolution put to the vote at the meeting shall be decided on a show of hands unless a poll is demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder.

Shareholders are also encouraged to vote by taking advantage of the Company registrar's secure online voting service which is available at aoshareportal.com or by requesting a Form of Proxy from them and returning it by post. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No member shall be entitled to vote at any general meeting either in person or by proxy, in respect of any share held by them unless all amounts presently payable by them in respect of that share have been paid. Save, as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restrictions on transfer of securities

There are no restrictions on the free transferability of the Company's shares save that the Directors may, in their absolute discretion, refuse to register the transfer of a share:

1. in certificated form, which is not fully paid, provided that if the share is listed on the Official List of the UK Listing Authority such refusal does not prevent dealings in the shares from taking place on an open and proper basis; or
2. in certificated form (whether fully paid or not) unless the instrument of transfer (a) is lodged, duly stamped, at the Office or at such other place as the Directors may appoint and (except in the case of a transfer by a financial institution where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (b) is in respect of only one class of share; and (c) is in favour of not more than four transferees; or
3. in uncertificated form to a person who is to hold it thereafter in certificated form in any case where the Company is entitled to refuse (or is excepted from the requirement) under the Uncertificated Securities Regulations to register the transfer; or
4. where restrictions are imposed by laws, and regulations from time to time apply (for example insider trading laws).

In relation to awards/options under the PSP, ERP, AOIP and the AO Sharesave Scheme, rights are not transferable (other than to a participant's personal representatives in the event of death).

The Directors are not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Change of control

Save, in respect of a provision of the Company's share schemes that may cause options and awards granted to employees under such schemes to vest on takeover, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

Save, in respect of the Company's share schemes, the Revolving Credit Facility agreement entered into with Barclays Bank Plc, HSBC Bank Plc and Natwest Bank Plc on 5 April 2023, there are no significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control.

Interests in voting rights

At the date of this report, the Company had been notified in accordance with chapter 5 of the Financial Services Authority's Disclosure Guidance and Transparency Rules, or was aware of (to the best of its knowledge) the following significant interests:

Shareholder	Number of ordinary shares/ voting rights notified or aware of	Percentage of voting rights over ordinary shares of 0.25p each
Frasers Group PLC	128,067,668	22.2%
Camelot Capital Partners	118,459,508	20.5%
John Roberts[1]	105,892,224	18.4%
Pheonix Asset Management Partners	34,251,300	5.9%
Christopher Hopkinson[2]	24,631,306	4.3%

1 Holding includes 882,350 ordinary shares held by Sally Roberts, defined under MAR as a person with whom John Roberts is closely associated, and 6,348 ordinary shares held by Crystalcraft Limited, a company of which he is a director and shareholder.

2 Holding includes 350,877 ordinary shares held by Gayle Halstead, defined under MAR as a person with whom Christopher Hopkinson is closely associated but excludes 750,000 ordinary shares held in a pension of which Christopher Hopkinson is one of the beneficiaries.

Directors

Peter Pritchard and Sarah Venning were appointed to the Board during the Period.

Director	Position	Served in the year ended 31 March 2023
Geoff Cooper	Chair	Served throughout the year
Marisa Cassoni	Senior Independent Non-Executive Director	Served throughout the year
Mark Higgins	Chief Financial Officer	Served throughout the year
Chris Hopkinson	Non-Executive Director	Served throughout the year
Shaun McCabe	Independent Non-Executive Director	Served throughout the year
John Roberts	Founder and Chief Executive Officer	Served throughout the year
Peter Pritchard	Independent Non-Executive Director	Appointed 1 October 2022
Sarah Venning	Independent Non-Executive Director	Appointed 1 November 2022

Their biographical details are set out on pages 84 and 85. Further details relating to Board and Committee composition are disclosed in the Corporate Governance Report and Committee Reports on pages 86 to 129.

Appointment and replacement of Directors

The appointment and replacement of Directors of the Company is governed by the Articles.

Appointment of Directors: A Director may be appointed by the Company by ordinary resolution of the shareholders or by the Board (having regard to the recommendation of the Nomination Committee). A Director appointed by the Board holds office only until the next Annual General Meeting of the Company and is then eligible for reappointment.

The Directors may appoint one or more of their number to the office of CEO or to any other Executive office of the Company, and any such appointment may be made for such term, at such remuneration and on such other conditions as the Directors think fit.

Retirement of Directors: Under the Articles, at every Annual General Meeting of the Company, all Directors who held office at the time of the two preceding AGMs and did not retire at either of them shall retire from office but may offer themselves for re-election, and if the number of retiring Directors is fewer than one-third of Directors, then additional Directors shall be required to retire. However, in accordance with the Code, all Directors will retire and be subject to re-election at the forthcoming AGM.

Removal of Directors by special resolution: The Company may, by special resolution, remove any Director before the expiration of their period of office.

Termination of a Director's appointment: A person ceases to be a Director if:

i. that person ceases to be a Director by virtue of any provision of the Companies Act 2006 or is prohibited from being a Director by law;
ii. a bankruptcy order is made against that person;
iii. a composition is made with that person's creditors generally in satisfaction of that person's debts;
iv. that person resigns or retires from office;
v. in the case of a Director who holds any Executive office, their appointment as such is terminated or expires and the Directors resolve that they should cease to be a Director;
vi. that person is absent without permission of the Board from Board meetings for more than six consecutive months and the Directors resolve that they should cease to be a Director; or
vii. a notice in writing is served upon them personally, or at their residential address provided to the Company for the purposes of section 165 of the Companies Act 2006, signed by all the other Directors stating that they shall cease to be a Director with immediate effect.

For further details of our Directors, please refer to pages 84 and 85.

Amendment of the Articles

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles of Association at the forthcoming Annual General Meeting.

Post-balance sheet events

In April 2023, the Group entered into a new £80m Revolving Credit Facility which replaced the existing revolving credit facility and expires in April 2026.

Research and development

Innovation, specifically in IT, is a critical element of AO's strategy and therefore of the future success of the Group. Accordingly, the majority of the Group's research and development expenditure is predominantly related to the Group's IT systems. In addition, as part of the Group's ongoing investment into our recycling processes, we are constantly looking at innovating and improving our technology. Through this investment, additional research and development expenditure is incurred.

Indemnities and insurance

The Company maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries. The Company also indemnifies the Directors under an indemnity, in the case of the Non-Executive Directors in their respective letters of appointment and in the case of the Executive Directors in a separate deed of indemnity. Such indemnities contain provisions that are permitted by the director liability provisions of the Companies Act 2006 and the Company's Articles.

Political donations

During the year, no political donations were made.

External branches

As part of its strategy on international expansion, the Group established a branch in Germany on 18 July 2014 via its subsidiary AO Deutschland Limited, registered in Bergheim. Following the decision to close the Group's operations in Germany, this branch no longer trades but as at 31 March 2023 remained in existence as we proceed with winding down all operations.

Independent Auditor

The Company's Auditor, KPMG LLP, has indicated their willingness to continue their role as the Company's Auditor. A resolution to reappoint KPMG LLP as Auditor of the Company and to authorise the Audit Committee to determine their remuneration will be proposed at the forthcoming AGM.

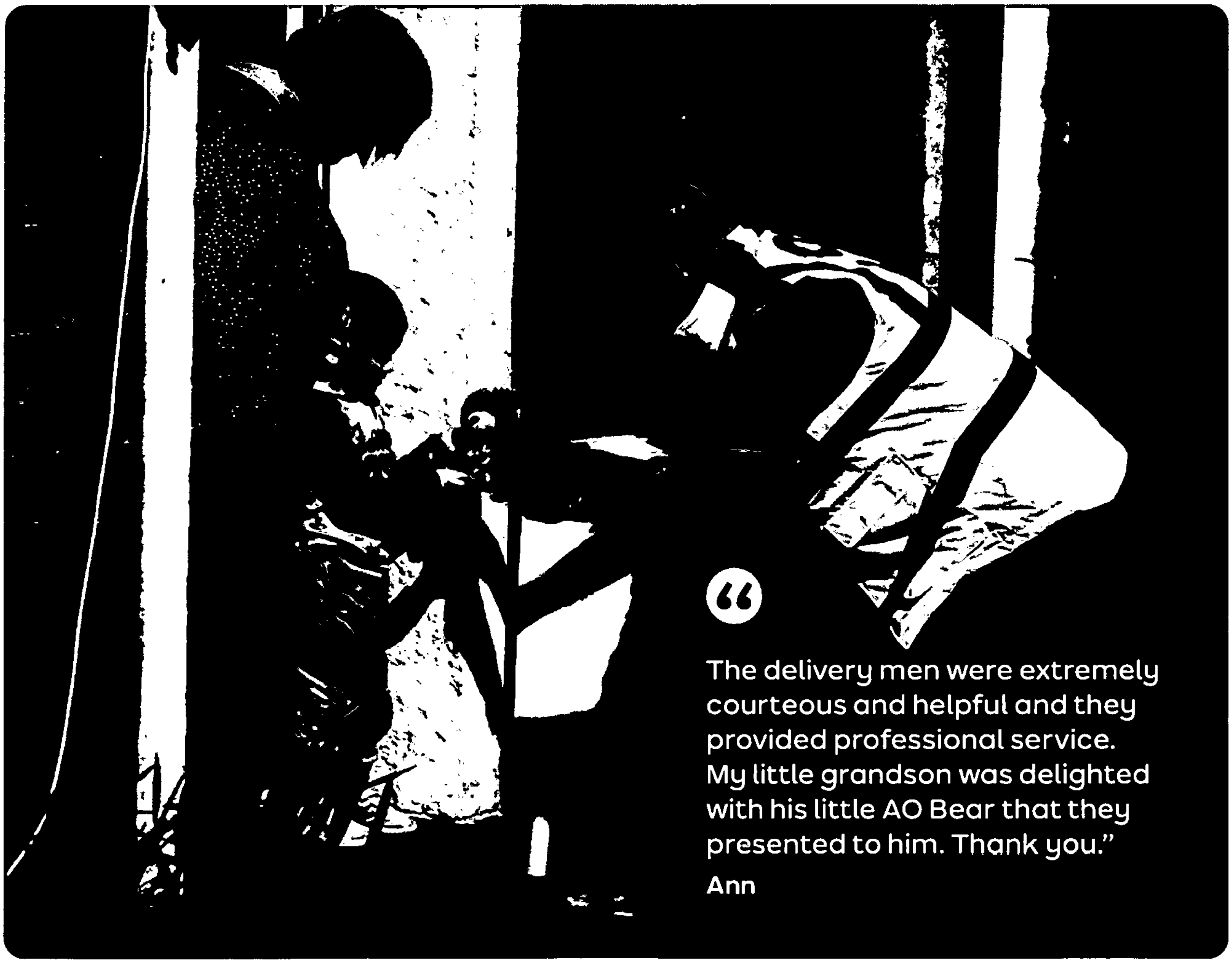
Disclosure of information to the Auditor

Each of the Directors has confirmed that:

i. So far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

ii. The Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.



Directors' Report continued

Reporting requirements

As permitted by section 414C of the Company Act 2006, certain information required to be included in the Directors' Report has been included in the Strategic Report and its location, together with other information forming part of the Directors' Report, is set out below.

Reporting requirement	Location
Strategic Report - Companies Act 2006 s.414A-D	Strategic Report on pages 02 to 77
Likely future developments of the business and Group	Strategic Report on pages 02 to 77
DTR4.1.8R - management report - the Directors' Report and Strategic Report comprise the "management report"	Directors' Report on pages 130 to 135, and the Strategic Report on pages 02 to 77
Directors' remuneration including disclosures required by Schedule 5 and Schedule 8 of SI2008/410 - Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008	Directors' Remuneration Report on pages 108 to 129
Statement on corporate governance	Corporate Governance Report, Audit Committee Report, Nomination Committee Report and Directors' Remuneration Report on pages 80 to 129
Board's assessment of the Group's internal control systems	Corporate Governance Report from page 80, and the Audit Committee Report on pages 100 to 106
Board of Directors	Corporate governance statement on pages 84 and 85
Community	Strategic Report; Sustainability Report on page 77
Business relationships with suppliers, customers and others	Strategic Report: How we engage with our stakeholders report on pages 46 and 49
Directors' interests	Directors' Remuneration Report from page 129
Diversity policy	Strategic Report: Sustainability Report - Fair, equal and responsible on pages 70 to 73, and the Nomination Committee Report on pages 96 to 99
Employee engagement	Strategic Report: Engaging with our stakeholders on page 47; Sustainability Report - Fair, equal and responsible on page 68
Employee involvement	Strategic Report: Engaging with our stakeholders on page 47; Sustainability Report - Fair, equal and responsible on page 68
Employees with disabilities	Strategic Report: Sustainability Report - Fair, equal and responsible on page 73
Going concern and viability statement	Strategic Report page 45
Task force on climate-related financial disclosures	TCFD disclosures on pages 60 to 67
Greenhouse gas emissions and streamlined energy and carbon reporting	Strategic Report: Sustainability Report pages 66 and 67
Details of use of financial instruments and specific policies for managing financial risk	Note 33 to Group financial statements on pages 177 to 180
Significant related-party agreements	Note 34 to the consolidated financial statements on page 181
Directors' responsibility statement	Directors' responsibility statement on page 135

The Strategic Report comprising pages 02 to 77 and this Directors' Report comprising pages 130 to 135 have been approved by the Board and are signed on its behalf by:

Julie Finnemore
Company Secretary

4 July 2023

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law, and have elected to prepare the parent Company financial statements under FRS101 Reduced Disclosure Framework.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company, and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

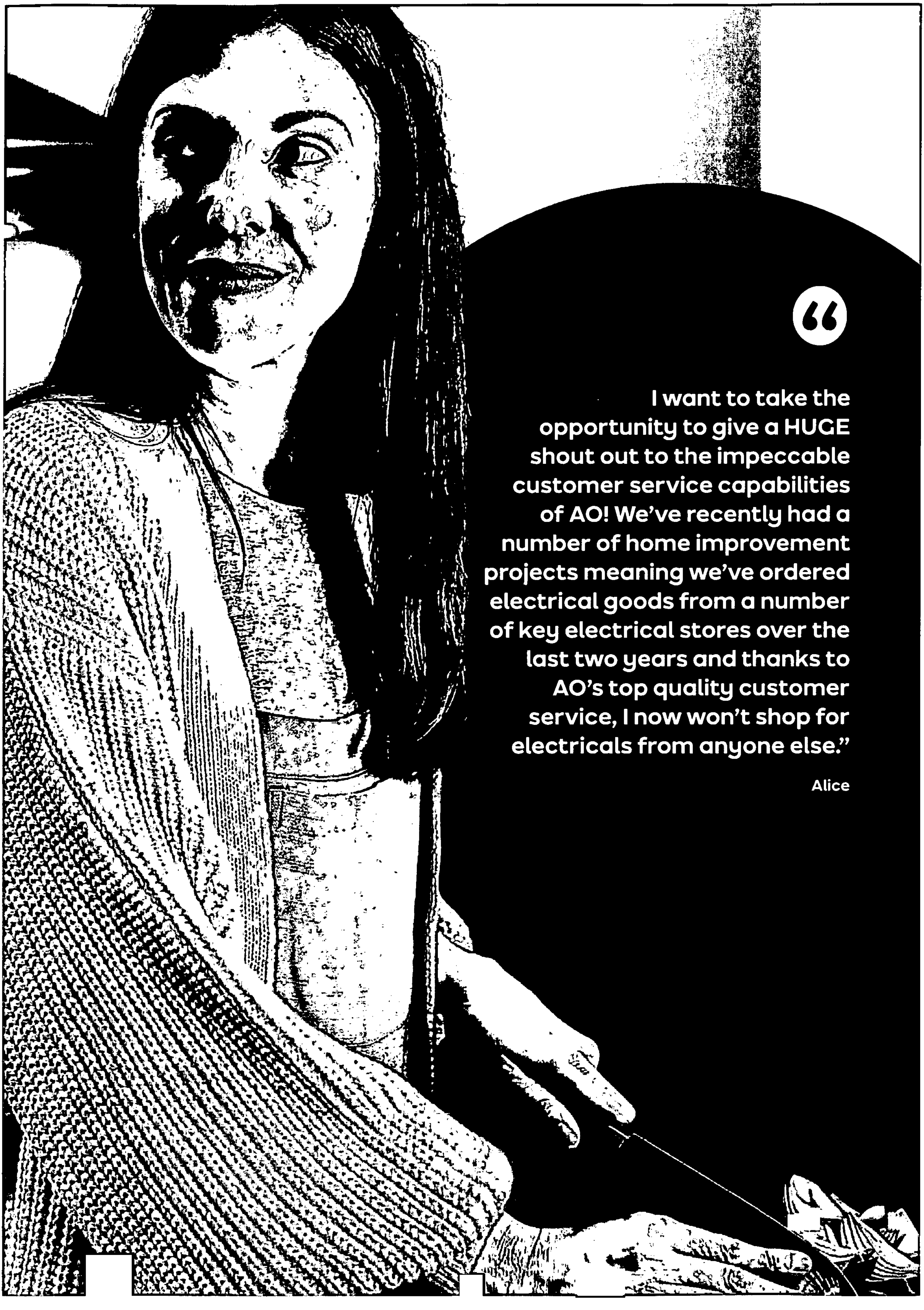
John Roberts
Chief Executive Officer

Mark Higgins
Chief Financial Officer

4 July 2023

Our Results

Contents



“

I want to take the opportunity to give a HUGE shout out to the impeccable customer service capabilities of AO! We’ve recently had a number of home improvement projects meaning we’ve ordered electrical goods from a number of key electrical stores over the last two years and thanks to AO’s top quality customer service, I now won’t shop for electricals from anyone else.”

Alice

Independent Auditor's Report
to the members of AO World PLC

1. Our opinion is unmodified

We have audited the financial statements of AO World plc ("the Company") for the year ended 31 March 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and the related notes, including the accounting policies in note 3 to the financial statements and note 1 to the company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 21 July 2016. The period of total uninterrupted engagement is for the 7 financial years ended 31 March 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£2.5m (2022: £2.5m) 0.22% (2022: 0.18%) of Group total revenue	
Coverage	97% (2022: 99%) of Group total revenue	
Key audit matters		**vs 2022**
Recurring risks	Product protection plans contract asset	◀▶
	Network commissions contract asset	◀▶
	Recoverability of Mobile goodwill	◀▶
	Recoverability of parent Company's investment in subsidiaries	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Product protection plans contract asset £93.1 million contract asset; 2022: £90.7 million) Refer to page 103 (Audit Committee Report) Page 153 (Accounting Policy) Page 159 (Key sources of estimation uncertainty) and page 168 (Financial Disclosures - contract asset)	**Subjective estimate** The contract asset recognised is based on the value of commissions due over the expected life of the plans. This involves the use of a complex model. The inputs into that model, such as the life of the plans, accelerated drop off and future plan profitability are based on forecast performance and are subjective estimates which require judgement. The effect of these matters is that, as part of our risk assessment, we determined that the product protection plans contract asset has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 22) disclose the sensitivity estimated by the Group. **Data capture** Completeness and accuracy of data used in the model could be incorrect because of the complexity involved in the data transfer from the third party and onwards into the model. **Calculation error** The model used to calculate the variable consideration is complex and open to the possibility of arithmetical error.	Our procedures included: • **Benchmarking assumptions:** We assessed the directors' assumptions over the application of historic plan data in generating an expected average life of plans sold. This was assessed by comparing the historical assumption applied to actual cancellations. • **Sensitivity analysis:** We performed sensitivity analysis on judgemental assumptions relating to future plan profitability and point of accelerated drop off and challenged the plausibility and severity of those sensitivities performed. • **Our sector experience:** We challenged the assumptions made such as life of the plans, accelerated drop off and expected future plan profitability based on our knowledge of the business and the Group, considering factors occurring in the macroeconomic environment. • **Expectation vs outcome:** We evaluated the accuracy of the model with reference to alternative data, e.g. expected cumulative cash received compared to actual cash received, both in the year and post year end. • **Data comparisons:** With the assistance of our own data modelling specialists we performed reconciliations between the third party live data at year end and the database system which stores the data that is ultimately used within the model. • **Methodology implementation:** With the assistance of our own data modelling specialists we assessed the accuracy of the implementation of the methodology behind the calculation and tested the model for arthimetical errors. • **Assessing transparency:** We assessed the adequacy of the Group's disclosures on the subjectivity of the unobservable measures and the sensitivity of the outcome of the calculation to changes in key assumptions, reflecting the risks inherent in the calculation of the contract asset. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results:** We found the carrying value of the contract asset for product protection plans to be acceptable (2022: acceptable).

	The risk	Our response
Network commissions contract asset £81.4 million contract asset; 2022: £83.4 million) Refer to page 103 (Audit Committee Report) Page 153 (Accounting Policy) Page 159 (Key sources of estimation uncertainty) and page 168 (Financial Disclosures – contract asset)	**Subjective estimate** The contract asset recognised is based on the value of commissions due over the expected life of mobile phone network contracts. The inputs into the model used to calculate the asset value, such as number of customer disconnections, and monthly expected cash receipts are based on forecast performance and are subjective estimates which require judgement. The effect of these matters is that, as part of our risk assessment, we determined that the contract asset has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 22) disclose the sensitivities estimated by the Group.	Our procedures included: • **Our sector experience:** We challenged the assumptions made such as future clawback of upfront revenues, the number of customer disconnections and monthly expected cash receipts by comparing to actual historical experience, taking into account our knowledge of the business. • **Sensitivity analysis:** We performed sensitivity analysis on judgemental assumptions as described above and we challenged the plausibility and severity of these sensitivities by comparing the result to third party trends, taking into account our knowledge of the business. • **Historical comparisons:** We evaluated the historical accuracy of the model with reference to actual data e.g. monthly cash receipts received per network against expected cash receipts. • **Assessing transparency:** We assessed the adequacy of the Group's disclosures about the subjectivity of the unobservable measures and the sensitivity of the outcome of the calculation to changes in key assumptions, reflecting the risks inherent in the calculation of the contract asset. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results:** We found the carrying value of the network commissions contract asset to be acceptable (2022: acceptable).

	The risk	Our response
Recoverability of Mobile goodwill Mobile goodwill (£14.7 million; 2022: £14.7 million) Refer to page 103 (Audit Committee Report) Page 155 (Accounting Policy) Page 160 (Other areas of estimation uncertainty) and page 164 (Financial Disclosures)	**Subjective estimate** The goodwill arising on the acquisition of MobilePhonesDirect ("Mobile goodwill") is significant and at risk of irrecoverability due to uncertainty of achieving future forecasts. The recoverable amount of Mobile goodwill is determined based on a value in use calculation. Recoverability of Mobile goodwill is subject to estimation in terms of the assumptions used and inherent uncertainty involved in forecasting the future cash flows that are used in the discounted cash flow model. The key assumptions are revenue and EBITDA margin. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill has a high degree of estimation uncertainty. The financial statements (note 16) disclose the sensitivity estimated by the Group.	Our procedures included: • **Historical comparison:** We assessed the reasonableness of the cash flow forecasts by considering the historical accuracy of management's previous budgets and forecasts; • **Benchmarking assumptions:** We evaluated the Group's assumptions included within the value in use calculation by comparing key assumptions such as projected revenue and EBITDA margin to internally and externally derived data; • **Our sector experience:** We assessed whether key assumptions reflect our knowledge of the business and industry, including known or probable changes in the business environment. • **Sensitivity analysis:** We performed sensitivity analysis on the key assumptions and considered whether the Directors have identified realistic worst case scenarios in their own sensitivity analysis; and • **Assessing transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** We found the carrying amount of Mobile goodwill to be acceptable (2022: acceptable).

	The risk	Our response
Recoverability of parent Company's investments in subsidiaries Investment in subsidiaries (£42.7 million; 2022: £87.8 million) Refer to page 185 (Accounting Policy) and (Financial Disclosures)	**Low risk, high value** The carrying amount of the parent Company's investments in subsidiaries represents 57% (2022: 70%) of the Company's total assets. The recoverability of investments is not at high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the parent Company financial statements, it is considered to be the area of greatest significance in relation to our audit of the parent Company. The recoverability of debtors due from Group entities was considered a risk in the previous year given the performance of the German business. However following the closure of the entity during the year, the intercompany receivable with the German business has been impaired in full. There is no further significant judgement in the debtors due from Group entities.	Our procedures included: • **Tests of detail:** We compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheets to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessed whether those subsidiaries have historically been profit-making. • **Assessing subsidiary audits:** We considered the results of the audit work on those subsidiaries' results and net assets. • **Test of detail:** For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' current trading profit. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results:** We found the Company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable. (2022: acceptable).

We continue to perform procedures over going concern as summarised in section 4 of this report. However, following the closure of the German operations during the year and the refinancing completed post year end, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified as a key audit matter in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2.5m (2022: £2.5m), determined with reference to a benchmark of Group total revenue, of which it represents 0.21% (2022: 0.16%).

We consider total revenue to be the most appropriate benchmark. Year over year, revenue has remained similar and the most stable measure. In recent years, the Group has invested in and then closed operations in overseas territories and invested in brand development. This, together with the impact of both COVID and recent macroeconomic changes has resulted in profit and loss volatility. Therefore, profit or loss is not considered to be an appropriate benchmark.

Materiality for the parent Company financial statements as a whole was set at £0.7m (2022: £1.3m), determined with reference to a benchmark of total assets, of which it represents 0.9% (2022: 1.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

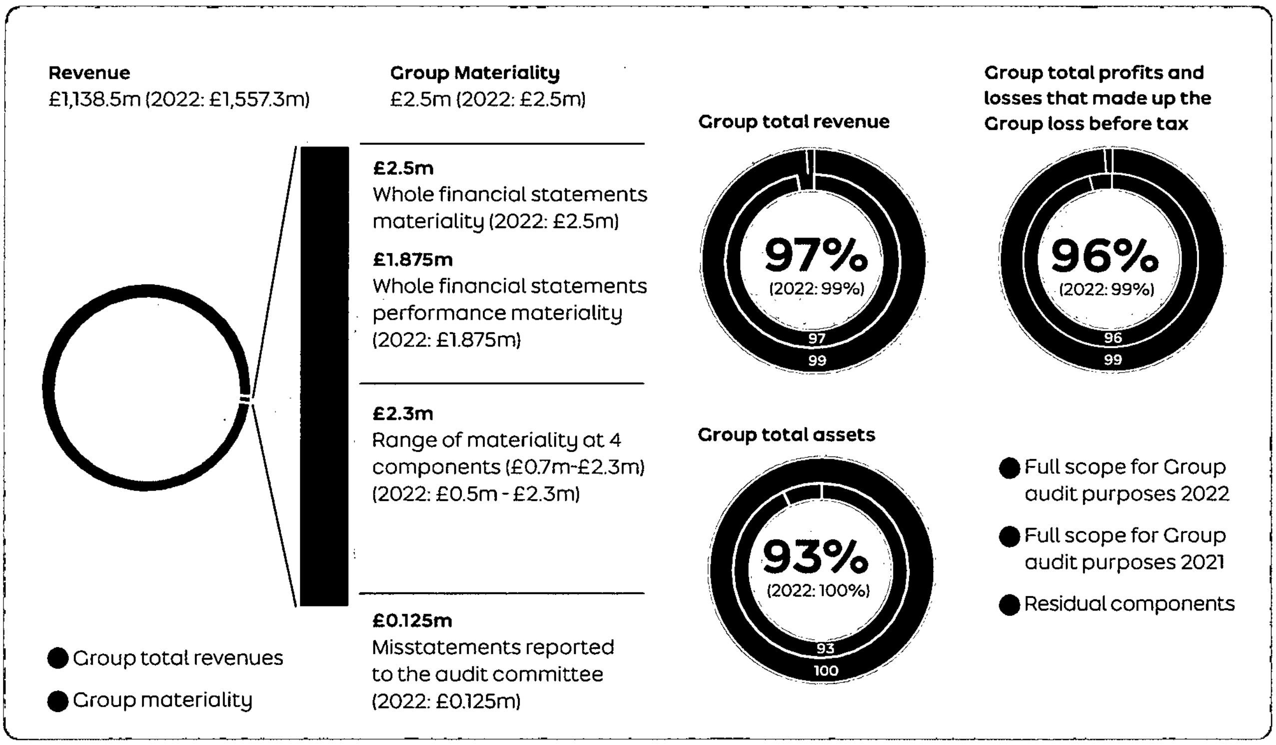
Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £1.875m (2022: £1.875m) for the Group and £0.525m (2022 : £0.975m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £125,000 (2022: £125,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 12 (2022: 13) reporting components, we subjected 4 (2022: 7) to full scope audits for group purposes, all of which, including the audit of the parent Company, were performed by the group audit team. The components within the scope of our work accounted for the percentages illustrated below.

The remaining 3% (2022: 1%) of total Group revenue, 4% (2022: 1%) of Group profit before tax and 7% (2022: 0%) of total Group assets is represented by 8 (2022: 6) reporting components, none of which individually represented more than 3.3% (2022: 2.3%) of any of total Group revenue, Group profit before tax or total Group assets. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.



4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The risk that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period was the general macroeconomic environment and expected cost inflationary pressures.

We considered whether this risk could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from the risk against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures also included:

- Inspecting confirmation from the lender of the level of committed financing, and the associated covenant requirements.
- Critically assessing assumptions in base case and downside scenarios relevant to liquidity and covenant metrics, in particular in relation to the current economic environment by comparing to historical trends and considering knowledge of the Group's plans based on approved budgets and our knowledge of the Group and the sector in which it operates.
- Assessing whether downside scenarios applied mutually consistent and severe assumptions in aggregate, using our assessment of the possible range of each key assumption and our knowledge of inter-dependencies.
- Comparing past budgets to actual results to assess the Directors' track record of budgeting accurately.
- Considering whether the going concern disclosure in note 3 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, dependencies and related sensitivities. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 3 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 3 to be acceptable; and
- the related statement under the Listing Rules set out on pages 45 and 46 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee and internal audit as to the Group's high level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors, including the Value Creation Plan, Performance Share Plan and the AO Sharesave scheme.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and performance incentives, we perform procedures to address the risk of management override of controls in particular;

- the risk that Group and component management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates and judgements such as the carrying value of the contract assets

On this audit we do not believe there is a fraud risk related to other revenue streams recognition because there is limited opportunity to commit fraud and no material judgements or estimation involved in the balance.

We did not identify any additional fraud risks. Further detail in respect of the carrying value of the contract assets is set out in the key audit matters disclosures in section 2 of this reoprt. We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted with unexpected account combinations.
- Assessing whether judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by the audit standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non- compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements, including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of noncompliance alone could have a material effect on amounts or disclosures in the financial statements. For the "serious loss of capital" matter disclosed on page 101 we assessed the disclosures in note 28 against evidence of share capital transactions that have occurred.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non- compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non- detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non- compliance or fraud and cannot be expected to detect non- compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability assessment on page 145 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the risk management framework disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability assessment of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability assessment, set out on page 45 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 135, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Neale
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square London
E14 5GL

4 July 2023

Consolidated income statement
For the year ended 31 March 2023

	Note	2023 £m	2022 £m Restated (See note 35)
Revenue	5, 6	1,138.5	1,368.3
Cost of sales	6,8	(900.3)	(1,104.9)
Gross profit		238.2	263.4
Administrative expenses	7,8	(226.4)	(272.7)
Other operating income	8	0.7	1.8
Operating profit/ (loss)	8	12.5	(7.5)
Finance income	11	2.9	2.6
Finance costs	12	(7.8)	(5.6)
Profit/ (loss) before tax		7.6	(10.5)
Tax (charge)/ credit	13	(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	35	(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	29	0.2	0.3
		(2.4)	(30.1)
Earnings/ (loss) per share from continuing operations (pence)			
Basic earnings/ (loss) per share	15	1.13	(0.75)
Diluted earnings/ (loss) per share	15	1.10	(0.75)
Loss per share from continuing and discontinued operations (pence)			
Basic loss per share	15	(0.48)	(6.33)
Diluted loss per share	15	(0.47)	(6.33)

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 profit/ (loss) 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 parent arising from:		
Continuing operations	6.2	(3.6)
Discontinued operations	(15.2)	(25.8)
	(9.0)	(29.4)

Consolidated statement of financial position
As at 31 March 2023

	Note	2023 £m	2022 £m
Non-current assets			
Goodwill	16	**28.2**	28.2
Other intangible assets	17	**9.6**	12.2
Property, plant and equipment	18	**20.9**	32.7
Right of use assets	18	**69.4**	86.6
Trade and other receivables	22	**93.3**	92.4
Deferred tax	20	**8.3**	9.0
		229.7	261.1
Current assets			
Inventories	21	**73.1**	97.0
Trade and other receivables	22	**137.8**	169.7
Corporation tax receivable		**0.6**	1.9
Cash and cash equivalents	24	**19.1**	19.5
		230.6	288.1
Total assets		**460.3**	549.2
Current liabilities			
Trade and other payables	23	**(249.5)**	(313.9)
Borrowings	25	**(10.0)**	(45.0)
Lease liabilities	26	**(17.8)**	(20.3)
Provisions	27	**(1.2)**	(0.4)
		(278.5)	(379.6)
Net current liabilities		**(47.9)**	(91.5)
Non-current liabilities			
Trade and other payables	23	**(4.8)**	(6.4)
Lease liabilities	26	**(67.5)**	(88.3)
Provisions	27	**(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	28	**1.4**	1.2
Share premium account	28	**108.2**	104.4
Other reserves	30	**59.4**	28.5
Retained losses		**(63.3)**	(60.7)
Total		**105.7**	73.4
Non-controlling interest	29	**–**	(1.0)
Total equity		**105.7**	72.4

The financial statements of AO World PLC, registered number 05525751, on pages 147 to 182 were approved by the Board of Directors and authorised for issue on 4 July 2023. They were signed on its behalf by:

John Roberts
CEO
AO World PLC

Mark Higgins
CFO
AO World PLC

Consolidated statement of changes in equity

As at 31 March 2023

				Other reserves								
	Share capital £m	Investment in own shares £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Share-based payments reserve £m	Translation reserve £m	Other reserve £m	Retained losses £m	Total £m	Non-controlling interest £m	Total £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**

Consolidated statement of cash flows
For the year ended 31 March 2023

	Note	2023 £m	2022 £m Restated (See note 35)
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	35	**(8.8)**	(7.3)
Adjustments for:			
Depreciation and amortisation	17, 18	**29.0**	28.5
Loss on disposal of property, plant and equipment		**0.9**	0.4
Finance income	11	**(2.9)**	(2.6)
Finance costs	12	**7.8**	5.6
Taxation charge/ (credit)		**1.2**	(7.2)
Share-based payment charge	31	**5.3**	5.8
Increase in provisions	27	**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	35	**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 interests		**(2.5)**	-
(Repayment of)/ New borrowings	25	**(35.0)**	45.0
Interest paid on borrowings	12	**(3.5)**	(1.6)
Interest paid on lease liabilities	12	**(4.2)**	(4.3)
Repayment of lease liabilities		**(17.7)**	(21.2)
Net cash used in financing activities by discontinued operations	35	**(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	24	**19.1**	19.5

Notes to the consolidated financial statements
For the year ended 31 March 2023

1. Authorisation of financial statements and statement of compliance with IFRSs
AO World PLC is a public limited company and is incorporated in the United Kingdom under the Companies Act. The Company's ordinary shares are traded on the London Stock Exchange. The Group's financial statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards ("UK adopted IFRS").

The address of the registered office is given on page 191. The nature of the Group's operations and its principal activities are set out in Note 19 and in the Strategic Report on pages 2 to 77.

These financial statements are presented in pounds sterling (£m) as that is the currency of the primary economic environment in which the Group operates.

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 35 for further details).

2. Adoption of new and revised standards
The accounting policies set out in Note 3 have been applied in preparing these financial statements.

The following standards, interpretations and amendments, issued by the International Accounting Standards Board ("IASB") effective for the period ended 31 March 2023, are relevant to the Group but have had no material impact on the Group's Financial Statements:

- Amendments to IAS 37 and IAS 16
- Amendments to References to the Conceptual Framework in IFRS 3
- Annual improvements to IFRS standards 2018-2020

New accounting standards in issue but not yet effective
The following UK-adopted IFRSs have been issued but have not been applied by the Group in these consolidated financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- 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.

3. Significant accounting policies
Basis of consolidation
The Group's financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

Subsidiary undertakings are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases. Subsidiary undertakings acquired during the period are recorded under the acquisition method of accounting. The cost of the acquisition is measured at the aggregate fair value of the consideration given. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair value at the date the Group assumes control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred. All intercompany balances and transactions have been eliminated in full.

The present-access method was used to value the AO Recycling Limited non-controlling interest in the prior period. Under this method the non-controlling interest continued to be recognised because the non-controlling shareholders still had present access to the returns associated with the underlying ownership interests, with the debit entry to "other" equity. Any non-controlling interest acquired on acquisition of a subsidiary was recognised at the proportionate share of the acquired net assets. Subsequent to acquisition, the carrying amount of non-controlling interest equalled the amount of those interests at initial recognition plus the non-controlling share of changes in equity since acquisition. Total comprehensive income is attributed to a non-controlling interest even if this results in the non-controlling interest having a deficit balance. In the current year, the Company exercised its final call option to acquire the remaining shares in AO Recycling Limited from its founders and accordingly, AO Recycling Limited is now a wholly owned subsidiary.

A list of all the subsidiaries of the Group is included in Note 19 to the Group financial statements. All subsidiaries apply accounting policies which are consistent with those of the rest of the Group.

Going concern
Further information on our risks are shown on pages 38 to 44.

Notwithstanding net current liabilities of £47.9m 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.

Revenue recognition

IFRS 15 "Revenue from Contracts with Customers" is a principle-based model of recognising revenue from customer contracts. It has a five-step model that requires revenue to be recognised when control over goods and services are transferred to the customer. The following paragraphs (which align with the disaggregation of revenue shown in Note 5) describe the types of contracts, when performance obligations are satisfied, and the timing of revenue recognition.

Product revenue

The Group operates through one main website: ao.com - as well as operating sites for third parties. All websites are for the sale of electrical products. Revenue from the sale of goods is recognised when a Group entity delivers a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product or, in the case of certain business to business transactions, on credit terms.

It is the Group's policy to sell its products to the end customer with a right of return within 30 days. Therefore, a returns liability (included in accruals) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned.

Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Service revenue

In addition to the sale of the product, the Group offers the delivery, collection, connection and disposal of new and old appliances. Revenue from these services is recognised in line with when the product is delivered.

Commission revenue

Commission revenue principally relates to revenue received by the Group in its role as agent/broker for a third party. The two principal sources are:

a. Product protection plans

Commission receivable for sales of product protection plans for which the Group acts as an agent (on the basis that the plan is a contract between the customer and Domestic & General, and the Group has no ongoing obligations following the sale of such plans) is included within revenue based on the estimated future commissions receivable over the estimated life of the product protection plan. Revenue is recognised on the basis that the Group has fulfilled its obligations to the customer at the point of sale.

The amounts recognised take into consideration, amongst other things, the length of the plan and the historical rate of customer attrition and is discounted. Further details are included in Note 4 and Note 22.

b. Network commissions

The Group operates under contracts with a number of Mobile Network Operators ("MNO"). Over the life of these contracts, the service provided is the procurement of connections to the MNO's network and the delivery of the handset to the end customer. The individual consumer enters into a contract with the MNO for the MNO to supply the ongoing airtime over that contract period and with AO Mobile Limited for the supply of the handset. The Group earns a commission for the service provided to each MNO ("network commission").

3. Significant accounting policies continued

The method of estimating the revenue and the associated contract asset in the month of connection is to estimate all future cash flows that will be received from the network and discount these based on their timing of receipt. The determined commission is recognised in full in the month of connection of the consumer to the MNO as this is the point at which the Group has completed the service obligation relating to the consumer connection.

Commission revenue is only recognised to the extent it can be reliably measured for each consumer. The level of network commission earned is based on an agreed contractual percentage share of the monthly payments made by the consumer to the MNO. The total consideration receivable is determined by both fixed (monthly line rental) and variable elements (being out of bundle and out of contract revenue share).

The Group recognises all of the fixed revenue share expected over a consumer's contract when a consumer is connected to the MNO. This gives rise to a contract asset being recognised, which is collected over the consumer's contract.

Estimating in advance variable elements of revenue, including any constraints, is based on historical data, is subject to significant judgements and is dependent on consumer behaviour after the point of recognition. The Group does consider that the amount of out of bundle and out of contract revenue can be measured reliably in advance for certain MNOs, and therefore these revenues are recognised when a consumer is connected to the MNO.

For certain MNOs, where they are not considered reliably measurable they are recognised in the month received.

Logistics revenue

The Group provides third-party logistics services to a number of customers. Revenue from logistics is recognised on completion of the delivery and service.

Recycling revenue

Revenue from the recycling of used electrical products is recognised at the point of sale to the end user.

Volume and marketing-related expenditure

At the year end, the Group is required to estimate supplier income receivable due from annual agreements for volume rebates, some of which span across the year-end date. Estimates are required where firm confirmation of some amounts due are received after the year end. Where estimates are required, these are calculated based on historical data, adjusted for expected changes in future purchases from suppliers, and reviewed in line with current supplier contracts.

Commercial income can be recognised as volume rebates or as strategic marketing investment funding. Volume rebates are recognised in the income statement as a reduction in cost of sales in line with the recognition of the sale of a product. Strategic marketing investment funding is recognised in one of two ways:

- In advertising costs or cost of sales to offset directly attributable costs incurred by the Group on behalf of the suppliers; and
- The remainder of funding is recognised in revenue (in product revenue).

Finance income and costs

Finance income is recognised in the consolidated income statement in the period to which it relates using the effective interest rate method.

Finance income comprises:

- Income arising from the unwinding of the discount applied to the contract assets in relation to product protection plans and network commissions in excess of their previously recognised value.,

Finance costs are recognised in the consolidated income statement in the period to which they occur.

Finance costs principally comprise:

- Finance costs incurred on finance leases and right of use lease liabilities, which are recognised in the income statement using the effective interest method; and
- Financing costs of raising debt and ongoing utilisation/non-utilisation fees.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method less any impairment losses.

Impairment of tangible and intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Goodwill is not amortised but is reviewed for impairment annually, or more frequently where there is an indication that the goodwill may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's CGUs expected to benefit from synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill impairment review
Goodwill is required to be tested for impairment annually. Impairment testing on goodwill is carried out in accordance with the methodology described in Note 16. Such calculations require judgement relating to the appropriate long-term growth prevalent in a particular market as well as short and medium-term business plans. The Directors draw upon experience as well as external resources in making these judgements.

Goodwill and intangible assets
Goodwill represents the excess of the total consideration transferred for an acquired entity, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Goodwill is stated at cost. Goodwill is allocated to CGUs and is not amortised but is tested annually for impairment.

Other intangible assets are stated at cost less accumulated amortisation. Amortisation is charged to the consolidated income statement in administrative expenses on the basis stated below over the estimated useful lives of each asset. The estimated useful lives are as follows:

Asset class	Amortisation method and rate
Domain names	5 years straight-line
Software	3 to 5 years straight-line
Marketing related assets	10 years straight-line
Customer lists	5 years straight-line

Software costs incurred as part of a service agreement are only capitalised when it can be evidenced that the Group has control over the resources defined in the arrangement. Any expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs.

Other development expenditure is recognised in the income statement as an expense as incurred.

Amortisation methods, useful lives and residual values are reviewed at each statement of financial position date.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets (other than Land) less their residual values over their useful lives on the following bases:

Asset class	Depreciation method and rate
Land and buildings	25 years straight-line (excluding Land)
Property alterations	10 years straight-line or over the life of the lease to which the assets relate
Fixtures, fittings and plant and machinery	15% reducing balance or 3 to 10 years straight-line
Motor vehicles	2 to 10 years straight-line
Computer equipment	3 to 5 years straight-line
Office equipment	15% reducing balance or 3 to 5 years straight line

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Right of use assets and liabilities
The Group has applied IFRS 16 in these financial statements.

The two capitalisation exemptions proposed by the standard

- lease contracts with a lease term of less than 12 months and lease contracts for which the underlying asset has a low value (on acquisition);

- have been taken by the Company. The payments for such leases are recognised in the income statement on a straight-line basis over the lease term.

AO World PLC as a lessee
At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset and whether the Group has the right to direct the use of the asset.

The Group recognises a right of use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the present value of lease payments plus any initial direct costs incurred and the costs of obligations to refurbish the asset, less any incentives received. The ROU asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the ROU asset is subject to testing for impairment if there is any indication of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Groups incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate.

The lease liability generally includes fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, the cost of the extension or option is included in the lease payments.

ROU assets are separately disclosed as a line in the balance sheet. The corresponding lease liability is separately disclosed as "lease liabilities" in both current and non-current liabilities. The Group has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities.

3. Significant accounting policies continued

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, 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. This is to give the users of these Financial Statements additional information that the Directors feel will be useful to the readers understanding of the business.

Subsequent measurement

The Group applies IAS 36 to determine whether a right of use asset is impaired and accounts for any identified impairment loss.

All leases are subject to the Group's annual review to assess whether the current lease terms are still in line with the overall intentions of the Group. It is the Group's policy that all leases relating to right of use assets - land and buildings are specifically reviewed once the remaining life of the lease becomes less than three years. If the Group intends to extend the lease beyond the initial lease period then this is reflected at that time.

Any leases, where the expected lease life is expected to be reduced or ended, are adjusted once the Group is satisfied that the change or event has occurred.

Based on the past experience of the Group, the likelihood of extending leases that relate to all other asset categories beyond their initial lease period is considered to be low.

AO World PLC as lessor

Where the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease, then it classifies the sublease as an operating lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as other operating income. The Group has classified cash flows from operating leases as operating activities.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct purchase cost net of rebates. Net realisable value represents the estimated selling price less all estimated and directly attributable costs of selling and distribution. Net realisable value includes, where necessary, provisions for slow-moving and damaged inventory.

Contract assets

Contract assets arising from sale of product protection plans and network contracts are recognised in line with the revenue recognition policies for commission revenue and are disclosed as a contract asset within trade and other receivables.

It represents the right to consideration in exchange for the service provided at the balance sheet date in relation to revenue recognised for the commissions. While the revenue is recognised at the point of sale, the cash receipts, which reduce the contract asset, are received over time.

As the consideration is receivable over time but is conditional on the behaviour of customers post provision of the service, it is classified as a contract asset under IFRS 15 rather than a receivable under IFRS 9.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities

Financial assets and liabilities comprise trade and other receivables (excluding contract assets), cash and cash equivalents, loans and borrowings, trade and other payables, and call and put options.

Trade and other receivables (excluding contract assets)

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand, on demand deposits and cash in transit.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Contract liabilities

Contract liabilities are initially recognised within creditors as payments on account and cashback liabilities at fair value. Subsequent to initial recognition they are measured at amortised cost.

Financial liabilities and equity components

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRSs. Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a. they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

b. where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called-up share capital and share premium account exclude amounts in relation to those shares.

Call and put options
In the prior period, the fair value of the call and put options (arising on the acquisition of AO Recycling Limited) was based upon an independent valuation at the year end using the Monte Carlo model. These were applied to the Company only accounts and, for the call option only, in the consolidated accounts.

For consolidation purposes, the Group used the gross liability method as per IAS 32 for valuing the put option, which equated to an estimate of the amount payable over the life of the option based on discounted future cash flows.

During the current year, the Company exercised its final call option to acquire the remaining shares in AO Recycling Limited, and accordingly it is now a wholly owned subsidiary.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. The estimated cash outflow is discounted to net present value.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment for items of income or expense that are taxable or deductible in other years or that are never taxable or deductible.

Research and development credits are accounted for in accordance with IAS 20. The credit is recognised once a reasonable estimate of the amount can be made.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and its tax base as at the reporting date. The following temporary differences are not provided for: the initial recognition of goodwill; and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (other than in a business combination) to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax liability is recognised at the expected future tax rate on the value of intangible assets with finite lives, which are acquired through business combinations representing the tax effect of the amortisation of these assets in the future. These liabilities will decrease in line with the amortisation of the related assets with the deferred tax credits recognised in the statement of comprehensive income in accordance with IAS 12.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are offset, and presented net on the balance sheet, when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

Employee benefits
The Group contributes to a defined contribution pension scheme for employees who have enrolled in the scheme. A defined contribution scheme is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the years during which services are rendered by employees.

Share-based payments
The cost of share-based payment transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is generally determined by an external valuer using an appropriate pricing model (see Note 31). In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions that are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards under the AO Sharesave Scheme that are cancelled. These awards are treated as if they had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the income statement.

Where there has been a change to an award during the period which constitutes a modification for IFRS 2 purposes, the fair value of both the original award and the new award will be valued at the date the modification takes effect. The fair value of the original award (measured at the original grant date) will be recognised over the original vesting period as a minimum and any incremental increase to the fair value of the new award will be recognised over the period from the modification date to the vesting date of the new award.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

3. Significant accounting policies continued

At each statement of financial position date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of cancelled options in the AO Sharesave Scheme, be treated as vesting as described above.

The movement in cumulative expense since the previous statement of financial position date is recognised in the consolidated income statement with a corresponding entry in equity. On vesting, amounts held in the share-based payments reserves are transferred to retained losses.

Employee benefit trust

The Group operates an employee benefit trust ("EBT"). Own shares held by the EBT are treated as Treasury shares on consolidation and are shown as a reduction in equity in the statement of financial position.

Foreign currency translation

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the presentational currency of the Group and its consolidated financial statements.

The trading results and cash flows of overseas subsidiaries are translated at the average monthly exchange rates during the period. The statement of financial position of each overseas subsidiary is translated at year-end exchange rates with the exception of equity balances, which are translated at historic rates. The resulting exchange differences are recognised in a separate translation reserve within equity and are reported in other comprehensive income.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the rates of exchange at the reporting date. Exchange differences on monetary items are recognised in the income statement. Intra-Group loans are translated at the year-end exchange rate with the resulting exchange differences recognised within interest.

Alternative performance measures

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

EBITDA

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

Adjusted EBITDA

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

The Adjusting items in the current year are as follows:

- Following the Group's change of strategy to focus on the UK business, the Group started a simplification of its operations which has included exiting various loss-making parts of the business including the trial with Tesco, simplifying the organisational structure and associated contracts 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 Item in the prior year was 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 (see Note 35).

4. Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, 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

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

4. Key sources of estimation uncertainty continued

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%).

Other areas of estimation uncertainty
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 relation to 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.

5. 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 35)
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

Details of the revenue in each category are set out in note 3.

6. 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 35)), 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.

6. Segmental analysis continued

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.

7. Administrative expenses

	2023 £m	2022 £m Restated (See note 35)
Marketing and advertising expenses	38.0	46.1
Warehousing expenses	59.8	69.6
Other administrative expenses	128.6	157.0
	226.4	272.7

8. Operating profit/ (loss) for the year

Operating profit/ (loss) for the year has been arrived at after charging/(crediting):

	2023 £m	2022 £m Restated (See note 35)
Depreciation of:		
Owned assets	6.6	5.1
Owned assets financed by lease	1.9	3.0
Right of use assets	18.0	16.7
Amortisation	2.6	3.8
Loss on disposal of property, plant and equipment	0.2	0.3
Cost of inventory	799.9	968.8
Staff costs	133.0	157.2
Other operating income:		
Short-term sublets	(0.7)	(0.3)
Settlement of claim in relation to overcharging of interchange fees		(1.4)
Adjusting items (see Note 3)		
Restructuring costs	4.5	0.9

Adjusting items of £4.5m are included in the income statement as administrative expenses (2022: administrative expenses).

9. Auditor's remuneration

The analysis of the Auditor's remuneration is as follows:

	2023 £m	2022 £m
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	0.1	0.1
Fees payable to the Company's Auditor and their associates for the audit of the Company's subsidiaries and interim financial statements	0.7	0.7
Total Auditor's remuneration	0.8	0.8

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the Auditor was used rather than another supplier and how the Auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on page 106. No services were provided on a contingent fee basis. Non-audit fees of £89,700 were incurred in relation to the review of the interim financial statements (2022: £75,000) and £nil in relation to agreed upon procedures in relation to the Group's covenant reporting pack (2022: £5,000).

10. Staff numbers and costs

The average monthly number of employees (including Directors) was:

	2023 Number	2022 Number Restated (See note 23)
Sales, marketing and distribution	3,366	3,967
Directors (Executive and Non-Executive)	7	7
	3,373	3,974

The number of employees at 31 March 2023 was 2,921.

Their aggregate remuneration comprised:

	2023 £m	2022 £m Restated (See note 35)
Wages and salaries	110.4	132.6
Social security costs	12.4	13.1
Contributions to defined contribution plans (see Note 32)	4.9	5.7
Share-based payment charge (see Note 31)	5.3	5.8
	133.0	157.2

11. Finance income

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

12. Finance costs

	2023 £m	2022 £m Restated (See note 35)
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

13. Tax

	2023 £m	2022 £m Restated (See note 35)
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 (see Note 20)		
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:

Year ended 31 March	2023 £m	2022 £m Restated (See note 35)
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.

14. Dividends

The Directors do not propose a dividend for the year ended 31 March 2023 (2022: £nil).

15. Earnings/ (loss) per share

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

	2023 £m	2022 £m Restated See note 35
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.

16. Goodwill

	£m
Carrying value at 31 March 2022 and at 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 (ie 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.

17. Other intangible assets

	Domain names £m	Software £m	Marketing related assets £m	Customer lists £m	Total £m
Cost					
At 31 March 2021	1.5	7.3	14.8	0.4	24.0
Additions	–	1.0	–	–	1.0
Disposals	(0.3)	(0.5)	–	–	(0.8)
At 31 March 2022	1.2	7.8	14.8	0.4	24.2
Additions	–	0.1	–	–	0.1
Disposals	–	(1.5)	–	–	(1.5)
At 31 March 2023	**1.2**	**6.4**	**14.8**	**0.4**	**22.8**
Amortisation					
At 31 March 2021	1.1	3.7	3.4	0.2	8.4
Charge for the year	0.1	2.2	1.5	0.1	3.8
Disposals	–	(0.2)	–	–	(0.2)
At 31 March 2022	1.2	5.7	4.9	0.2	12.0
Charge for the year	–	1.0	1.5	0.1	2.6
Disposals	–	(1.4)	–	–	(1.4)
At 31 March 2023	**1.2**	**5.3**	**6.4**	**0.3**	**13.2**
Carrying amount					
At 31 March 2023	**–**	**1.1**	**8.4**	**0.2**	**9.6**
At 31 March 2022	–	2.1	9.9	0.2	12.2

Amortisation is charged to administrative costs in the consolidated income statement.

18. Property, plant and equipment

Owned assets	Land and buildings £m	Property alterations £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Computer and office equipment £m	Assets held for rental purposes £m	Total £m
Cost							
At 31 March 2021	5.5	15.3	21.3	16.4	11.6	0.4	70.5
Additions	0.3	2.5	2.9	1.7	1.8	0.1	9.3
Disposals	–	(0.8)	(0.4)	–	–	(0.1)	(1.4)
Exchange differences	–	–	–	(0.1)	–	–	(0.1)
At 31 March 2022	5.8	17.0	23.8	18.0	13.4	0.3	78.3
Additions	–	0.2	1.2	0.5	0.5	–	2.4
Disposals	(4.8)	(2.6)	(3.6)	(1.8)	(1.0)	(0.3)	(14.0)
Exchange differences	0.1	–	–	–	–	–	0.2
At 31 March 2023	**1.1**	**14.9**	**21.5**	**16.7**	**13.0**	**–**	**67.0**
Accumulated depreciation							
At 31 March 2021	1.4	7.8	8.2	10.6	9.5	0.1	37.6
Charge for the year	0.5	1.7	3.2	2.3	1.0	0.1	8.8
Impairment	–	–	–	–	0.2	–	0.2
Disposals	–	(0.7)	(0.2)	–	–	(0.1)	(1.0)
At 31 March 2022	1.9	8.8	11.2	12.9	10.7	0.1	45.6
Charge for the year	0.3	2.1	3.0	1.7	1.6	0.1	8.8
Disposals	(2.1)	(0.8)	(2.7)	(1.8)	(0.9)	(0.2)	(8.5)
At 31 March 2023	**0.1**	**10.1**	**11.6**	**12.9**	**11.4**	**–**	**46.0**
Carrying amount							
At 31 March 2023	**1.0**	**5.9**	**10.1**	**3.8**	**1.6**	**–**	**20.9**
At 31 March 2022	3.9	8.2	12.6	5.1	2.7	0.2	32.7

18. Property, plant and equipment continued

At 31 March 2023, the net carrying amount of plant and machinery, historically recognised as finance lease assets prior to the introduction of IFRS 16, included in the owned assets table was £6.0m (2022: £7.8m). As disclosed in Note 24, the Group has elected to disclose its leases split by the nature that they relate to. This is to give the user of these Financial Statements additional information that the Directors believe will be useful to the reader's understanding of the business.

Right of use assets recognised are reflected in the following asset classes:

Right of use assets	Land and buildings £m	Motor vehicles £m	Computer equipment £m	Total £m
Cost				
At 31 March 2021	93.6	34.5	1.0	129.1
Additions	28.6	16.3	–	44.9
Disposals	(6.8)	(7.8)	–	(14.6)
Exchange differences	(0.1)	–	–	(0.1)
At 31 March 2022	115.3	43.0	1.0	159.3
Additions	4.1	6.7	–	10.8
Disposals	(23.0)	(17.8)	(0.2)	(41.0)
At 31 March 2023	**96.3**	**32.0**	**0.8**	**129.1**
Accumulated depreciation				
At 31 March 2021	38.2	16.0	0.6	54.8
Charge for the year	11.0	8.4	0.2	19.6
Impairment	0.2	5.7	–	5.9
Disposals	(0.7)	(6.8)	–	(7.4)
At 31 March 2022	48.7	23.3	0.8	72.8
Charge for the year	11.2	7.3	0.1	18.6
Disposals	(14.8)	(16.7)	(0.2)	(31.7)
At 31 March 2023	**45.1**	**13.9**	**0.8**	**59.7**
Carrying amount				
At 31 March 2023	**52.2**	**18.1**	–	**69.4**
At 31 March 2022	66.6	19.7	0.2	86.6

The expense relating to short-term leases and low value assets included within the Income Statement amounted to £0.5m (2022: £2.4m).

At 31 March 2023, the Group was not committed to any leases which had not yet commenced (2022: nil).

19. Subsidiaries

The Group consists of the parent Company, AO World PLC, incorporated in the UK and a number of subsidiaries held directly/indirectly by AO World PLC.

The table below shows details of all subsidiaries of AO World PLC as at 31 March 2023.

Name of subsidiary	Principal place of business	Class of shares held	Proportion of ownership interests and voting rights held by AO World PLC	Principal activity
AO Retail Limited	United Kingdom	Ordinary	100%†	Retail
Expert Logistics Ltd	United Kingdom	Ordinary	100%†	Logistics and transport
Worry Free Limited	United Kingdom	Ordinary	100%	Holding company
Elekdirect Limited	United Kingdom	Ordinary	100%	Retail
Appliances Online Ltd	United Kingdom	Ordinary	100%	Holding company
AO Deutschland Limited	Germany	Ordinary	100%‡	Non trading (see note 35)
AO Ltd	United Kingdom	Ordinary	100%	Holding company
AO.BE SA	Belgium	Ordinary	99.99%*	Dormant
AO Recycling Limited	United Kingdom	Ordinary	100%	WEEE recycling
WEEE Collect It Limited	United Kingdom	Ordinary	100%**	Dormant
WEEE Re-use It Limited	United Kingdom	Ordinary	100%**	Dormant
Electrical Appliance Outlet Limited	United Kingdom	Ordinary	100%	Retail
Mobile Phones Direct Limited	United Kingdom	Ordinary	100%	Dormant
AO Mobile Limited	United Kingdom	Ordinary	100%†	Dormant
AO Business Limited	United Kingdom	Ordinary	100%	Dormant
AO B2B Limited	United Kingdom	Ordinary	100%	Dormant
AO Trade Limited	United Kingdom	Ordinary	100%	Dormant
AO Rental Limited	United Kingdom	Ordinary	100%	Dormant
AO Care Limited	United Kingdom	Ordinary	100%	Dormant
AO Premium Club Limited	United Kingdom	Ordinary	100%	Dormant
AO Club Limited	United Kingdom	Ordinary	100%	Dormant
AO Distribution Limited	United Kingdom	Ordinary	100%	Dormant
AO Logistics Limited	United Kingdom	Ordinary	100%	Dormant

All companies within the Group are registered at the same address disclosed on page 191 apart from AO.BE SA who are registered at:

AO.BE SA
Naamloze Vennootschap
Esplanade
Heysel 1
Bus 94
1020
Brussels

* 0.01% of the investment in AO.BE SA is owned by AO Deutschland Limited.

** Indirectly owned through AO Recycling Limited.

† Indirectly owned through AO Limited.

‡ Indirectly owned through Worry Free Limited (50%) and Appliances Online Limited (50%).

20. Deferred tax

Deferred tax is recognised by the Group as shown in the table below:

	Share options £m	Accelerated depreciation £m	Short-term timing difference £m	Intangible fixed assets £m	Transitional relief on IFRS 16 adoption £m	Losses and unused tax relief £m	Total £m
At 31 March 2021	2.4	1.4	0.4	(2.3)	0.8	0.7	3.4
(Debit)/credit to income statement	(0.8)	(0.3)	0.1	(0.2)	–	7.7	6.5
Debit to reserves	(0.9)	–	–	–	–	–	(0.9)
At 31 March 2022	0.7	1.1	0.5	(2.5)	0.8	8.4	9.0
(Debit)/credit to income statement	(0.1)	0.3	0.4	0.3	(0.2)	(1.4)	(0.7)
At 31 March 2023	**0.7**	**1.3**	**0.9**	**(2.2)**	**0.6**	**7.0**	**8.3**

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The Group continues to recognise a net deferred tax asset of £8.3m, of which £6.7m relates to the deferred tax asset on UK tax losses brought forward. UK tax losses brought forward have been utilised against the current period tax profit, and the business expects to be profitable in the future and has assessed that continuing to utilise the losses is probable. As such, the asset continues to be recognised.

The Group has an unrecognised deferred tax asset of £0.1m (2022: £1.0m) in respect of unused losses carried forward.

21. Inventories

	2023 £m	2022 £m
Finished goods	**73.1**	97.0

Included within inventories are stock provisions of £0.6m (2022: £2.2m which included £1.2m as a result of the closure of our German business).

22. Trade and other receivables

	2023 £m	2022 £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 £m	2022 £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 £m	2022 £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 4, 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.

22. Trade and other receivables continued

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&C 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 4, 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).

23. 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	20.3	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
Long-term liabilities	4.8	6.4
	254.3	320.3

24. Net debt

	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, 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. This is to give the users of these Financial Statements additional information that the Directors feel will be useful to the readers understanding of the business.

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)
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.

24. Net debt continued

	Borrowings £m	Lease liabilities £m Restated (see note 35)
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 term	–	(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.

25. Borrowings

	2023 £m	2022 £m
Secured borrowing at amortised cost		
Drawdowns on Revolving Credit Facility	**10.0**	45.0
Amount due for settlement within 12 months	**10.0**	45.0

On 6 April 2023, the Group entered into a new £80m Revolving Credit Facility which replaced the existing revolving credit facility and expires in April 2026. The total amount drawn at 31 March 2023 on the existing facility was £10.2m and represented £10.0m of cash drawings plus £0.2m of letters of credit (2022: £45.0m cash drawings and £4.9m of letters of credit).

26. Lease liabilities

	Minimum lease payments	
	2023 £m	2022 £m
Amounts payable under lease liabilities:		
Within one year	**21.6**	24.6
Within one to two years	**20.7**	25.2
Within two to three years	**15.8**	23.3
Within three to four years	**11.7**	17.8
Within four to five years	**8.5**	11.6
Greater than five years	**20.6**	24.1
	99.1	126.5

	Present value of minimum lease payments	
	2023 £m	2022 £m
Amounts payable under lease liabilities:		
Within one year	**17.8**	20.3
Within one to two years	**17.5**	20.9
Within two to three years	**13.7**	19.8
Within three to four years	**10.2**	15.2
Within four to five years	**7.4**	9.2
Greater than five years	**18.7**	23.1
	85.3	108.6

27. Provisions

	2023 £m	2022 £m
Provisions	5.0	2.9

Provisions are classified as:

	2023 £m	2022 £m
Current liabilities	1.2	0.4
Non-current liabilities	3.8	2.5
	5.0	2.9

The provisions all relate to restructuring and dilapidations and the movement in the year is shown below:

	Restructuring provision £m	Dilapidations provision £m	Total £m
At 31 March 2022	-	2.9	2.9
Provisions created in the year	3.7	2.3	6.0
Utilised in the year	(2.9)	(1.0)	(3.9)
At 31 March 2023	**0.8**	**4.2**	**5.0**

The dilapidations provision is created for leases where the Group is liable to return the assets to their original state at the end of the lease. The provision will be utilised as leased assets expire. The restructuring provision relates to the simplification of operations in the year as discussed in note 3.

28. Share capital, investment in own shares and share premium

	Number of shares m	Share capital £m	Share premium £m
At 1 April 2022	479.4	1.2	104.4
Share placing	95.9	0.2	3.8
Share issue	1.5	-	-
At 31 March 2023	**576.9**	**1.4**	**108.2**

On 11 July 2022, the Company completed a Capital Raise through the issue of 95,856,552 new ordinary shares of 0.25p each in the Company raising net proceeds of £39.1m.

9,220,166 of these shares were subscribed for via a retail offering resulting in the movement in the share premium account.

The remaining shares were issued by the Company in consideration for the transfer of 100% of the issued share capital of a wholly owned subsidiary, Project Coral (Jersey) Limited. As a consequence, the Company has applied the guidance in section 612 of the Companies Act with regard to merger relief and the difference between the nominal value of the shares and their fair value has been taken to the merger reserve (see note 30).

On 18 August 2022, the Company issued 1,541,911 shares to satisfy options granted in July 2018 under the AO 2018 Incentive Plan (see note 31). These shares were acquired and are held in an Employee Benefit Trust ("EBT"), at nominal values, and the EBT transfers to the participants as they are exercised. As the shares are held by the EBT, they are treated as Treasury shares on consolidation and are shown as a reduction in equity in the Statement of financial position.

As at 31 March 2023, the number of shares held by the EBT was 520,212 (2022: 711,041).

29. Non-controlling interest

	2023 £m	2022 £m
Balance at 1 April	1.0	1.3
Share of (profit)/ loss for the year	(0.2)	(0.3)
Acquisition of minority interest	(0.8)	-
Balance at 31 March	**-**	1.0

In the prior year, the non-controlling interest relates to 18.4% of the share capital of AO Recycling Limited (formerly known as The Recycling Group Limited) which, at the time, was not wholly owned by AO World PLC.

During the year ended 31 March 2023, the Company exercised its final call option to acquire the remaining shares in AO Recycling Limited from its founders for consideration of £2.5m and accordingly, AO Recycling Limited is now a wholly owned subsidiary.

30. Reserves

The analysis of movements in reserves is shown in the statement of changes in equity. Details of the amounts included in other reserves (excluding share-based payment reserve and translation reserve) are set out below:

The merger reserve arose on the purchase of DRL Limited (now AO Retail Limited) in the year ended 31 March 2008 and Mobile Phones Direct Limited in the year ended 31 March 2019. In the year, the difference between the nominal value and fair value of the shares issued as part of the Capital Raise of £37.0m has been taken to the merger reserve. See note 28.

The capital redemption reserve arose as a result of the redemption of ordinary and preference shares in the year ended 31 March 2012 and 2014 respectively.

The other reserve arose on the acquisition of AO Recycling Limited and relates to the difference between the gross and fair valuation of the put option. The movement in the year relates to the acquisition of the remaining shares in AO Recycling Limited..

31. Share-based payments

Performance Share Plan

The table below summarises the amounts recognised in the income statement during the year.

	2023 £m	2022 £m
AO 2018 Incentive Plan	-	0.4
AO 2019 Incentive Plan	0.7	0.5
AO 2020 Incentive Plan	1.0	1.2
AO 2021 Incentive Plan	0.1	0.1
AO 2022 Incentive Plan	0.5	-
Value Creation Plan ("VCP")	1.9	2.1
Sharesave scheme	1.1	1.5
Total share scheme charge	5.3	5.8

The details regarding each of the schemes are as follows:

Schemes vesting in the current year

During the year, the conditional deferred shares under the AO 2018 Incentive Plan vested. The number of shares vesting was 1,541,911.

AO 2019 Incentive Plan

The number of conditional share awards was initially calculated based on the performance criteria for the year ended 31 March 2020. The vesting date for the conditional shares is July 2023.

Based on the performance criteria achieved, and subject to continued employment, the number of outstanding conditional shares relating to the scheme, as at 31 March 2023, was 1,442,764.

AO 2020 Incentive Plan

The number of conditional share awards was initially calculated based on the performance criteria for the year ended 31 March 2021. The vesting date for the conditional shares is July 2024.

Based on the performance criteria achieved, and subject to continued employment, the number of outstanding conditional shares relating to the scheme, as at 31 March 2023, was 1,694,095.

AO 2021 Incentive Plan

The number of conditional share awards was initially calculated based on the performance criteria for the year ended 31 March 2022. The vesting date for the conditional shares is July 2025.

Based on the performance criteria achieved, and subject to continued employment, the number of outstanding conditional shares relating to the scheme, as at 31 March 2023, was 1,390,566.

AO 2022 Incentive Plan

On 8 November 2022, the Company adopted the AO 2022 Incentive Plan (the "Plan") in which the Directors and key members of staff participate. The Plan combines an annual bonus element (33.33%) and a conditional share award (66.67%) based on various financial and non-financial performance criteria (see below), as well as the continuing employment of the individuals. The bonus and number of conditional share awards was initially calculated based on the performance criteria for the year ended 31 March 2023. The vesting date for the conditional shares is July 2026.

The fair value was determined to be the share price at grant date of £0.436.

Thirty per cent of the awards are subject to a Group average liquidity headroom performance condition for the year ended 31 March 2023 as shown below:

Average liquidity headroom for the performance period	Extent to which performance condition satisfied
Below £14.5m	0%
£14.5m (Threshold)	25%
£34.5m (Target)	62.5%
£54.5m or higher (Stretch)	100%

Thirty per cent of the awards are subject to a Group Profit before tax performance condition for the year ended 31 March 2023 as shown below:

Group PBT for the performance period	Extent to which performance condition satisfied
Below £(10.5)m	0%
£(10.5)m (Threshold)	25%
£(2.2)m (Target)	62.5%
£6.1m or higher (Stretch)	100%

Ten per cent of the awards are subject to a Group weighted average customer NPS performance condition for the year ended 31 March 2023 as shown below:

Group weighted average customer NPS for the performance period	Extent to which performance condition satisfied
Below +70	0%
+70 (Threshold)	25%
+75 (Target)	62.5%
+80 or higher (Stretch)	100%

Ten per cent of the awards are subject to a Group Employee NPS performance condition/strategic target for the year ended 31 March 2023 as shown below:

Group average Employee NPS for the performance period	Extent to which performance condition satisfied
Below 0	0%
0 (Threshold)	25%
+15 (Target)	62.5%
+30 or higher (Stretch)	100%

Twenty per cent of the awards are subject to a strategic target linked to the pivot to profit and cash for the year ended 31 March 2023.

The Remuneration Committee of the Board determines the extent to which this target has been met.

The number of awards made were 10,216,240 and based on the performance criteria achieved, and subject to continued employment, the number of conditional shares relating to the scheme at 31 March 2023 is 7,522,779.

Value Creation Plan ("VCP")

In the year ended 31 March 2021, the Group launched the value Creation Plan ("VCP") which was aimed at incentivising and rewarding exceptional performance and retaining the talented team whilst driving exceptional value for shareholders. The VCP resulted in conditional awards being granted to Executives and Employees which would vest at the end of measurement periods subject to the participants remaining in employment and meeting certain performance conditions.

The measurement dates were 31 March 2025 to 31 March 2027 with the awards based on the increase in market capitalisation over an initial hurdle of £2.5bn up to a maximum of £6bn. The maximum payout to the Executives was £60m.

At 31 March 2022, the number of conditional awards relating to Executives was 3 with 163,776 awarded to employees. The charge to the income statement in the year ended 31 March 2022 was £2.1m based on the initial fair value of the awards.

As noted in the Annual Report and Accounts for the year ended 31 March 2022, the VCP was significantly underwater (as the share price for anything to vest was £5.23). Consequently a proposal was presented to shareholders at the Annual General Meeting to restructure the original VCP and commence a new VCP. This was approved and the new VCP commenced on 15 December 2022.

The principal features of the new VCP are as follows:

Executive Awards

There are 2 Executive units which vest in equal tranches as shown in the table below. The initial hurdle share price is £1 (equivalent to a market capitalisation of £575m). Any excess above £575m is measured at 1.1% of the excess upto a maximum of £4.2bn. The maximum amount which can vest for Executive awards is £20m per Executive.

The fair value on inception (which has been calculated using the Black Scholes model) and the main assumptions used in arriving at the fair value of each unit are as follows:

	31 March 2027	31 March 2028	31 March 2029
Number of units	2	2	2
Fair value per unit	151,889	176,637	194,716
Market cap at grant date	£322.2m	£322.2m	£322.2m
Dividend yield	0%	0%	0%
Expected term	4.29 years	5.29 years	6.29 years
Risk-free rate	3.13%	3.13%	3.13%
Volatility	50%	50%	50%

At the date of the replacement, the fair values of the original awards were £1,278, £3,267 and £8,872 respectively.

31. Share-based payments continued

Employee Awards

There are a maximum of 1,766,880 Employee units which vest in a single tranche on 31 March 2027. To the extent that the Company's share price increases between 31 March 2027 and the second and third measurement dates of 31 March 2028 and 31 March 2029, at the Board's discretion, the further incremental value will be delivered on the awards in line with the following table which also shows the fair value on inception (which has been calculated on a Monte Carlo valuation basis) and the main assumptions used in arriving at the fair value of each unit are as follows:

	31 March 2027	31 March 2028	31 March 2029
Max number of units	1,766,880	1,766,880	1,766,880
Fair value per unit	£2.11	£1.03	£0.96
Market cap at grant date	£322.2m	£322.2m	£322.2m
Hurdle	£575m	£575m	£575m
Cap	£6.0bn	£6.0bn	£6.0bn
Dividend yield	0%	0%	0%
Expected term	4.29 years	5.29 years	6.29 years
Risk-free rate	3.13%	3.13%	3.13%
Volatility	50%	50%	50%

At the date of the replacement, the fair values of the original awards were £0.02, £0.10 and £0.24 respectively.

A condition of the grant of the new VCP awards is that participants must waive any rights they may be entitled to in respect of Awards made under the original VCP. In line with IFRS 2, where the awards are a replacement for awards which existed under the old VCP, the award is treated as a modification.

This requires the original grant date fair value expense for the original scheme to continue to be recognised over the original vesting period and the incremental fair value expense (being the difference between the fair value of the new scheme and the fair value of the old one) being recognised over the period from modification/replacement until the end of the new vesting date. The hurdles between which the Executive and Employee awards participate in the old scheme have been recalculated by reference to the number of Executives who still held awards and the number of shares in issue at the modification date.

Any new awards, e.g., to employees who commenced employment after the last awards were made under the old VCP, are treated as new awards at the new fair value and the charge spread over the period from award to the new vesting date.

As a consequence, the charge to the income statement for the year ended 31 March 2023 was £1.8m.

AO Sharesave scheme (referred to as SAYE scheme)

The Group has a savings-related share option plan under which employees save on a monthly basis, over a three-year period, towards the purchase of shares at a fixed price determined when the option is granted. The price is set at a discount being 20% of the average share price during a specified averaging period prior to the grant date. The option must be exercised within six months of maturity of the SAYE contract, otherwise it lapses.

As per IFRS 2, these grants have been valued using a Black-Scholes model.

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options granted under the Sharesave scheme:

	2023 No. of options	2023 WAEP (£)*	2022 No. of options	2022 WAEP (£)*
Outstanding at the beginning of the year	**6,046,594**	**0.96**	4,492,282	1.53
Granted during the year	**5,452,718**	**0.53**	3,981,372	0.88
Forfeited during the year	**(4,829,808)**	**0.90**	(1,590,611)	2.41
Lapsed in the year	**(246,839)**	**1.01**	(836,449)	0.89
Outstanding at the end of the year	**6,422,665**	**0.63**	6,046,594	0.96

* Weighted average exercise price.

During the year ended 31 March 2023, options were granted on 22 December 2022. For the shares outstanding at 31 March 2023, the remaining weighted average contractual life is 2.50 years (2022: 2.17 years). The weighted average fair value of options granted during the year was £0.53 per share.

The following table gives the assumptions made during the year ended 31 March 2023:

For options granted on	1 Feb 2019	22 Jan 2020	25 Jan 2021	23 Dec 2021	22 Dec 2022
Risk-free rate	0.79%	0.79%	0.79%	0.58%	3.58%
Expected volatility	46.5%	46.5%	46.5%	45.0%	45.0%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Option life	3 years	3 years	3 years	3 years	3 years

Expected volatility under both the LTIP and the SAYE schemes was calculated by using the historical daily share price data of the constituent companies of the FTSE 250 index over the previous three years.

32. Retirement benefit schemes

Defined contribution schemes

The pension cost charge for the year represents contributions payable by the Group and amounted to £5.4m (2022: £6.8m). Contributions totalling £0.6m (2022: £0.8m) were payable at the end of the year and are included in accruals.

33. Financial instruments

a) Fair values of financial instruments

Receivables and payables

For receivables and payables classified as financial assets and liabilities in accordance with IAS 32, fair value is estimated to be equivalent to book value. These values are shown in Notes 22 and 23, respectively. The categories of financial assets and liabilities and their related accounting policy are set out in Note 3.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount.

Call and put option

The fair value of the call and put options (arising on the acquisition of AO Recycling Limited in 2016) are based upon an independent valuation at the year end using the Monte Carlo model.

The carrying value of the put option is based on an estimate of the likely amount payable over the life of the option based on discounted future cash flows.

Borrowings

The fair value of interest-bearing borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the date of inception.

Fair values

The fair values of all financial assets and financial liabilities by class, together with their carrying amounts shown in the statement of financial position, are as follows.

	2023 Carrying amount £m	2023 Fair value £m	2022 Carrying amount £m	2022 Fair value £m
Financial assets designated as fair value through profit or loss				
Loans and receivables				
Cash and cash equivalents	**19.1**	**19.1**	19.5	19.5
Trade receivables (see Note 22)	**21.6**	**21.6**	25.8	25.8
Prepayments and other receivables (see Note 22)	**35.1**	**35.1**	62.2	62.2
Total financial assets	**75.8**	**75.8**	107.5	107.5
Financial liabilities measured at amortised cost				
Trade payables (see Note 23)	**(163.4)**	**(163.4)**	(205.0)	(205.0)
Other payables excluding deferred income (see Note 23)	**(76.9)**	**(76.9)**	(97.2)	(97.2)
Borrowings (see Note 25)	**(10.0)**	**(10.0)**	(45.0)	(45.0)
Lease liabilities (see Note 26)	**(85.3)**	**(85.3)**	(108.6)	(108.6)
Total financial liabilities	**(335.6)**	**(335.6)**	(455.8)	(455.8)
Total financial instruments	**(259.8)**	**(259.8)**	(348.3)	(348.3)

33. Financial instruments continued

The table below shows the movement in valuation for both the call and put option during the year.

Call option	£m
At 31 March 2022	–
Change in valuation	–
At 31 March 2023	–

Put option	£m
At 31 March 2022	–
Change in valuation	–
At 31 March 2023	–

AO World PLC subscribed for 300 shares (60%) of AO Recycling Limited in November 2015 for £3, with the remaining 200 shares (40%) being retained by the founders of AO Recycling Limited. AO World PLC also entered into a put and call option agreement in relation to the remaining shares held by the founders, which provides for their shares to be bought/sold in five separate tranches under five put and call options to be exercised following the approval of the AO Recycling Limited accounts for the financial years ending 31 March 2018 to 31 March 2022 inclusive. This was subject to certain performance conditions, mainly EBITDA performance. During the year, the Company exercised its final call option to acquire the remaining shares in AO Recycling Limited from its founders for consideration of £2.4m. Accordingly, AO Recycling is now a wholly owned subsidiary.

Fair value hierarchy

Financial instruments are measured at fair value and are split into a fair value hierarchy based on the valuation technique used to determine fair value. The hierarchies are:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Call option	–	–	–	–
At 31 March 2022 and 31 March 2023	–	–	–	–

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities				
Put option to acquire non-controlling interest	–	–	–	–
At 31 March 2022 and 31 March 2023	–	–	–	–

The fair value hierarchy for the call and put options is consistent for both the Group and parent Company.

b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, with a maximum exposure equal to the book value of these assets.

The Group's trade receivable balances comprise a number of individually small amounts from unrelated customers over a number of geographical areas. Concentration of risk is therefore limited. Sales to retail customers are made predominantly in cash or via major credit cards. It is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. New credit customers are assessed using an external rating report which is used to establish a credit limit. Such limits are reviewed periodically on both a proactive and reactive basis, for example, when a customer wishes to place an order in excess of their existing credit limit. Receivable balances are monitored regularly with the result that the Group's exposure to bad debts is not significant. Management therefore believe that there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

Exposure to credit risk

The maximum exposure to credit risk at the statement of financial position date by class of financial instrument was:

	2023 £m	2022 £m
Trade receivables	21.6	25.8
	21.6	25.8

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the statement of financial position date was:

	Gross £m	Impairment £m	Net £m
Not past due	18.3	–	18.3
Past due 0–30 days	1.6	–	1.6
Past due 31–120 days	0.9	(0.1)	0.8
More than 120 days	1.4	(0.5)	0.9
At 31 March 2023	**22.2**	**(0.6)**	**21.6**
Not past due	18.4	–	18.4
Past due 0–30 days	4.9	–	4.9
Past due 31–120 days	1.2	–	1.2
More than 120 days	2.0	(0.7)	1.3
At 31 March 2022	26.5	(0.7)	25.8

The current year includes an impairment charge of £0.6m (2022: £0.7m) to trade receivables. Contract assets are also assessed for credit risk. Total contract assets at 31 March 2023 were £175.5m (2022: £174.1m). Management assesses the counterparty risk relating to these assets that comprise commissions receivable from blue chip Mobile Network Operators or from the Group's, protection plan partner. The level of counterparty risk is considered low. Having applied IFRS 15 to the balances on initial recognition of revenue, restrictions on the amounts recognised based on assumptions from historical data provide further reassurance that the amount recognised is recoverable and hence no further expected credit loss provision is required. Expected credit losses on other financial assets held at amortised cost are not considered to be material.

c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. It is Group policy to maintain a balance of funds, borrowings, committed bank and other facilities sufficient to meet anticipated short-term and long-term financial requirements. In applying this policy, the Group continuously monitors forecast and actual cash flows against the maturity profiles of financial assets and liabilities. Uncommitted facilities are used if available on advantageous terms. It is Group treasury policy to ensure that a specific level of committed facilities is always available based on forecast working capital requirements. Cash forecasts identifying the Group's liquidity requirements are produced and are stress tested for different scenarios including, but not limited to, reasonably possible decreases in profit margins and increases in interest rates on the Group's borrowing facilities and the weakening of sterling against other functional currencies within the Group.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	Carrying amount £m	Contractual cash flows £m	Within 1 year £m	Between 1 and 5 years £m	Between 5 and 10 years £m
Non-derivative financial liabilities					
Trade and other payables	240.1	240.1	235.3	4.8	–
Bank loans	10.0	10.0	10.0	–	–
Lease liabilities	85.3	99.1	21.6	56.7	20.6
At 31 March 2023	**335.4**	**349.2**	**267.3**	**61.5**	**20.6**

33. Financial instruments continued

d) Market risk

Financial risk management
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments (and hence no sensitivity analysis is performed).

Foreign currency risk
Refer to Note 33f.

Interest rate risk
The principal interest rate risks of the Group arise in respect of borrowings. As the interest expense on variable rate financial instruments is immaterial, the Group does not actively manage the exposure to this risk.

At the statement of financial position date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2023 £m	2022 £m
Fixed and variable rate instruments		
Fixed rate	5.5	7.2
Variable rate	10.0	45.0
	15.5	52.2

If interest rates increased by 1%, and the level of cash drawings on the Group's facility remained the same throughout the year, there would be an impact on the finance cost of approximately £0.8m.

e) Capital management

It is the Group's policy to maintain an appropriate equity capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The capital structure of the Group consists of net cash, borrowings (disclosed in Note 25) and equity of the Group. The Group is not subject to any externally imposed capital requirements. In addition, as set out in Note 25, the Group has access to an £80m Revolving Credit Facility which expires in April 2026.

The Board has delegated responsibility for routine capital expenditure to the management of the business. All significant expenditure is approved by the Board.

f) Foreign currency risk management

The Group previously undertook transactions denominated in foreign currencies; consequently, exposure to exchange rate fluctuations arose. However given the closure of the Germany operations, the Directors no longer deem foreign currency a material risk.

The Group's presentational currency is sterling, as a result the Group is exposed to foreign currency translation risk due to movements in foreign exchange rates on the translation of non-sterling assets, being intercompany loan balances held with AO Deutschland Limited which is now a discontinued operation.

34. Related-party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its related parties are disclosed below.

Transactions with Directors and key management personnel

The compensation of key management personnel (including the Directors) is as follows:

	2023 £m	2022 £m
Key management emoluments including social security costs	3.6	5.6
Awards granted under a long term incentive plan	2.3	3.1
Company contributions to money purchase plans	–	–

Emoluments relate to cash remuneration paid to the directors of the Company, and its subsidiaries, during the year.

Awards granted under a long term incentive plan in the above table relates to the maximum potential share award granted to directors under the AO Incentive Plan for the performance period of FY23. Following partial attainment of the performance conditions, 79.3% of the award has vested (2022: 15% of the AO Incentive Plan for the performance period of FY22) and is payable in the form of a deferred share award. The deferred share award will be released in July 2026 subject to continued employment and attainment of the performance underpin based on overall business performance over the vesting period, following which Executives will be required to hold awarded shares for a further year.

In addition, the directors were granted a conditional deferred share award pursuant to the FY20 AOIP Award which had a deferral period spanning FY21 to FY23 inclusive. The Remuneration Committee has deemed that the performance underpin has been met in full and accordingly 867,231 shares will be issued to the directors in July 2023. Based on the three-month average share price to 31 March 2023 of 63.26p these have a total value of £0.5m. (2022: 819,450 shares issued in July 2022 pursuant to the FY19 AOIP Award with a value of £0.4m based on a share price of 43.13p)

Further information about the remuneration of individual Board Directors is provided in the audited part of the Directors' Remuneration Report on pages 108 to 129.

35. 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 the remeasurement of assets arose following the decision to close the business in June 2022. The balance sheet at 31 March 2022 reflected the Directors' 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 is 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).

35. Discontinued operations continued

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)

Company statement of financial position
As at 31 March 2023

	Note	2023 £m	2022 £m
Non-current assets			
Intangible assets	4	**0.5**	1.0
Property, plant and equipment	5	**1.9**	3.0
Right of use assets	5	**7.0**	8.7
Investment in subsidiaries	3	**42.7**	87.8
Trade and other receivables	8	**17.1**	18.3
Deferred tax asset	7	**1.1**	1.0
		70.4	119.8
Current assets			
Corporation tax receivable		**0.4**	0.9
Trade and other receivables	8	**2.7**	2.7
Cash at bank and in hand		**1.2**	2.1
		4.3	5.7
Total assets		**74.7**	125.5
Current liabilities			
Trade and other payables	9	**(61.8)**	(120.7)
Lease liabilities	10	**(1.2)**	(1.2)
Provisions	11	**(0.8)**	-
		(63.8)	(121.9)
Net current liabilities		**(59.5)**	(116.2)
Non-current liabilities			
Lease liabilities	10	**(7.2)**	(7.7)
Derivative financial liability	12	**-**	-
Provisions	11	**(0.7)**	-
		(7.9)	(7.7)
Total liabilities		**(71.7)**	(129.6)
Net assets/ (liabilities)		**3.0**	(4.1)
Equity			
Share capital	13	**1.4**	1.2
Share premium	13	**108.2**	104.4
Merger reserve	13	**59.2**	22.2
Capital redemption reserve		**0.5**	0.5
Share-based payments reserve		**15.4**	11.9
Other reserves		**0.4**	0.4
Retained losses		**(182.1)**	(144.7)
Total equity		**3.0**	(4.1)

AO World PLC reported a loss after tax for the year ended 31 March 2023 of £37.4m (2022: £136.6m loss) which includes dividends received of £17.0m (2022: £49.5m).

The financial statements of AO World PLC, registered number 05525751, were approved by the Board of Directors and authorised for issue on 4 July 2023. They were signed on its behalf by:

John Roberts
CEO
AO World PLC

Mark Higgins
CFO
AO World PLC

Company statement of changes in equity
As at 31 March 2023

	Share capital £	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Share-based payments reserve £m	Other reserve £m	Retained losses £m	Total £m
Balance at 31 March 2021	1.2	104.3	22.2	0.5	9.3	0.4	(10.8)	127.1
Loss for the year	-	-	-	-	-	-	(136.6)	(136.6)
Share-based payments charge (net of tax)	-	-	-	-	5.3	-	-	5.3
Issue of shares (net of expenses)	-	0.1	-	-	-	-	-	0.1
Movement between reserves	-	-	-	-	(2.7)	-	2.7	-
Balance at 31 March 2022	1.2	104.4	22.2	0.5	11.9	0.4	(144.7)	(4.1)
Loss for the year	-	-	-	-	-	-	(37.4)	(37.4)
Share-based payments charge (net of tax)	-	-	-	-	5.3	-	-	5.3
Issue of shares (net of expenses)	0.2	3.8	37.0	-	-	-	(2.0)	39.1
Movement between reserves	-	-	-	-	(1.9)	-	1.9	-
Balance at 31 March 2023	**1.4**	**108.2**	**59.2**	**0.5**	**15.4**	**0.4**	**(182.1)**	**3.0**

Notes to the Company financial statements
For the year ended 31 March 2023

1. Basis of preparation and accounting policies
Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006, and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under s408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of Group-settled share-based payments;
- certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Investments
Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Other accounting policies
For other accounting policies, please refer to the Group accounting policies on page 152.

2. Operating loss
The Auditor's remuneration for audit and other services is disclosed in Note 9 to the consolidated financial statements.

3. Investment in subsidiaries

	2023 £m	2022 £m
Cost		
At 31 March 2022 / 2021	**88.4**	85.4
Additions	**39.7**	-
Disposals	**(87.3)**	-
Group share-based payments	**2.5**	3.0
At 31 March 2023 / 2022	**43.3**	88.4
Impairment		
At 31 March 2022 / 2021	**0.6**	-
Charge in the year	**–**	0.6
At 31 March 2023 / 2022	**0.6**	0.6
Carrying amount		
At 31 March 2023 / 2022	**42.7**	87.8

The Company has made capital contributions to its subsidiaries of £2.5m (2022: £3.0m) in relation to the allocation of share-based payment charges.

In July 2022, the Company acquired, on its incorporation, the whole of the ordinary and redeemable preference share capital of Project Coral (Jersey) Limited. The acquisition was part of the process relating to the placing of AO World PLC shares (see note 13 of the Company accounts). Total consideration, which was via an intercompany loan, was £37.3m.

In November 2022, the Company acquired the remaining 18.4% of shares in AO Recycling Limited (formerly "The Recycling Group Limited") for consideration of £2.5m. AO Recycling Limited is now a wholly owned subsidiary.

On 22 December 2022, following the successful placing referred to above, Project Coral (Jersey) Limited redeemed the preference shares held by AO World PLC at their carrying value of £37.3m. Following the redemption, Project Coral (Jersey) Limited was placed into liquidation.

On 15 February 2023, BERE Limited, a wholly owned subsidiary, fully redeemed the preference shares held by AO World PLC at their carrying value of £50m. Following the redemption, BERE Limited was placed into liquidation.

4. Intangible assets

	Domain names £m	Software £m	Total £m
Cost			
At 31 March 2023 and 2022	1.0	3.4	4.4
Amortisation			
At 31 March 2022	1.0	2.4	3.4
Charge for the year	–	0.5	0.5
At 31 March 2023	**1.0**	**2.9**	**3.9**
Carrying amount			
At 31 March 2023	–	0.5	0.5
At 31 March 2022	–	1.0	1.0

Amortisation is charged to administrative costs in the income statement.

5. Property, plant and equipment and right of use assets

	Computer and office equipment £m	Leasehold improvements £m	Total £m	Right of use assets £m
Cost				
At 31 March 2022	3.8	3.9	7.7	12.9
Additions	0.8	–	0.8	0.4
Disposals	–	(0.1)	(0.1)	–
At 31 March 2023	**4.6**	**3.8**	**8.4**	**13.3**
Accumulated depreciation				
At 31 March 2022	2.6	2.1	4.7	4.2
Charge for the year	1.0	0.6	1.6	2.1
At 31 March 2023	**3.6**	**2.8**	**6.4**	**6.3**
Carrying amount				
At 31 March 2023	**1.0**	**1.0**	**1.9**	**7.0**
At 31 March 2022	1.2	1.8	3.0	8.7

The carrying value of right of use assets is analysed as follows:

Right of use assets	2023 £m	2022 £m
Land and buildings	**6.5**	8.3
Motor vehicles	**0.5**	0.4
	7.0	8.7

6. Subsidiaries

Details of the Company's subsidiaries at 31 March 2023 are as follows:

Name of subsidiary	Principal place of business	Class of shares held	Proportion of ownership interests and voting rights held by AO World PLC	Principal activity
AO Retail Limited	United Kingdom	Ordinary	100%†	Retail
Expert Logistics Ltd	United Kingdom	Ordinary	100%†	Logistics and transport
Worry Free Limited	United Kingdom	Ordinary	100%	Holding company
Elekdirect Limited	United Kingdom	Ordinary	100%	Retail
Appliances Online Ltd	United Kingdom	Ordinary	100%	Holding company
AO Deutschland Limited	Germany	Ordinary	100%‡	Non trading
AO Ltd	United Kingdom	Ordinary	100%	Holding company
AO.BE SA	Belgium	Ordinary	99.99%*	Dormant
AO Recycling Limited	United Kingdom	Ordinary	100%	WEEE recycling
WEEE Collect It Limited	United Kingdom	Ordinary	100% **	Dormant
WEEE Re-use It Limited	United Kingdom	Ordinary	100% **	Dormant
Electrical Appliance Outlet Limited	United Kingdom	Ordinary	100%	Retail
Mobile Phones Direct Limited	United Kingdom	Ordinary	100%	Dormant
AO Mobile Limited	United Kingdom	Ordinary	100%†	Retail
AO Business Limited	United Kingdom	Ordinary	100%	Dormant
AO B2B Limited	United Kingdom	Ordinary	100%	Dormant
AO Trade Limited	United Kingdom	Ordinary	100%	Dormant
AO Rental Limited	United Kingdom	Ordinary	100%	Dormant
AO Care Limited	United Kingdom	Ordinary	100%	Dormant
AO Premium Club Limited	United Kingdom	Ordinary	100%	Dormant
AO Club Limited	United Kingdom	Ordinary	100%	Dormant
AO Distribution Limited	United Kingdom	Ordinary	100%	Dormant
AO Logistics Limited	United Kingdom	Ordinary	100%	Dormant

* 0.01% of the investment in AO.BE SA was held in AO Deutschland.

** Indirectly owned by AO Recycling Limited.

† Indirectly owned by AO Limited.

‡ Indirectly owned through Worry Free Limited (50%) and Appliances Online Limited (50%).

All companies within the Group are registered at the same address disclosed on page 191 apart from AO.BE SA who are registered at:

AO.BE SA
Naamloze Vennootschap Esplanade
Heysel 1
Bus 94
1020
Brussels

7. Deferred tax

The following is the asset recognised by the Company and movements thereon during the current and prior reporting year:

	Share options £m	Losses and unused tax £m	Transitional relief £m	Other timing difference £m	Total £m
Deferred tax asset at 31 March 2021	1.5	–	0.2	0.2	2.0
(Debit)/ Credit to income statement	(0.5)	0.2	–	(0.1)	(0.4)
Debit to reserves	(0.5)	–	–	–	(0.5)
Deferred tax asset at 31 March 2022	0.5	0.2	0.2	0.1	1.0
(Debit)/ Credit to income statement	(0.1)	0.1	–	–	–
Deferred tax asset at 31 March 2023	**0.5**	**0.3**	**0.2**	**0.1**	**1.1**

A deferred income tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The Company has an unrecognised deferred tax asset of £nil (2022: £nil).

8. Trade and other receivables

	2023 £m	2022 £m
Amounts owed by Group undertakings	**17.1**	18.3
Prepayments	**2.2**	1.6
Other receivables	**0.5**	1.1
	19.8	21.0

The Trade and other receivables are classified as:

	2023 £m	2022 £m
Non-current assets – Amounts owed by Group undertakings	**17.1**	18.3
Current assets	**2.7**	2.7
	19.8	21.0

Amounts owed by Group undertakings are payable after more than one year. All other trade and other receivables are receivable in less than one year.

9. Trade and other payables

	2023 £m	2022 £m
Trade payables	**1.4**	1.5
Accruals	**4.5**	5.3
Other payables	**0.6**	0.9
Amounts owed to Group undertakings	**55.3**	113.0
	61.8	120.7

The carrying amount of trade payables approximates to their fair value.

Amounts owed to Group undertakings are payable on demand and carry no interest.

10. Lease Liabilities

	2023 £m	2022 £m
Secured borrowing at amortised cost		
Lease liabilities	**8.4**	8.9
Amount due for settlement:	**1.2**	1.2
Within one year	**1.1**	0.7
Within one to two years	**1.0**	1.0
Within two to three years	**1.0**	1.0
Within three to four years	**1.1**	1.0
Within four to five years	**3.0**	4.1
Total lease liabilities	**8.4**	8.9

Movements in the year were as follows:

	Leases £m
At 1 April 2022	8.9
Changes from financing cash flows	
Repayment of lease liabilities	(1.0)
Payment of interest	(0.4)
Total changes from financing cash flows	(1.4)
Other changes	
New lease liabilities	0.5
Interest charge	0.4
Total other changes	0.9
At 31 March 2023	**8.4**

11. Provisions

Provisions are classified as:

	2023 £m	2022 £m
Current liabilities	**0.8**	–
Non-current liabilities	**0.7**	–
	1.5	–

The movement in the year is shown below:

	Dilapidations provision £m	Restructuring provision £m	Total £m
At 31 March 2022	–	–	–
Provisions created in the year	0.7	2.0	2.7
Utilised in the year	–	(1.2)	(1.2)
At 31 March 2023	**0.7**	**0.8**	**1.5**

The dilapidations provision is created for leases where the Company is liable to return the assets to their original state at the end of the lease. The provision will be utilised as leased assets expire. The restructuring provision relates to the simplification of operations in the year as discussed in note 3 to the consolidated financial statements.

12. Derivative financial assets and liabilities

The movement in the valuation of the call and put options issued on the acquisition of AO Recycling Limited is as follows:

Call option	£m
At 31 March 2022	–
Change in valuation	–
At 31 March 2022 and at 31 March 2023	–

Put option	£m
At 31 March 2021	(0.1)
Change in valuation	0.1
At 31 March 2022	–
Change in valuation	–
At 31 March 2023	–

In the year, the Company exercised its final call option to acquire the remaining shares in AO Recycling Limited from its founders and accordingly, AO Recycling Limited is now a wholly owned subsidiary.

13. Share capital and share premium

	Number of shares m	Share capital £m	Share premium £m	Merger reserve £m
At 31 March 2022	479.5	1.2	104.4	22.2
Share placing	95.9	0.2	3.8	37.0
Share issue	1.5	–	–	–
At 31 March 2023	**576.9**	**1.4**	**108.2**	**59.2**

On 18 August 2022, the Company issued 1,541,911 shares to satisfy options granted in July 2018 under the AO 2018 Incentive Plan (see Note 31 of the consolidated financial statements).

During the year, the Company completed a Capital raise through the issue of 95,856,552 new ordinary shares of 0.25p each in the Company raising net proceeds of £39.1m. The shares were issued by the Company in consideration for the transfer of 100% of the issued share capital of the cash box company. As a consequence, the Company has applied the guidance in section 612 of the Companies Act with regard to merger relief and the difference of £37.0m between the nominal value of the shares and their fair value has been taken to the merger reserve.

14. Share-based payments

The Company recognised total expenses of £2.5m (2022: £2.5m) in the year in relation to both the Performance Share Plan (referred to as LTIP or SIP), Value Creation Plan ("VCP") and the AO Sharesave scheme (referred to as SAYE). Details of these schemes are described in Note 31 to the consolidated financial statements.

Important information

Registered office and headquarters

AO
5A The Parklands
Lostock
Bolton BL6 4SD

Registered number: 5525751

Tel: 01204 672 400
Web: ao-world.com

Company Secretary

Julie Finnemore
Email: cosec@ao.com

Joint Stockbrokers

Jefferies International Limited
100 Bishopsgate
London
EC2N 4JL

Numis Securities Limited
45 Gresham Street
London
EC2V 7BF

Independent Auditor

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Bankers

Barclays Bank plc
3 Hardman Street
Manchester M3 3AX

HSBC Bank plc
Landmark
St Peters Square
Manchester M1 4BP

National Westminster Bank plc
250 Bishopsgate
London
ECM 4AA

Registrar

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

By phone: +44 (0) 371 664 0300
(calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate)

Lines are open 9.00 am to 5.30 pm, Monday to Friday, excluding public holidays in England and Wales.

Web: linkgroup.com

Email: shareholderenquiries@linkgroup.co.uk

Enquiring about your shareholding

If you want to ask, or need any information, about your shareholding, please contact our registrar (see contact details in the opposite column). Alternatively, if you have internet access, you can access the Group's shareholder portal via aoshareportal.com where you can view and manage all aspects of your shareholding securely.

Investor relations website

The investor relations section of our website, ao-world.com, provides further information for anyone interested in AO.

In addition to the Annual Report and share price, Company announcements, including the full year results announcements and associated presentations, are also published there.

Share dealing service

You can buy or sell the Company's shares in a simple and convenient way via the Link share dealing service either online (https://ww2.linkgroup.eu/share-deal) or by telephone (+44 (0) 371 664 0445).

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK are charged at the applicable international rate. Lines are open between 8.00 am and 4.30 pm, Monday to Friday, excluding public holidays in England and Wales.

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell shares in the Company. Shareholders in any doubt about what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

Cautionary note regarding forward-looking statements

Certain statements made in this report are forward-looking statements. Such statements are based on current expectations and assumptions, and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. They appear in a number of places throughout this report and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the business. Persons receiving this report should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, AO does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Glossary

Adjusted EBITDA means Profit/(loss) before tax, depreciation, amortisation, net finance costs, profit/loss on the disposal of fixed assets and Adjusting items

Adjusting items means the items as set out on page 158

AGM means the Group's Annual General Meeting

An AOer means one of our amazing employees

AOIP means The AO Incentive Plan, a form of LTIP

AO World, AO or the Group means AO World PLC and its subsidiary undertakings

AV means audio visual products

B2B means business to business

B2C means business to consumer

Board means the Board of Directors of the Company or its subsidiaries from time to time as the context may require

Code means the UK Corporate Governance code published by the FRC in 2018

Companies Act means the Companies Act 2006

Company means AO World PLC, a company incorporated in England and Wales, with registered number 05525751, whose registered office is at 5A The Parklands, Lostock, BL6 4SD

CRM means customer relationship management

CRR means Corporate Risk Register

DC means distribution centre

D&G means Domestic and General

EPS means earnings per share

ERP means the AO Employee Reward Plan, or Enterprise Resource Planning, as the context requires

Europe means the Group's entities operating within the European Union, but outside the UK

FY20, FY21, FY22 and FY23 mean the financial year of the Company ended 31 March 2020, 31 March 2021, 31 March 2022 and 31 March 2023 respectively and FY24 means the current financial year ending 31 March 2024

GAAP means Generally Accepted Accounting Practice

GHG means greenhouse gas

IAS means International Accounting Standards

IFRS means International Financial Reporting Standards

IPO means the Group's Initial Public Offering in March 2014

KPMG means KPMG LLP

LSE means London Stock Exchange

LTIP means Long-term Incentive Plan

MDA means major domestic appliances

MPD means Mobile Phones Direct

NED means Non-Executive Director

NPS means Net Promoter Score, which is an industry measure of customer loyalty and satisfaction

PSP means the AO Performance Share Plan, a form of LTIP

RMC means our Risk Management Committee

SDA means small domestic appliances

SECR means Streamlined Energy and Carbon Reporting

SEO means Search Engine Optimisation

SG&A means Selling, General & Administrative Expenses

SID means Senior Independent Director

SKUs means stock keeping units

TCFD means Task force on climate-related financial disclosures

UK means the Group's entities operating within the United Kingdom

VCP means the Value Creation Plan, a form of LTIP

WEEE means Waste Electrical and Electronic Equipment

There's lots more online:
UK sites:

Customer
ao.com
ao-delivery.com
ao-outlet.co.uk
ao-recycling.com
mobilephonesdirect.co.uk
elekdirect.co.uk

Corporate
ao-world.com

WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP014246

The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere,referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO_2 and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.

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