The UK's Most Trusted Electrical Retailer

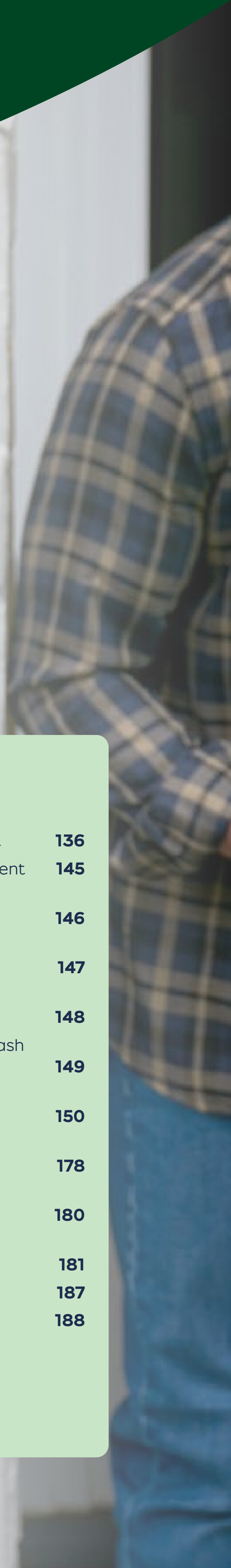
AO World PLC
Annual Report and
Accounts 2024

UK's most trusted electrical retailer

What started as a £1 bet in 1999 became AO, the UK's most trusted major electrical retailer with over 500,000 Trustpilot reviews rating us 4.8/5.

We sell over 7,000 different products on ao.com from major domestic appliances, small domestic appliances, audio visual equipment, computing, mobile, gaming to smart home technology.

Millions of happy customers choose AO because we're able to deliver quickly with our tried-and-tested logistics network as well as offering installation, industry-leading recycling, finance and insurance – all underpinned by our trusted service that's magic in the moments that matter.



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Our mission is to become the destination for electricals

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A strategy focused on five crucial pillars

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

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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

Highlights

Geoff Cooper
Chair

“A leaner, simpler, more efficient business.”

Read the Chair’s statement on pages 6 and 7

John Roberts
Chief Executive

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

Read the CEO statement on pages 28 to 30

Who do customers trust?

Trustpilot ratings[1]

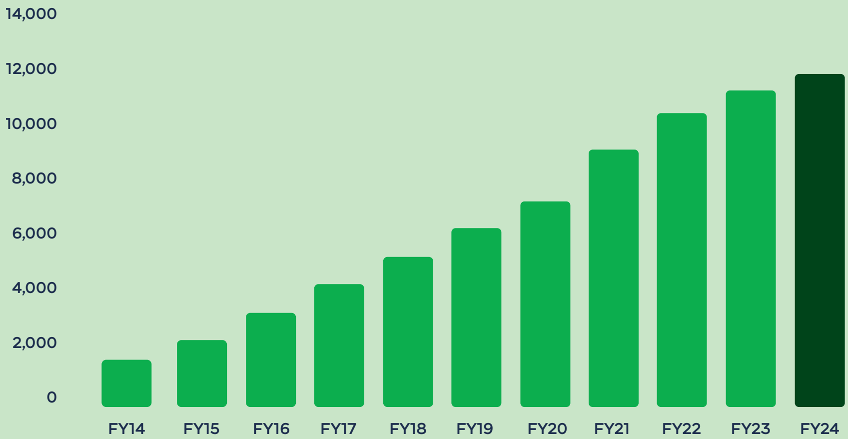
Excellent
Rating 4.8/5

532,308
FY23: 394,144

4 & 5-Stars **94%**

1, 2 & 3-Stars **6%**

Cumulative Customers[2] **(’000s)**



“I can always trust AO to get my new devices to me in good time and good condition.”
Jessica, AO Customer

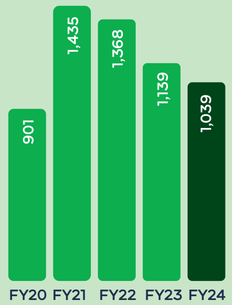
“AO offers a broader variety of electrical goods than most of its UK competitors, and the coffee maker I ordered is ideal. It was delivered within 2 days, as specified on the order and the delivery service was exemplary. I have ordered products from them many times over the years, and the service has always been excellent.”
Mike, AO Customer

We’re the UK’s most trusted electrical retailer.

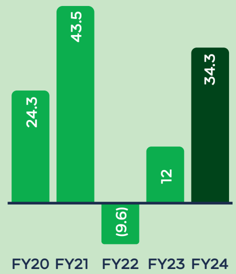
1 Trustpilot scores sourced from their website, FY24: April 2024, FY23: March 2023.
2 A customer is defined as an individual customer who has purchased through us via ao.com

Financial KPIs[1]

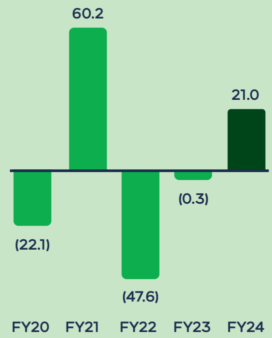
Group revenue (£m)



Group Adjusted PBT[2] (£m)



Cash flow[3] (£m)



Operational highlights:

- Strategic pivot to focus on profit and cash generation successfully delivered, with continued focus on driving efficiencies and controlling overheads.
- AO remains a UK market leader in Major Domestic Appliances ("MDA") with a 15% total market share.
- Over 600,000 new customers experienced the AO Way during the year, with repeat customers (who accounted for 54% of all customers) taking an increasing share of overall business.
- Customer satisfaction scores remain best in class, with over 500,000 Trustpilot ratings, averaging an "Excellent" 4.8/5 stars – as we continue to be the UK's most trusted electrical retailer.
- Despite the difficult loss-making trading experienced in our mobile business in the year, we look forward to FY25. We have strengthened our position in the mobile market with the acquisition of affordablemobiles.co.uk and buymobiles.net, giving us additional sale channels from which to grow our mobile business, in a challenging market.
- Recycled or refurbished our seven millionth appliance at our AO Recycling facility and continuing to work with third parties to use our recycled plastic in new products.

1 Unless otherwise stated, all numbers including any restated comparatives, relate to the continuing operations of the Group and, therefore excludes the impact of Germany. Refer to Note 35 on page 178. Reconciliation of alternative performance measures and the change from the prior year can be found in the Chief Financial Offiicers Review on pages 32-39.

2 Adjusted PBT is defined as a profit/(loss) before tax, adjusted for any non-recurring items as defined by the Board.

3 Net increase/(decrease) in cash.

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

Adj. profit before tax:
£34.3m
(FY23: £12m)

Net funds[4]:
£34.4m
(FY23: £3.6m)

"AO is the difference between doing a job and caring enough to go the extra yard."

Ross , AO Customer

The destination for electricals

The electricals market has grown 14%[1] over the last ten years, and moved increasingly online over this period.

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] Analysis of GfK data for the ten years ended 31 March 2024

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.

"From order to delivery a positive experience."
Louise

6
Our amazing culture

Our excellent 4.8 star Trustpilot rating makes us the UK's most trusted major electrical retailer; this doesn't happen by accident, it's 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

Strong performance and solid foundations for growth

"Through our focus on retail fundamentals of price, availability and delivery execution, customer satisfaction remains market-leading, which is reflected in our strong financial performance over the year."

Geoff Cooper
Chair

I am pleased to report on a year of strong performance by AO with the Group achieving outstanding profits and finishing with an improved balance sheet, despite the generally challenging market conditions and reduced consumer spending.

Our strategic pivot has been well executed by our management team and financial performance has been driven by (1) the relentless focus on our cost base and reduction of waste, (2) driving operational excellence and leveraging the benefits of being vertically integrated and (3) our unwavering obsession with customer satisfaction.

Through our focus on retail fundamentals of price, availability and delivery execution, customer satisfaction remains market-leading and we are pleased to have maintained exceptional customer NPS and Trustpilot scores. AO.com achieved the significant milestone of half a million Trustpilot reviews and a 4.8 overall rating, maintaining our position as the UK's most trusted electrical retailer. Brand awareness continues to improve but remains a significant opportunity.

We delivered outstanding PBT of £34m, up over 180% YOY, with revenue in line with our expectations at £1.04bn, down c.9% YOY. We have seen a £30m improvement in net funds YOY and ended the year with net funds on a pre IFRS16 basis of c.£34m. We have also recently renewed our Revolving Credit Facility which will support our working capital cycles to April 2027. We are now turning our focus to profitable growth and further strengthening the business. We ended FY24, with AO.com returning to revenue growth in the final quarter and we are investing in ways to ensure customers repeat purchase whilst attracting new customers to experience the AO Way.

This strong performance was delivered despite a particularly challenging year for the mobile phone market, with soft consumer demand placing pressure on our volume commitments to the networks and reducing profits from this market compared with our expectations. However, we have strengthened our mobile business during the year with the acquisition of intellectual property rights in and to the websites www.affordablemobiles.co.uk and www.buymobiles.net which give us additional sales channels, and we are working with the networks to agree more mutually beneficial terms which we expect to deliver returns in the years ahead.

We are investing in our people through pay increases (with some mid-year pay increases to our lower paid people and above inflation raises across the board in our recent annual pay review). We continue to invest in our systems; beginning some of the IT transformation work that we had to pause over the last couple of years and invest further in sustainability initiatives including an extruder to further the refinement of plastics recycling at our facilities in Telford.

Culture and people

We regard our internal culture as a fundamental driver of our success, and invest accordingly to nurture it. As part of our pivot to profit, actions to reduce costs and improve efficiency necessarily impacted our people. This compounded the degradation we had experienced in our culture during the remote working covid period. It has been a key priority over the year to help AOers come to terms with, understand, and appreciate the transformative changes we have made over the past 12-24 months. With listening groups and action groups addressing local issues at a granular level in each part of the Group, we have ensured employees appreciate that they have been listened to and involved in restoring our cultural strength. Key initiatives such as addressing pay challenges for our lower paid colleagues, investing in better car parking for all and improving the office environment and tools have all been welcomed. These actions have resulted in an average employee NPS score of 17 for the year which is a marked improvement on last year and indicates that our culture is firmly back on track. We are working together cohesively, collaborating better than ever before with renewed determination and a winning ambition.

Read more about customer focus on page 20

Board

Having served as a Non-Executive Director for over nine years, Marisa Cassoni retired in September and we thank her for her significant contribution during her time with the Company, particularly for the skills and experience deployed as Chair of the Audit Committee. Appointed at IPO, Marisa was instrumental in helping the business transform its processes, procedures and controls from a private to a quoted company environment and did an excellent job in this. Marisa's retirement required some changes to Committee leadership and membership and we were pleased to appoint Shaun McCabe to chair the Audit Committee and Peter Pritchard to chair the Remuneration Committee. I'm pleased to confirm that both have settled into their roles and are performing well. Through our evaluation of the Board and its committees I am confident that our ways of working are very effective and there is appropriate expertise around the table to effectively support and challenge our leadership team. For the year ahead our board-specific objectives will focus on the skills required to deliver our longer-term strategy, succession planning and ensuring we have the right level of diversity of thought.

I would like to give thanks to the Board, our Executives and all our people for their hard work and dedication throughout the year.

Looking forward there are macroeconomic challenges ahead with continuing geopolitical uncertainty and political uncertainty in the UK. Our objectives, however, remain unchanged and we are confident in our ability to deliver on our ambition of double-digit revenue growth in the year ahead and maintain the medium-term profit guidance of adjusted PBT margin of 5%.

Geoff Cooper
Chair

Our markets

Inflation, interest rates and consumer confidence

Impact:
Consumers spending power is impacted by a number of macro-economic factors.

The Bank of England base rate of 5.25%[1] (as at May 2024) is the highest seen for over ten years. Higher rates act to suppress the housing market as well as impacting customers disposal income.

Energy and fuel prices have starting to fall contributing to UK inflationary pressures reducing in the year, with current price inflation at 2.3%, a 12 month low[2].

Wage inflation – annual growth in regular earnings was 6%[3] for the period January to March 2024. It is expected that this will be further impacted by the increase in the National Minimum Wage from April 2024[4].

Financial pressures on consumers has given rise to an increase in the demand for “Buy Now Pay Later” options when making major purchases.

Our response:
Forecasted falls in interest rates expected in 2024[5] should see the cost of borrowing and specifically mortgage rates fall, giving rise to increased buoyancy in the housing market.

GFK’s Consumer Confidence Index[6] continues to increase with current levels at -19 (April 2024), an 11 point swing from the low of this time last year. This is positive news and indicates green shoots in terms of consumer finances after the recent tough economic conditions.

Our range of over 7,000 products give our customers choice, so they can get the product they want at the price point that suits them.

The majority of MDA sales are driven by distressed[7] purchases thus providing AO with some resilience to macro-economic factors. Given forecasted decrease in interest rates, the stabilisation of inflation levels and consumer confidence we would expect to start to see an upturn in discretionary consumer spending as a result.

With our own in-house two person delivery fleet, fuel is a key component of our gross margin. As such we are currently finalising terms for the majority of our fuel usage to an agreed fixed price for the financial year, providing AO with some short-term stability.

We have two offices, five warehouses and 16 outbases, which all consume energy. Fixed price agreements are in place for 90% of usage until October 2026, giving some longer-term stability to operational costs.

We recognise our employees are the ones who deliver our best-in-class service and as such all eligible AOers receiving a minimum 4% increase in basic pay in April 2024’s pay review.

AO offers customers 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 customers profile, ensuring responsible lending and facilitating those needy purchases in a challenging economic landscape. AO act as Introducer in the distribution of AO Finance through NewDay, the product being regulated by the Financial Conduct Authority (“FCA”).

Technology and the customer journey

Impact:
Reliance on technology for purchasing is increasing, with over 55%[8] of the electricals market now transacted online and expected to keep growing, retailers must adapt to market demand. Customers want a low touch purchasing journey via apps and Mobile browsers.

Customers want to be able to compare products and brands as well as being able to choose services and delivery slots that meet their demands.

Customers entrust their personal data including payment details with retailers. Increased Cybercrime has seen customers demand a higher level of cyber security when transacting online.

There is rising demand for personalised experience and products. Customers are moving to subscriptions, membership and personalisation.

Our response:
Our website and app are designed to be simple, easy and empowering to use, ensuring that customers can shop in the way that best suits them. We understand that today’s customers not only want a hassle-free experience but also seek to make informed and personalised choices.

We simplify the process of finding the right product through intuitive filters and popular search terms, as well as providing detailed information on energy ratings and sustainable products, enabling our customers to make responsible decisions.

Our “My Account” feature offers a personalised experience, allowing customers to manage their orders effortlessly as well as track orders; providing peace of mind from purchase to delivery.

With over 7,000 electrical products available on our website, we give the customer a wide range of choice, by category and brand. Our in-house two-person delivery service enables customers to deal with us directly regarding time slots and services they require to make the delivery and installation of their goods hassle free.

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 consumer demand with limited investment required.

AO has invested, and continues to invest in leading customer identity and access management technology to maintain the trust of our customers.

Environment / Net Zero

Impact:
There is an increased requirement for mandatory climate-related disclosures as recommended by the Task Force on Climate-related Financial Disclosures ("TCFD"). The pending implementation of IFRS S1 and S2 as set out by the International Sustainability Standards Board ("ISSB") are all clear indications that corporate responsibility for the environment continues to be a clear directive.

Consumers are becoming increasingly aware of energy costs and as a result are demanding more energy-efficient products. Almost half of consumers[9] consider energy efficiency an important criterion when purchasing a MDA.

Consumers are increasingly environmentally aware. 1 in 4[10] consumers are prepared to pay more to protect biodiversity or for sustainable products and packaging.

Our response:
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, while driving down costs and realising efficiencies in our operations.

AO is dedicated to responsible recycling and reuse. Since the inception of our in-house recycling plant we have recycled or reused over 7m products. We continue to invest in our recycling facility, with the addition of an extruder planned for FY25.

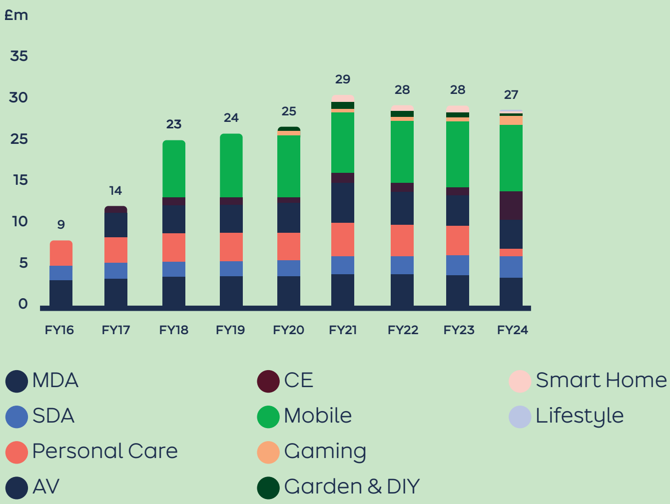
With over 800 vehicles on the road 364 days of the year we are continuously looking at ways to reduce our carbon footprint. In FY24 we invested in technology to make our routing more efficient, both reducing our environmental impact and the cost of delivery. Along with our fleet partner we have launched our new semi-trailers which give a 10% increase in capacity per vehicle and will enable us to use compressed natural gas across the entire trunking fleet by 2030.

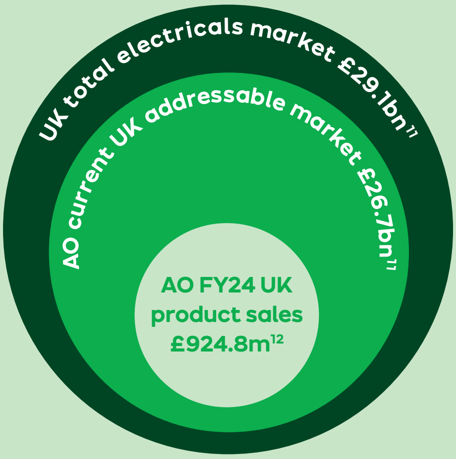
Our website with its detailed listing of product details empowers the customer to understand the environmental rating of the product they buy.

Our market

- AO's current UK addressable market (which comprises MDA, SDA, AV consumer electronics, gaming, mobile garden and DIY, smart home and personal care) is £26.7bn.
- AO remains a UK market leader in MDA, with 15.1% market share.
- Online continues to present an opportunity for growth, with over 55% of the total electricals market transacted online and forecasts of online penetration to increase, AO is perfectly placed to grow its market share.

AO addressable market growth by year[11]





1 bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate
2 globaldata.com/store/report/uk-electricals-market-analysis/
3 ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/may2024
4 gov.uk/government/publications/minimum-wage-rates-for-2024
5 ey.com/en_uk/news/2024/04/uk-economy-growth-to-accelerate-in-2025-as-barriers-fall
6 gfk.com/press/uk-consumer-confidence-improves-two-points-in-april
7 Mintel, Major Domestic Appliances, UK Report 2022 62%
8 Analysis of GFK data for the twelve months to 1 April 2024
9 gfk.com/blog/how-brands-can-hit-the-energy-efficiency-sweet-spot
10 deloitte.com/uk/en/pages/consumer-business/articles/sustainable-consumer-what-consumers-care-about.html
11 GFK, gross value, for the twelve months to the 1 April 2024. Company data, gross value
12 Company data, net value

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.

Key resources

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.

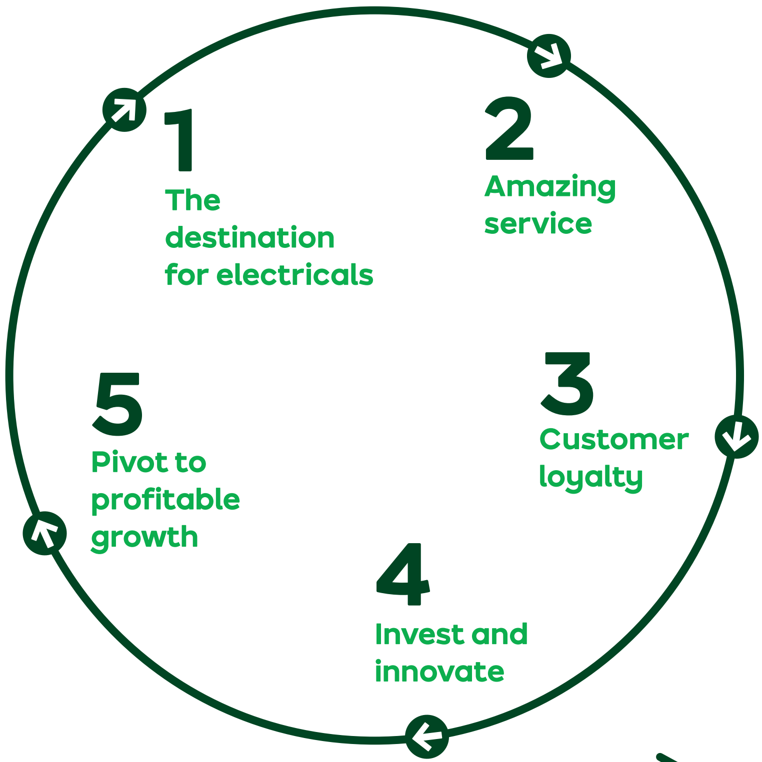
Technology
Technology is, and always has been, integral to delivering a brilliant customer experience. We have a compelling customer proposition which we continue to invest in, to make our proposition better, faster and more convenient.

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.

Read more in Our ecosystem of expertise on page 24

Our competitive advantage

An eco-system of expertise that informs the AO Way.



How we create value

Obsessing about customers, behaving as One AO, 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.

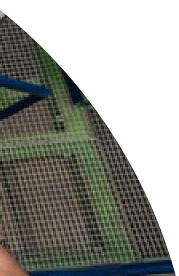
Once customers experience the AO Way to buy electricals, they return to us for other category purchases and additional services like installation and peace of mind warranties. They are proud to share their exceptional customer experience with family and friends, building our brand presence through personal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



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 50 to 53

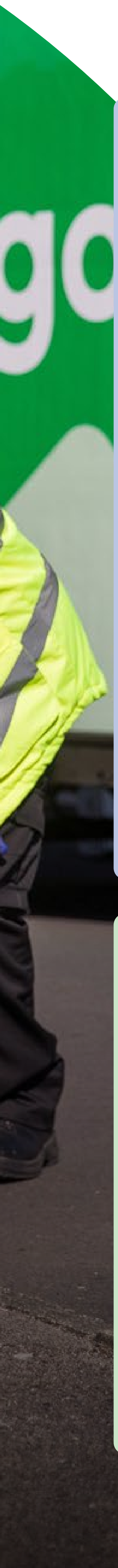
Our suppliers

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 Trustpilot score 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, 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 as a result of geopolitical issues, 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 manufacturers and third parties 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 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.

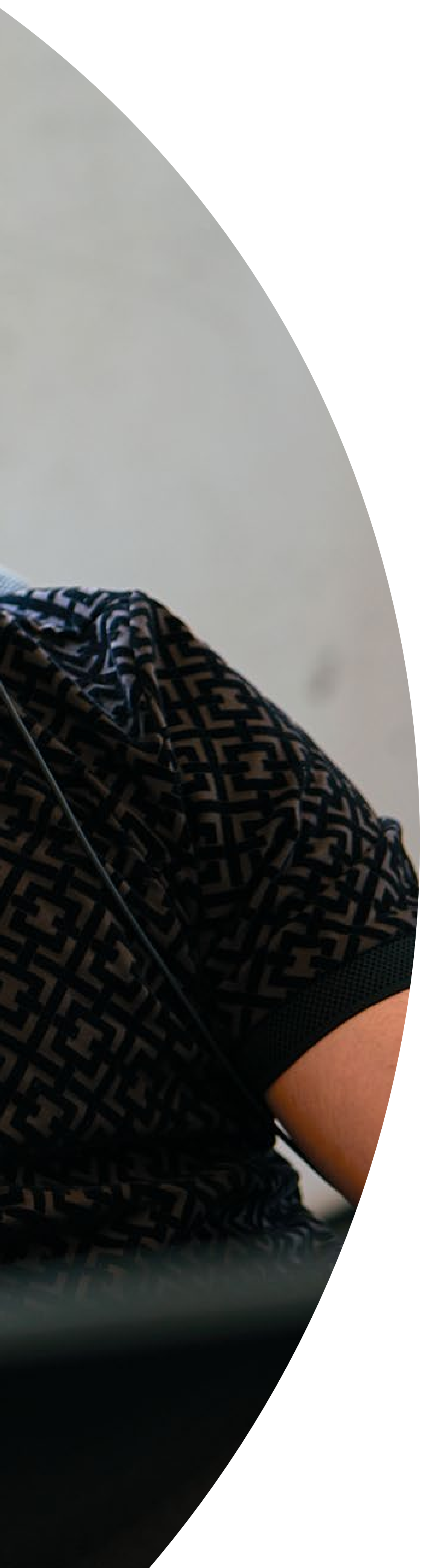
AO Finance has been provided through NewDay since 2019, offering customers the ability to spread the cost of their purchases through easy and affordable payment options using a flexible finance account. Customers have access to a range of finance options to help fund their purchases, whether it be revolving 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 Culture

> “I would recommend working at AO to anyone. The people make it the business it is, with a strong culture. It’s clear AO has actively listened to staff.”
> **An AOer**



AO's success is a team effort underpinned by our values. Whether that's our financial performance or our market leading Trustpilot rating with over half a million customer reviews and a 4.8 trust score, every AOer positively impacts our results. It's what makes AO the most trusted electrical retailer.

To sustain and develop a special team requires a unique culture which, having nurtured it for 24 years, proved resilient to the turbulence of 2022.

By listening to our people and acting on their feedback wherever practical, AOers tell us through regular measurement surveys that employee satisfaction has significantly increased.

Actions we took include upgrading tools and technology in our warehouses, introducing regular training days for logistics teams, adding more secure lockers in recycling, refreshing and creating more meeting spaces in our offices, investing in on-site car parking for all AOers based in Bolton and making mid-year pay awards for our lowest paid people.

The positive impact of these is also reflected in greatly reduced labour turnover and increased retention during the year. Culturally, working from work is great for AO and our retention data shows that it's also proven to be a positive move for our people. After re-introducing our "work from work" policy in February 2023, we've subsequently added informal flexibility with up to ten working from home days where business need allows.

We've always prided ourselves on promoting from within, with a "sky's the limit" culture for those who want to develop their career at AO. Having had limited opportunities for development last year, we're particularly pleased with the significant strides we've made in learning and development.

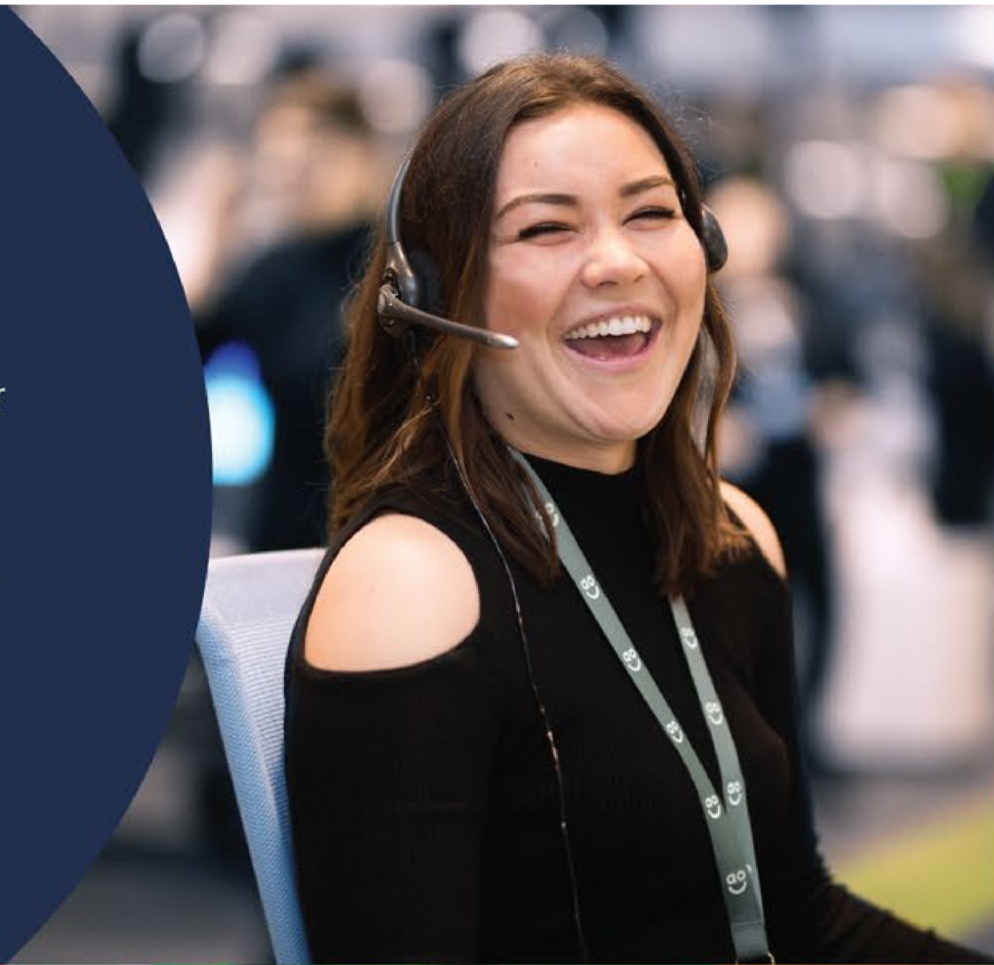
From investing in skills banding and true career development in our Customer Experience function to our Women In Leadership apprenticeships to our nine month STAR Programme that focuses on growing capability, skills, and knowledge for our emerging talent across the business as well as opportunities to deliver real-life business projects, aligned to our business priorities.

Although we believe aspects of the government's Apprenticeship Levy need urgent reform, it's been an area of focus for our learning strategy. We have made the most of it in its current form with 92% utilisation of our contribution, 90 active learners and 4.5% participation.

Our continued focus on our values, listening, acting and developing our people is underpinned by our drive to inspire our people through great leadership, creating trust and accountability. All of which enables us to deliver exceptional results, with every AOer incentivised by our unique AO All Employee Value Creation Plan.

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 doings 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.

What matters to us
continued

Our brand

Being famous, trusted and loved is at the heart of our brand strategy, driving everything we do. We're focused on leading and orchestrating the brand strategy, marketing and sponsorship to help us achieve our ambition of becoming the destination for electricals and one of the UK's most trusted retailers.

Throughout FY24, we invested strategically to fuel growth and enhance customer engagement. From consistent and engaging above the line activity to exciting activations across our key sponsorships, and category-first test and learn in social, we've seen improvements across all our key metrics.

Brand positioning

We're laser-focused on building on our position in the market as the UK's most trusted electrical retailer. We strive to be memorable in the moments that matter, impress with our amazing customer service, all while oozing our "Always On" AO personality.

Our brand is all about being reliable, honest, and transparent with our customers. We remain that trustworthy smile in a world of uncertainty.

Sponsorship

The core of our sponsorship strategy remains to amplify brand awareness by placing AO in front of as many consumers as possible and creating exciting moments to talk about.

Key sponsorships in the North West, such as the AO Arena, Sale Sharks, and Manchester Thunder continue to deliver positive sentiment and engage fans across diverse demographics. Notably, the AO Arena sponsorship has seen a boost in awareness this year.

During our "Summer of Smiles" campaign, our bright green AO bus travelled to events up and down the country, inviting people to groove to the music in our very own AO Kitchen Disco made up of a selection of our key product range. We became a principal partner of SoccerAid, integrating our branding into one of the year's top sporting events. Through compelling content and activations, we reached millions of viewers and achieved our most viral tweet to date, further establishing our national presence.

Our grassroots initiatives continue, driven by our belief that talent is evenly distributed. We've maintained our long-term relationship with Bolton Lads and Girls Club, and supported over 450 children nationwide through our multi-sport programme, where AOers nominated junior teams for kit sponsorship.

Furthermore, recognising the rising popularity of the NFL, we're thrilled to be the "Official Partner of the Jacksonville Jaguars UK". Together, we're excited to launch a nationwide initiative introducing American football to 90,000 children annually through the "Jag Tags" program, each of the participants wearing co-branded AO kit.

Marketing

Our journey to become one of the UK's most trusted brands continues, following further investment in brand advertising.

Our commitment to implementing both long-term brand building strategies and shorter-term acquisition tactics remains steadfast.

We're dedicated to attracting new customers, while simultaneously captivating and retaining our existing customer base.

In FY24 we amplified our "UK's most trusted electrical retailer" message through advertising. This saw us reaching our highest level of spontaneous awareness ever.

Social media

Social continues to be an important part of our marketing strategy, with over two million followers across our platforms. This year we strengthened our investment into organic social activity to drive trust, refined and optimised our paid social activity to drive maximum impact and expanded our commitment to social commerce.

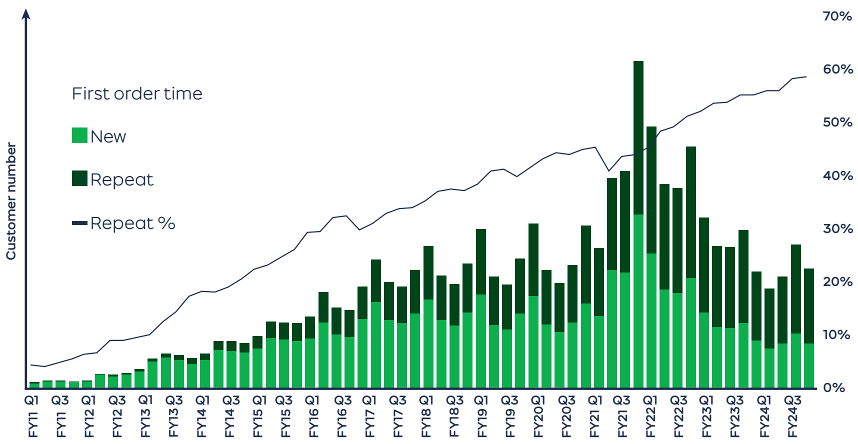
We continued to focus on Facebook Live, a live shopping event where AO presenters talk about our product range and deals, and viewers are directed to purchase from ao.com.

Secondly, we launched on TikTok Shop, making us the first major electrical retailer on the platform. Leveraging the platform's immense reach and popularity amongst younger demographics, we showcased AO as the destination for electricals, and became the first brand to deliver a large appliance through the TikTok Shop!

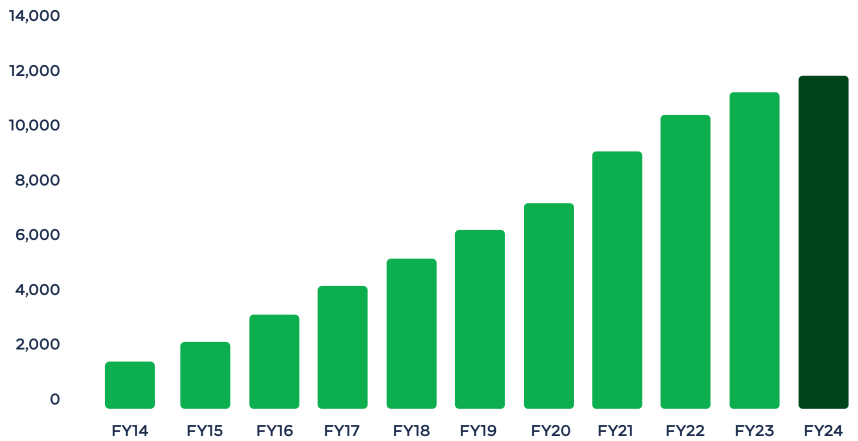
Our customer focus

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[1] %



Cumulative Customers[3] ('000s)



Net Promoter Score(1) FY24

83(2)

FY23: 85

1 NPS is a measure of customer loyalty and satisfaction
2 Rounded. Based on a weighted average of ao.com and MPD responses
3 A customer is defined as an individual customer who has purchased via ao.com

ao.com followers on social media

Total followers[4] FY23

Facebook
1.87m
FY23: 1.88m

X
89k
FY23: 92k

Instagram
82k
FY23: 82k

YouTube
28k
FY23: 27k

TikTok
74k
FY23: 70k

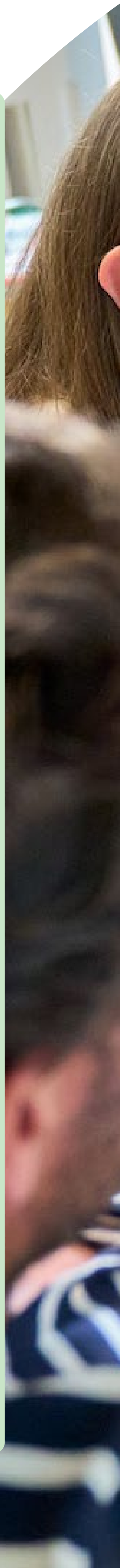
Pinterest
10k
FY23: 10k
Total 4.7m
FY23: 4.7m

UK Trustpilot FY24

Trustpilot
Total reviews
532k
FY23: 394k

Average FY24 Rating 4.8/5
FY23: 4.6/5

4 Correct as at 18/04/24



Our technology

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.

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

Year in review

This year we further progressed our multi-year strategy to invest and develop further our architecture, focusing on enhancing our customer proposition and experience, e-commerce business systems and leveraging data through advanced analytics.

During the year, we improved our cyber security posture, replaced our logistics routing and e-commerce search platforms with market-leading Enterprise SaaS solutions and completed several strategic integrations to diversify our supply chain. In addition, we successfully delivered the first of three phases of our ERP transformation programme.

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, while maintaining the flexibility of our custom-built components to continue to push the boundaries.

Priorities for FY25

This year will see us begin the second phase of our Enterprise Resource Planning transformation, which will ultimately streamline our business operations and give us a solid foundation for future growth.

We will continue our application modernisation agenda, replacing other key systems such as our Contact Centre platform, which will help us to further digitalise and enhance our customers' post-sales experience.

Information is vital to the effective and efficient operation of our business and, as such, this year we will continue to enhance business decisions across the business using advanced analytics, machine learning and artificial intelligence.

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 ecosystem of expertise and services

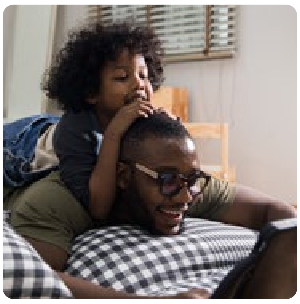
Our eco-system is a range of our expertise and services – from across retail and logistics through to financial services and our very own recycling plant. Our customers are at the heart of everything we do and that's why we are constantly evolving our eco-system to meet market demand and ensure we achieve 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 7,000 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 and pricing tools, 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.

Webshop supported by our contact centre



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.

Our in-house Logistics network comprises five distribution centres, with a total of over 1.4m sq ft, 16 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. Our vertically integrated WEEE recycling facility recycles well over one million large domestic appliances annually, with over 50% of these being recycled by Bertha (our fridge shredding machine). Plastics from Bertha are refined using our AO designed plastics recycling plant (with annual capacity of 25,000 tonnes), creating high-quality consistent plastics for reuse in new products and appliances.

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.


Summary
Offices x 3
Outbase x 16
Warehouses x 5
Recycling Plant

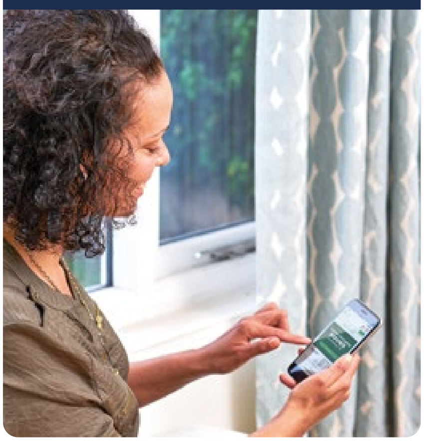
Our strategy

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

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:

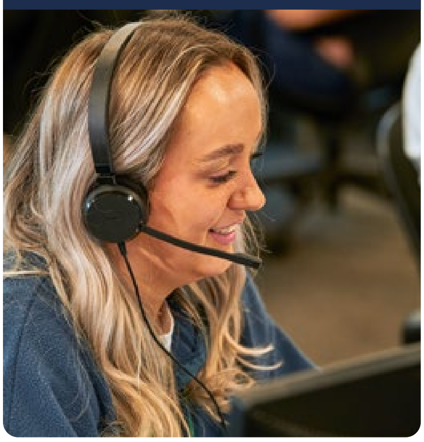
- We have a strong brand identity, which remains relevant in today's climate;
- We stay at the forefront of digital acquisition techniques; and
- We create reasons for customers to come back to us time and time again to shop for appliances and also our newer categories, increasing share of wallet.



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, while maintaining appropriate levels of margin to meet our financial targets.

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 double digit revenue growth and adjusted PBT margin of 5%.

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

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
Efficiencies and 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.

We will also continue to drive efficiencies and reduce "waste" in our operations.

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

We are now the most trusted electrical retailer at scale

“We end the year with a much simpler business, in a steady state, performing better than ever for customers and with our best unit economics. Our relentless obsession with simplicity continues to build a platform with significant structural cost and service advantages.”

John Roberts
Chief Executive Officer

We began the 2024 financial year with the majority of the heavy lifting of our pivot to profit complete and we began to see the benefits in our financial performance. While there's more to be realised over time through optimisation, the bulk of the step change is now complete and our primary driver of increased profit will be through our targeted top line growth and associated operational gearing. Our medium-term ambition and confidence remain unchanged.

Our intuition at the beginning of the pivot proved through the year to be broadly accurate. That is to say the combined effect of all the actions taken would leave us with a business with sales over £1bn and profit in the region of 3% PBT, all converting to cash. This was planned to be our base and a platform from which to grow sales again, as we annualised our actions, and grow profits faster than sales.

We end the year with a much simpler business, in a steady state, performing better than ever for customers and with our best unit economics. Our relentless obsession with simplicity continues to build a platform with significant structural cost and service advantages.

We have passed the milestone of going from 400,000 Trustpilot reviews last year to over half a million. At the same time, we have increased our overall Trustpilot score from 4.6/5 to 4.8/5.

This might look a small step but not when you consider how many 5/5 reviews are required to move the needle. This ranks us as the top Trustpilot retailer in the UK and one of the top three globally for the combination of number of reviews and rating scale.

Quite an achievement for an electrical retailer selling products at scale, which are largely distress purchases, high life impact when they fail, low frequency and mainly requiring two-man home delivery. It's about as tough as it gets and is a massive tribute to the hard work, passion, commitment and excellence of our people.

Both quality and quantity have their own inherent values in different circumstances but the compounding value of both together is material.

In electrical retail where purchase frequency is low relative to that of grocery shopping, that value takes time to be realised. Brand and trust take longer to build and yet the required trust hurdle for a major purchase is higher. All structural disadvantages to the incumbent well established bricks and mortar retailers that we have steadily and patiently eroded over time. We can feel our brand getting more traction through both sentiment and repeat order metrics every year.

We are now the most trusted electrical retailer at scale.

I've been saying for many years that our model is fundamentally structurally more efficient and that the market's direction of travel was towards our model not away from it. Covid accelerated this shift to online on a three year view, and with the step back after the spike up, online still retains more than half the market.

Through that three year period we have touched almost three million more customers for the first time to lay brand foundations with them through their experience and add fuel to our future flywheel.

While we don't release the data in micro detail and it might seem obvious, it's worth saying; when you impress new customers with amazing service, they're more likely to shop with you in the future.

Retail is not really that complicated when viewed from first principles; help people to easily choose the right product, have it in stock and available for immediate delivery to suit the customer's convenience, be the cheapest place to buy it and then deliver it on time and make that experience really nice, memorable and ideally with personality. Then if anything ever goes wrong treat customers like you would your own gran.

By removing grit and complication during the last financial year, we've created time for a renewed focus on every metric and input that brings that simplicity to life and I'm delighted to say that we've improved every single measure through the year.

Obsession means we will continue to be restless and our steady state means we're able to now get into ever greater levels of detail. The best service is, and always has been, no service; it should just work. It's also the most profitable service because all interventions cost money.

We have real conviction that these first principles of brilliant retail in electricals are unlikely to change in the medium term, which gives us real confidence to continue to invest deeply in them and the structural advantage they then produce over time through the trust generated.

Overarching all of this is the value of time.

It is now ten years since we did our IPO, which was 14 years after we started trading.

This is relevant because of the 10,000 hours principle derived from the research of Anders Ericsson. He found that achieving world class expertise required deliberate practice for 10,000 hours, or around ten years. To be clear, very few ever achieve this level of expertise because just doing something for ten years doesn't mean it happens. You have to obsess about it, try harder, go further, push every boundary, invent, create, imagine, fail, learn and apply consistently for 10,000 hours.

Sometimes you'll have setbacks and have to roll with the punches, pick yourself up and double down on your efforts. Often the danger zone is when you think you're good and people tell you you're good and you have to find new ways to reset the bar so that your metrics today make you look awful again and so the process can begin again.

Everything big started as something small and most new businesses fail. The early years of discovery really weren't included in these timings. It was when we signed our first white label operation with Sainsbury's back in 2003 that we HAD to become brilliant for customers rather than just sell them stuff at a price discount.

We then spent 10,000 hours to IPO doing exactly that and launched an IPO while mainly selling white goods/MDA. Since then, we've been learning how to transition to being a full service electrical retailer. It hasn't been without its trials, barriers and prejudice so I think we are still two to three years behind schedule on being as good in newer categories as we are in MDA. We're at different levels of development in each category as well. For example, we've only been in mobile phones for five years.

We have also learned some expensive lessons in Germany and some less expensive ones in different business channels. All valuable and we'll carry those learnings forward.

We also acquired certain assets of A1 Communications (in administration) in the year. This was done very quickly on a low risk and potentially high reward basis. We're pleased so far with what we have seen.

Read more about culture on page 15

Chief Executive Officer's Strategic Review continued

The journey continues and the compounding nature of obsessively getting better, for a bigger customer base who repeat more, tell more people, come back more directly, give us more share of their wallet as they understand that we sell more products drives both sales and profit.

We're still in the early stages of learning the value of these dynamics, how to best drive them and how to deepen our relationship with customers but everything we see is exciting and underpins our optimism for the future.

We don't release data on this because they are far too commercially sensitive. Our economic model though means that the growth we drive from this leverages our central fixed overhead, currently about 11% of sales. This then enables us to re-invest this gearing in the proposition for customers on a shared economics basis.

On the horizon we continue to face into economic and technological challenges and opportunities.

On the challenges front, we're entering an election year and instability is rarely good, while macro-economic consumer spending challenges still exist but are easing. We also have continued unpredictable supply chain issues to manage as a result of global impacts outside of our control.

We do though remain excited. The wider market remains at historical lows in volume terms because of the amount pulled forward into the Covid lockdown period where MDA volumes in 2020 were c.25% above today's level and were around 17% higher in 2021. Our planning assumes today's volume continues but we are now four years from the start of that spike and, even with the longer product purchase cycle that electricals have, it would be sensible to assume some tailwinds from the replacement cycles of those covid peaks in the not too distant future.

Competitively, our bricks and mortar competitors now have an ever increasing amount of their business transacted online. The reality though, is that they now have to operate a significant online business in an incredibly competitive, service transparent arena requiring different skill sets, as well as bearing the costs of maintaining a store estate and associated staff costs including living wage increases. They still hold a lead on us with brand awareness, scale and habit but that is diminishing as set out above and our quality is gradually shining through. You normally get the reputation you deserve in the end.

Technology offers both opportunity and protection through the AI revolution. From a risk perspective, I see it as some time before anyone will not need the majority of what we sell to be in physical form. They won't download or digitally print a fridge freezer and so will need it to be physically delivered to their homes. Being a great destination for information and choice for customers coupled with a lowest cost supply chain also makes us a great partner for brands at great value for selling their innovations in a cost effective way.

AI presents wonderful opportunities for an ever more intuitive and personalised customer journey, better insights from customer data to help us serve them better. A lot of rhetoric revolves around cost savings – normally through the reduction of headcount – but our focus is to make the customer journey so good and the execution so perfect that we remove as much as possible through excellence rather than automation of what went wrong. We always intend to be there in person for customers that need us.

What is certain with AI is that scale matters and so having big data sets and the ability to be super granular in application is key. This is a journey not a light switch and one we are excited to be able to build on our solid fundamentals.

While we know that investors would love to see all the data that supports our confidence, we think it more prudent to just let the results speak for themselves over time. I am though, delighted to confirm we are back to growth in Q4 as predicted and we've finished the year over the 5% EBITDA we forecast as we transition to the more meaningful measure of PBT.

We reiterate with confidence a business in the year ahead back to a double digit growth converting towards and beyond our medium-term PBT target of 5% and having it all manifest in good old fashioned cash.

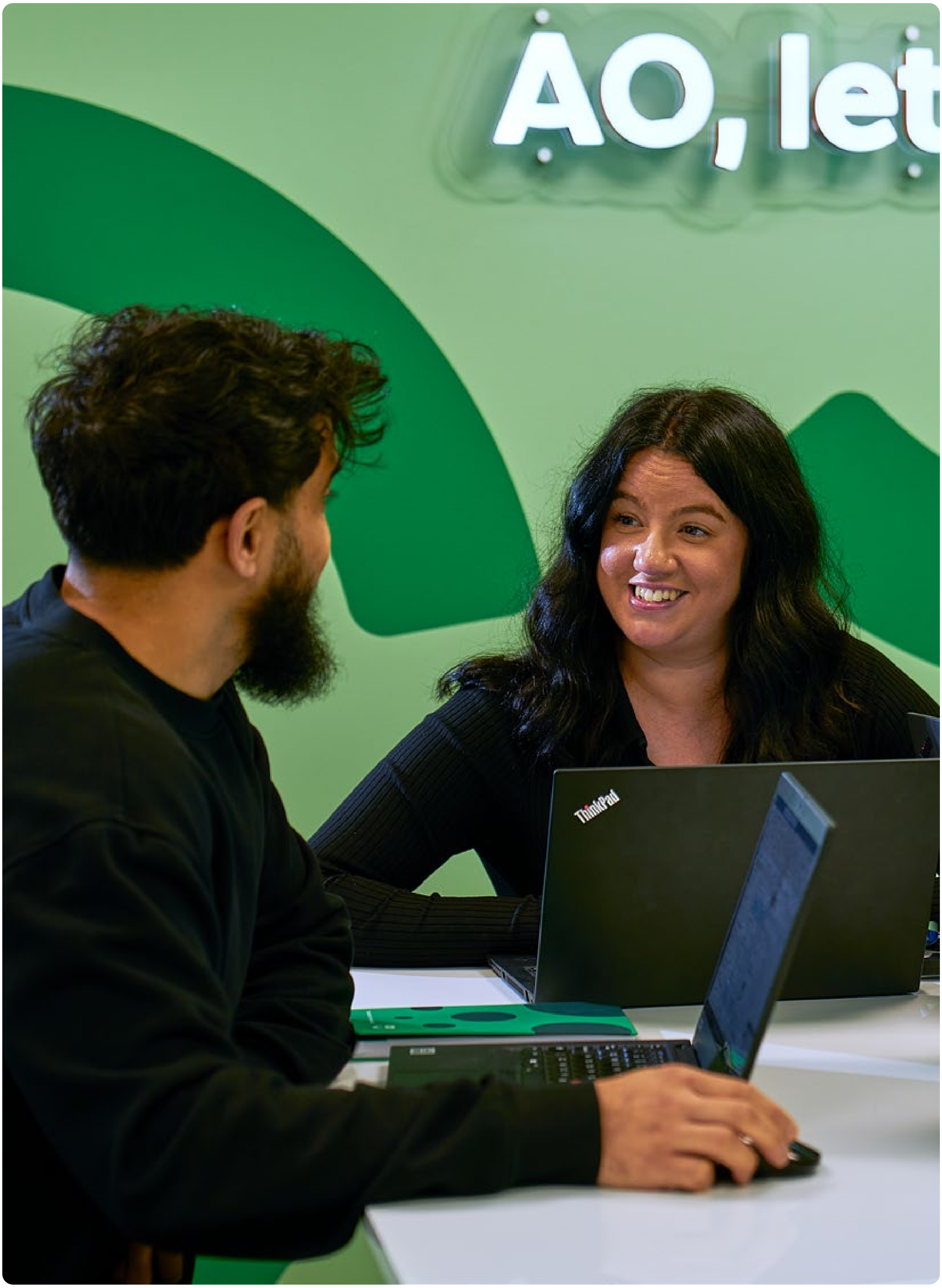
We'll continue to develop our thoughts on capital allocation as the choices become available to us through that cash build.

None of this has happened by accident or in isolation. All AOers have worked tirelessly to realise this performance and I would like to thank them all. It's great our Value Creation Plan, that our whole workforce benefit from, is on plan.

Our suppliers have been patient and supportive through the required leaps of faith during our pivot. When it would have been easy to penalise us for sales decline and make the hill steeper, the vast majority have done the opposite and been right behind us, blowing wind in our sails. I believe this is the repayment of two decades of being a partner not pugnacious. We travelled the Covid crisis together in lots of ways and I'm hugely grateful to them for their support in the moments that mattered.

And finally, our shareholders. The broad stability, support and concentration we enjoy has been one distraction off the list to allow us the time to deliver value in return and we look forward to getting on with that job in a, hopefully, predictably boring manner.

John Roberts
Chief Executive Officer


AO, let

Successfully pivoting the business to strong profitable performance.

"The results for the financial year ended March 2024 demonstrate the impact of the pivot to profit initiative that we began midway through FY23 and I am delighted to see the progress we have made."

Mark Higgins
Chief Financial Officer

We now move towards growing the business profitably, continuing to invest in growing our already significant customer base, through our brand spend. Our impressive Trustpilot rating (4.8/5) demonstrates that our large customer base is consistently delighted by our service. The well documented pressures on the UK consumer have inevitably impacted demand in the electricals market, however, our core business of MDA – which represents about 60% of our total revenue – remains robust. Our near-term priorities remain the same; to deliver double-digit growth in revenue, control and leverage our costs with growth towards a 5% PBT target, and to convert those profits to cash. Our pivot to profit along with feedback from shareholders has seen us move our focus away from EBITDA to a headline profit measure of adjusted PBT.

Operational highlights

UK retail

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

Our UK website, ao.com, is the cornerstone of our retail operations and often serves as a customer's first introduction to our exceptional customer service, extensive product range and competitive pricing. We are committed to enhancing the customer experience through improved product information, diverse payment options, flexible delivery and installation options, and recycling services. By continuously monitoring the market, we maintain competitive pricing.

This year, over 600,000 new customers experienced the AO Way, bringing the total historical customer base on ao.com to 12 million. Of the customers who shopped with us during FY24, over 54% were repeat. We continue to report market-leading customer satisfaction scores with a Trustpilot rating of 4.8/5, on over 500,000 reviews. This reflects our unwavering commitment to outstanding service and customer satisfaction, which has been fully maintained despite our pivot to profit and cash.

As we have re-based our profitability metrics, we are now focusing on driving revenue growth and profitability in product categories in which we can leverage our whole ecosystem and deliver the right return. We have now annualised delivery charges on all deliveries in order to help mitigate increasing delivery costs. As we expected, the actions we have taken have impacted our overall MDA market share which, fell 0.7% to 15.1%, which is level that gives us plenty of opportunity to return to growth.

In order to drive new customers to our website and ensure customers return, we must maintain and improve our brand awareness. Advertising and marketing spend has continued to shift from acquisition spend, with its immediate transaction link, to brand investment - with its expected longer-term benefits. Our consistent great customer service, coupled with our brand investment, has delivered growth in two of our key metrics - Fame (i.e. spontaneous awareness) and Trust (i.e. "retailer I trust" and "retailer I would consider first") this year.

The significant overhead savings, as we simplified the business, were made in the previous financial year (FY23). Nonetheless, we continued to focus on operational efficiencies and saw some of the benefits of the annualisation of property rationalisation, especially in our logistics business. There has, however, been a lag in the increase of some cost, where inflationary pressures continue. We have seen this as we exit FY24 and enter FY25, with government policy on minimum wage driving high wage inflation in lower paid operation roles.

Our Financial Services business performed resiliently as our customers continue to recognise the value and peace of mind that our product protection plans offer. We have experienced a reduction in the cancellation rates of plans during the period, which positively impacted profitability this year. We have noted the FCA's consultation on legislation aiming to reduce fraud rates for consumer financial service products and will work with our long-term partner Domestic & General (AO Care) to accommodate any changes in our model, should a change in legislation require them. Towards the end of the period, we have worked particularly closely with our Customer Finance partner, NewDay, and have looked to deliver a range of options for our customers.

Read more about our financial KPIs on page 03

Mobile

AO Mobile (Mobile Phones Direct) has had a challenging year. The new contract mobile phone market has been challenging, with depressed consumer demand placing pressure on our volume commitments to networks, with the total new contract market down 14% YoY. With a suppressed market, competition for customers was intense, leading to increased investment in the acquisition of customers through affiliate channels and unsustainable discounts to win market share. The losses incurred prompted a strategic reassessment of our approach to the mobile market, as the then status quo was unsustainable.

As we entered 2024, with a revised approach to our model, we continue to focus on customer proposition with traditional network contract connections for our network partners, Three, Vodafone and O2. Our strategy is to be affordable, providing value for money offers, connecting through robust eligibility gateways, and appeal to a customer base in the market to find the best tariff for them, all while being profitable for AO.

Mobile continues to form an important part of the strategy for AO as we look to sell a full range of electricals to our customers. We have further strengthened our position in the market through the acquisition of intellectual property rights and the websites of affordablemobiles.co.uk and buymobiles.net (from A1 Comms Limited in administration), which give us two further sales channels, as well as increasing our share of the market. In line with our plan for growth, the acquisition of the brands and platforms will provide AO with expertise and synergies that will accelerate the ambition to continue to expand our mobile proposition.

Logistics

Our market-leading in-house logistics infrastructure enables the nationwide delivery of millions of products annually, seven days a week, serving both AO's retail business and numerous third-party clients. Our delivery network operates from our central hub in Crewe, and encompasses warehouses and distribution centres with a total of over 1.4 million sq ft of space, supplemented by a network of 16 delivery depots across the UK.

As part of our strategic pivot to profit and cash generation, our logistics division has made significant strides in reducing costs and enhancing efficiencies within our delivery and warehousing operations throughout the year. Our operations

Chief Financial Officer's Review
continued

are adaptable to the retail business's demands for driver resources, and can leverage our operational gearing through third-party logistics. Our expertise in complex two-person delivery, which is highly valued in our industry, allows us to achieve incremental profitability without detracting from our core business.

It is critically important that our people and our delivery partners are happy and feel valued in the work they do, given how central they are to the AO way. In the second half of the year we increased driver rates and performance payments. This initiative has reduced driver turnover and has no doubt played a part in increasing customer satisfaction.

We continue to invest in our operation. Along with our fleet partners where we have invested to drive quality, we developed and launched our new long semi trailers, which give a 10% increase in capacity per vehicle and will enable us to use compressed natural gas, as a transition fuel, across the entire trunking fleet by 2030.

We also outsourced the delivery of smaller products (specifically SDA) to a third-party carrier early in FY25. This change will see improved unit economics and enable us to expand the range of products available to customers.

Recycling

Our recycling plant in Telford is amongst the largest fridge recycling facilities in Europe, adhering to the highest UK and European standards. This ensures the safe and efficient capture of environmentally harmful gases and oils. We specialise in recycling refrigeration products, including large American style fridges, but also process all old fridges and other white goods ("WEEE"). Our highly skilled repairs team refurbishes appliances that still have a useful life, which are then sold with a warranty through our established base of trade customers.

This year we purchased our Recycling site in Halesfield, future proofing our ability to recycle and reaffirming our commitment to the environment and recycling. We reached a significant milestone by recycling or reusing our seven millionth appliance. We continue to promote recycling by making it easy and accessible to all our customers. Despite a YoY decline in MDA volumes in our retail business, our recycling plant processed c.5% more volume highlighting our commitment to processing and recycling MDA at scale and in a responsible way.

Over recent years, our recycling operations have been working to perfect the recycling of plastics into new electrical components to complete true circularity of recycling. In FY24, the throughput of plastic to our recycling plant grew by 10%, with continuous improvement in material quality. Our commitment to plastic recycling has been further strengthened in the year with the commitment to purchase an extruder, which will enhance our plastics refining capability. It will mean that we are able to turn the recycled plastic flakes into pellets, which are then ready for moulding into new components, potentially opening new markets for us and reducing costs by eliminating the need for third-party extrusion. Importantly, use of recycled pellets means virgin plastics do not have to be used. The new plant is expected to arrive later in 2024 and become operational by the end of FY25.

We continue to work with several strategic partners to use AO plastic. During the year, our recycled plastic was used to mould 1.5 million new fans along with various accessories and fittings. A newly formed partnership in the year saw our lower grade plastic material moulded into benches, tables and planters, demonstrating how we think strategically about matching our outputs to specific uses as well as maximise value recovery.

To expand the reuse of our plastic across Europe we must demonstrate the quality of our processes. During the year, we achieved RecyClass accreditation, demonstrating the consistent quality and traceability of our plastics. Our medium-term strategic objective continues to be "Closing the Loop" partnerships with key manufacturers to supply recycled products to make electrical appliances.

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

We have noted the potential for legislative changes, including extended producer responsibility and the possibility that retailers will have to take back old waste products for free when they deliver new ones. Although this will add complexity to our operation and comes at a cost, with our vertically integrated logistics and recycling businesses we are well placed to deal with such a requirement should it arise- and indeed it could provide further downstream opportunities.

Financial performance

We started the 2024 financial year continuing our actions to generate profit and cash. The financial year was impacted by consumer confidence as a result of the ongoing cost-of-living crisis as well as geopolitical events giving rise to uncertainty and volatility, negatively affecting both customer behaviour and our cost base. We maintained our strategy of delivering profitable growth, which was cash generative. We delivered this strategy through the following key steps:

1. Improving gross margin
We continued to focus on optimising our gross margin by removing unprofitable sales and the annualisation of delivery charges, which were introduced in the prior year to offset the growing costs of delivering for our logistics business. Pleasingly, our customers accept that it is right to pay a fair price for fantastic service.

2. Optimisation of processes
A culture of continual improvement will deliver efficiency wins across our key operations including Logistics and Recycling. The vertically integrated nature of our business enables us to benefit from small changes in business units, generating financial gains to the P&L quickly, as well as capability wins for the business as we look to deliver profitable revenue growth.

3. Ongoing overhead control
The previous financial year saw us identify and implement operational efficiencies for a simplified operation, which includes warehouse space, rationalising vehicles and reducing our office footprint as well as completing an organisational restructure. This year has seen us continue to right size our overheads and we continue to manage them closely during this period of significant inflationary pressure.

4. Conversion of profit to cash
As part of our pivot, converting profit to cash is a key component of our ability to deliver further growth. We have chosen to invest in assets that will drive the long-term profitability of the business, in the acquisition of the land and buildings at our recycling plant and the acquisition of intellectual property rights and to the websites of affordablemobiles.co.uk and buymobiles.net, to strengthen our position in the mobile market.

We renewed our £80m Revolving Credit Facility in April 2023 and subsequently extended the term in March 2024, with the facility now due to expire in April 2027.

Our priorities for the current financial year remain to leverage our cost base and strengthen our balance sheet for profitable growth. AO remains a market leader in MDA in the UK with a 15.1% share of the total 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 2024, revenue decreased by 8.7% to £1,039.3m (2023: £1,138.5m).

Product revenue
Product revenue, comprising sales generated from ao.com, mobilephonesdirect.co.uk, marketplaces and third-party websites, decreased by 8.7%. This performance was in line with our plans and was the result of the impact of our strategic actions to improve profitability, removal of non-core channels and unprofitable sales, combined with the impact of the cost-of-living crisis on consumer spending on the overall electricals market, which was down 2.5% YoY[1]. Our MDA revenue decreased YoY by 5.5%, with the total UK MDA market value falling 1.0%[1].

Service revenue
Service revenue, which includes membership income, fees for delivery, recycling, installation and related services, was impacted by the reduction in product revenue. However, this was offset by the annualisation of delivery charges (introduced in August 2022) and growth in membership uptake. The net result saw service revenue increase by 12.2%.

Commission revenue
Commission revenue, which includes commissions generated by network connections in our Mobile business and from AO Care product protection plans decreased by 18.1%.

Our mobile business saw a drop in mobile commission revenue YoY. This drop in revenue comes as a result of a fall in the number of connections and a significant reduction in commission per connection, which was heavily impacted by a decline in the total new contract market, which was 14% down YoY.

In AO Care, the number of plans sold in FY24 reduced from FY23 in line with the drop in product revenue and consequently commissions from the sale of product protection plans 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. We have also benefited from reduced cancellation rates as customers recognise the value of these plans and the protection that it affords them during uncertain economic times.

Third-party logistics revenue
Third-party logistics stayed flat YoY with revenue of £27.6m. 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 Analysis of GfK data for 2023 and 2024.

Chief Financial Officer's Review
continued

1. Revenue

Year ended £m	31 March 2024	31 March 2023	% Change
Product revenue	**798.3**	874.8	(8.7%)
Service revenue	**63.1**	56.2	12.2%
Commission revenue	**128.1**	156.4	(18.1%)
Third-party logistics revenue	**27.6**	27.6	0.1%
Recycling revenue	**22.3**	23.6	(5.6%)
	1,039.3	1,138.5	(8.7%)

Recycling revenue

Recycling revenues decreased 5.6% over the year, which again was a pleasing performance when taking into account the wider trading environment. Although MDA sales volumes were down, uptake of our recycling service by customers increased leading to increased processed volumes year on year. This increase in volumes was offset by a decrease in output prices for recycled materials due to market forces.

2. Gross Margin

Year ended £m	31 March 2024	31 March 2023	% Change
Gross profit	**243.3**	238.2	2.2%
Gross margin	**23.4%**	20.9%	+ 2.5 ppts

Gross margin

Gross profit, including product margins, services and delivery costs, increased by 2.2% to £243.3m (2023: £238.2m), against a sales decrease of 8.7%. Gross margin increased by 2.5ppts to 23.4%. This increase reflects the significant steps taken by the business to offset inflationary increases in operational costs through operational efficiencies, pricing actions and the focus on profitable sales.

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

Year ended £m	31 March 2024	31 March 2023	% Change
Advertising and marketing	**40.5**	38.0	6.6%
% of revenue	**3.9%**	3.3%	
Warehousing	**52.2**	59.8	(12.7%)
% of revenue	**5.0%**	5.2%	
Other admin	**115.0**	124.1	(7.4%)
% of revenue	**11.1%**	10.9%	
Adjustments	**–**	4.5	(100%)
% of revenue	**–**	0.4%	
Administrative expenses	**207.7**	226.4	(8.3%)
% of revenue	**20.0%**	19.9%	

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

SG&A costs decreased during the period to £207.7m (2023: £226.4m) and as a percentage of revenue stayed relatively flat at 20.0% (2023: 19.9%). Increased investment in advertising and marketing were offset by decreases in warehousing and other admin costs.

Advertising and marketing costs increased to £40.5m (2023: £38.0m) and increased as a percentage of revenue from 3.3% to 3.9%. We continue to focus on the efficiency of acquisition spend, which resulted in a decrease in pound spend YoY. This decrease was offset by an investment in TV and brand spend as we look to continue to grow our spontaneous brand awareness and Trust scores, which will help to deliver our targeted revenue growth.

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 £52.2m (2023: £59.8m) with warehousing as a percentage of sales decreasing year on year.

Other admin costs decreased to £115.0m (2023: £124.1m), with an increase from 10.9% to 11.1% as a percentage of revenues. This primarily reflects the continued actions that the business has taken as part of the pivot to profit to control overheads through detailed reviews of spend incurred and property rationalisation. Although inflationary pressures have impacted the business, mainly driven by wage inflation in people costs, the business has managed to control overhead even against the decline in revenue seen in the year.

4. Adjusted PBT

Year ended £m	31 March 2024	31 March 2023	% Change
Profit before tax	**34.3**	7.6	355%
Adjusting Items	**–**	4.5	(100%)
Adjusted PBT	**34.3**	12.0	186%
Adjusted PBT as % of Revenue	**3.3%**	1.1%	

Operating profit and Adjusted Profit Before Tax

As a result of the previously mentioned actions and dynamics, our operating profit for the period was £36.2m (2023: £12.5m).

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.

Adjusted profit before tax

Adjusted profit before tax "PBT" is calculated by adding back or deducting Adjusting Items to Profit Before Tax. Adjusting Items are those items which the Group excludes in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods.

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

There were no adjusting items in the current year.

The Adjusting Item for the prior year arose following the Group's change of strategy to focus on the UK business, in which it started a simplification of its operations which included removing areas of the business that didn't fit the current priorities, including the trial with Tesco and housebuilder contracts; simplifying the organisational structure and associated contracts and exiting surplus properties. As a consequence, the Group recognised an expense of £4.5m relating to the restructuring which, due to its size and nature, was added back in arriving at Adjusted PBT.

The reconciliation of statutory Profit Before Tax to Adjusted PBT is set out in table 4.

Taxation

The tax charge for the year was £9.6m (2023: tax charge of £1.2m) resulting in an effective rate of tax for the year of 27.8%. The effective rate of tax is higher than the UK corporation tax rate for the period of 25% predominantly due to the Group's share-based payment charge for the year. The Group continue to offset UK tax losses brought forward against its taxable profits, which is reflected in the tax payments made in the UK.

Pillar Two legislation has been enacted in the UK to introduce the multinational top-up tax and domestic top-up tax to accounting periods beginning on or after 31 December 2023. The Group have performed an assessment of this legislation and do not expect a potential exposure to Pillar Two income taxes.

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

Chief Financial Officer's Review
continued

Retained profit for the year and earnings per share
The Group's retained profit for the year was £24.7m (FY23: loss of £2.6m).

Earnings per share were as follows:

12 months ended £m	31 March 2024	31 March 2023
Profit/(Loss)		
Profit attributable to Owners of the Parent Company from Continuing operations	**24.7**	6.2
Loss attributable to Owners of the Parent Company from Discontinued operations	**–**	(8.8)
	24.7	(2.6)
Number of shares		
Weighted average shares in issue for the purposes of basic earnings/(loss) per share	**577,184,050**	548,947,969
Potentially dilutive shares	**21,058,825**	15,509,762
Diluted weighted average number of shares	**598,242,875**	564,457,731
Earnings per share from continuing operations (pence per share)		
Basic earnings per share	**4.29**	1.13
Diluted earnings per share	**4.14**	1.10
Earnings/(loss) per share from continuing and discontinued operations (pence per share)		
Basic earnings/(loss) per share	**4.29**	(0.48)
Diluted earnings/(loss) per share	**4.14**	(0.47)

Cash resources and cashflow
At 31 March 2024, the Group's available liquidity, being Cash and cash equivalents plus amounts undrawn on its revolving credit facility, was £116.4m (FY23: £88.9m). On 5 April 2023, the Group renewed its £80m revolving credit facility and, following agreement with the lenders in March 2024, the maturity has now been extended by one year to April 2027. At 31 March 2024, the Group had £76.3m available on its facility. The amount utilised represents £3.7m of guarantees and letters of credit.

During the year, the Group generated a cash inflow of £21.0m (FY23: £0.3m outflow) as set out in the table below:

As at	31 March 2024			31 March 2023		
£m	**UK**	**Germany**	**Total**	**UK**	**Germany**	**Total**
Cashflow from operating activities	**62.1**	**(0.5)**	**61.6**	33.2	(8.8)	24.4
Cashflow from investing activities	**(7.6)**	**–**	**(7.6)**	(2.1)	9.8	7.7
Cashflow from financing activities	**(32.9)**	**(0.1)**	**(33.0)**	(23.7)	(8.6)	(32.3)
Cash movement in the year	**21.6**	**(0.6)**	**21.0**	7.4	(7.7)	(0.3)

Cashflow from UK operating activities £62.1m (FY23: £33.2m) – principally as a result of the improved operating performance in the period and an improvement in working capital (cash outflow of £3.2m in FY24 versus outflow of £19.4m in FY23). The Group's movement in working capital outflow is set out in the table below:

As at	31 March 2024			31 March 2023		
£m	**UK**	**Germany**	**Total**	**UK**	**Germany**	**Total**
Inventories	**79.5**	**–**	**79.5**	73.1	–	73.1
Trade and other receivables	**205.1**	**–**	**205.1**	230.9	0.2	231.1
Trade and other payables	**(228.0)**	**(0.1)**	**(228.1)**	(253.5)	(0.8)	(254.3)
Net working capital	**56.6**	**(0.1)**	**56.5**	50.5	(0.6)	49.9

Inventories increased slightly in the year principally within our Retail business as we improved availability of the extended range of customers. Inventory days were 43 days at 31 March 2024 (31 March 2023: 40 days).

Trade and other receivables reduced by £26m to £205m. This was driven in the main by the impact of lower connection volumes in our Mobile business with cash received from past connections outweighing new income recognised. In addition, the exit from loss making B2B trade business was finalised in the year and the Group improved its collection of supplier marketing income.

Trade and other payables reduced by £26m to £228m. This again was largely impacted by Mobile with reduced connections impacting the purchases in the last quarter in addition to a reduction in upfront payments received from the networks. In the rest of the Group, VAT liabilities reduced based on the different phasing of purchases in Q4 of each year partly offset by the increase in deferred income in March 2024 as a result of Easter. Creditor days at 31 March 2024 were 55 (31 March 2023: 51) reflecting continued support from our supplier base.

Cashflow from UK investing activities £7.6m outflow (2023: £2.1m outflow) – Cash capital expenditure in the year of £5.9m principally related to the acquisition of the land and buildings at the Group's main recycling site and further investment in plant across both sites. Expenditure in FY25 is anticipated to be higher as the Group starts a refresh of its logistics fleet. In February 2024, the Group acquired certain assets of A1 Comms Limited (in administration), which primarily related to intellectual property and two websites. Cash consideration for the acquisition was £2.3m including fees.

Cashflow from UK financing activities £33.0m outflow (2023: £23.7m outflow) – principally related to lease repayments of £18.5m (FY23: £17.6m), net cash outflow in borrowings of £7.9m (FY23: £35m) and net interest paid of £6.9m (FY23: £8.0m). The prior year movements were partly offset by proceeds from a share issue of £39m.

Cashflows in relation to the discontinued German operation were, as expected, immaterial and mainly related to the unwind of outstanding creditors from 31 March 2023.

As a result of the above movements, Net funds and Total net debt were as follows:

As at £m	**31 March 2024 £m**	**31 March 2023 £m**
Cash and cash equivalents at year-end	40.1	19.1
Borrowings - Repayable within one year	(0.2)	(10.0)
Borrowings - Repayable after one year	(1.9)	–
Owned asset lease liabilities - Repayable within one year	(1.6)	(1.9)
Owned asset lease liabilities - Repayable after one year	(2.0)	(3.6)
Net funds excluding leases relating to right-of-use assets	34.4	3.6
Right of use asset lease liabilities - Repayable within one year	(15.4)	(15.8)
Right of use asset lease liabilities - Repayable after one year	(49.8)	(63.9)
Net debt	**(30.8)**	(76.1)

Borrowings of £2.1m (2023: £10.0m) relate in the current year to a mortgage used to partly fund the acquisition of one of the Group's recycling sites. In the prior year, the £10m of borrowings related to short-term funding drawn from the Group's revolving credit facility, which was repaid during FY24.

Lease liabilities decreased by £16.6m to £68.7m (2023: £85.3m) principally reflecting capital repayments of £18.5m offset partly by £4m of new leases mainly relating to vehicles.

On 5 April 2023, the Group renewed its £80m Revolving Credit Facility and, following agreement with the lenders in March 2024, the maturity has now been extended by one year to April 2027. At 31 March 2024, the Group had £76.3m available on its facility. The amount utilised represents £3.7m of guarantees and letters of credit.

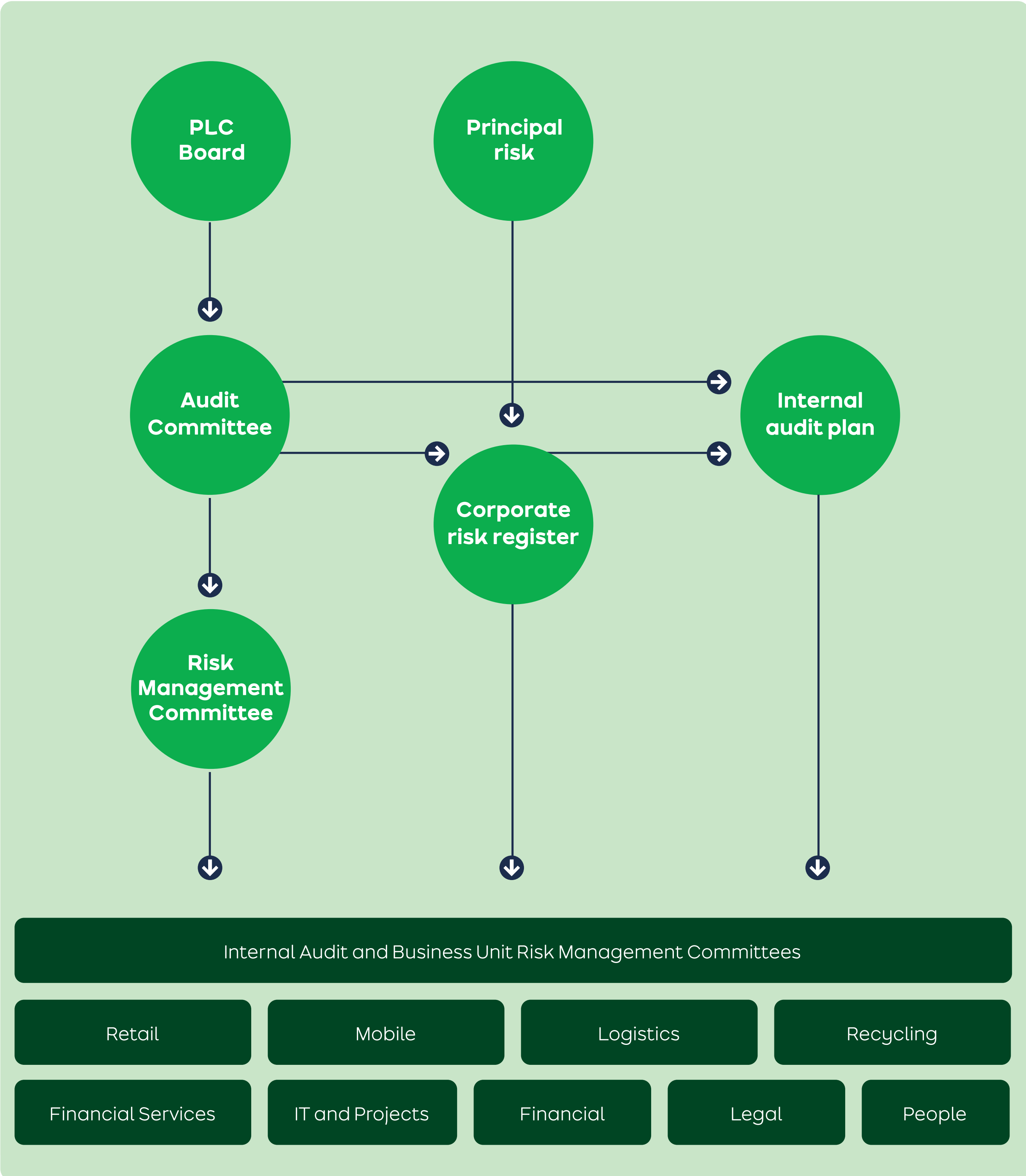
Mark Higgins
Chief Financial Officer

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 a well-established risk management framework with policies and methodologies 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. The function also facilitates the administration of the governance, risk and compliance tool, which enables key controls self-attestation, improved management information and validation as well as issuing the annual risk survey, summarises resulting into a thematic reporting pack for the RMC. The GRC tool will facilitate compliance with the updated Corporate Governance Code through monitoring controls in place to mitigate material risks.

Business unit risk management

Our Director of Group Audit and Risk meets with the senior team of each of our business units at least twice a year (or 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 inherent and residual risk values 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? The RMC then considers what mitigation plans and actions are in place and to what extent any particular risk should be tolerated, having regard to the Group's risk appetite. 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 at least annually) and it is notified of any significant changes in perceived risk as appropriate. 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. 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.

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, Cyber Security 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 judgements, namely the accounting in relation to Product Protection Plans, Network Commission and the recoverability of Mobile goodwill, which are set out on page 105.

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 Security and Protection and Steering Committee, with Data Protection and Information Security teams, that supports privacy and data protection governance;
- Financial Services Steering and Oversight Committee to ensure we are treating customers fairly and meeting our Consumer Duty and Senior Managers and Certification Regime responsibilities and generally 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;
- An ESG Steering Group that facilitate AO's strategic direction with our ESG Pillar Leads from across the Group and captures key data, including our carbon emissions reporting, to enable annual submissions to be made;
- An Ethical Supply Chain Working Party to oversee the governance of partnering with third parties in terms of ethical suitability; and
- Other control measures outlined elsewhere in this Annual Report, including legal and regulatory compliance and environmental compliance.

Our risks
continued

How are emerging risks identified?

Our Director of Group 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 and the ESG team raise developments in the ESG field – in particular relating to environmental and climate risk. We have re-established an ESG steering team that will support local business owners to identify, mitigate and manage climate risk (both physical and transitional) going forward and to instil an overarching approach to ESG risk management. Notwithstanding, ESG risks continue to be identified and 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.

Introduced in FY22, 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 will feed into the Risk Management Committee, reconciled to the Corporate Risk Register and be included in the upcoming Board discussions on risk. We have extended questioning this year to better understand the major challenges faced by each part of our business in the transition to a low carbon economy.

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 may 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.

Key achievements this year

- Revised our gross impact scale in line with the financial position of the business.
- Formalised risk tolerance process and sign off in accordance with current risk appetite.
- Continued to prioritise our mitigation of technology risks, by further strengthening our Information Security team and tools.
- Carried out risk survey with senior leaders.
- Implemented a GRC tool and configured it to AO's risk management methodology to facilitate compliance with the updated Corporate Governance Code and enhancement of the internal control environment.
- PwC review of and recommendations on enhanced controls around Procure to Pay and Contract Assets.
- Restructured certain areas of risk (Health and Safety, Fraud and Profit Protection) to report into the Director of Group Audit and Risk to ensure better independent oversight.
- Re-established an ESG steering team.
- Established a group procurement team to oversee, centrally, contractual spend and ensure optimal contract management, with a particular focus on Tech, as well as establishing an Ethical Supply Chain working group.

Key Actions for next year

- Further implementation of GRC tool with the uploading of further controls to mitigate material risks and support control owners in self-attestation.
- Complete a comprehensive fraud risk assessment, including a review of controls and recommendations for enhanced controls and improved governance, where necessary.

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.

There is further the risk of industrial action in our operational areas due to pay expectations.

Risk drivers include wage inflation, working policies, areas of national skills shortage, engagement.

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. We ensure that pay levels for all employees are fair and benchmarked. We work closely with the unions to understand any issues.

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

Overall change during the year

Decrease

Our culture has benefitted from the stability of the business over the year and our ways of working are now settled and embraced.

B IT systems resilience, Cyber Security & 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 may compromise our future strategies or the loss of data relating to individuals may result in regulatory complaints/investigations and negative publicity.

Failure to invest in and develop our technological systems could cause us to rely on inefficient systems and 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 security operations centre and dedicated infosec personnel. Gap analysis conducted with Gartner focussing on 16 key metrics.

Regular training and simulations undertaken alongside external penetration testing. Policies and standards defined and communicated.

Improved data management and backup processes through enhanced security and the ability to restore critical data within a significantly reduced timescale.

Overall change during the year

Decrease

We are driving down our "Tech debt" and have improved the operational qualities of our systems estate, with regard to availability, performance, recovery and security.

We have transitioned our finance systems to Dynamics 365 and are looking toward Telephony and Warehouse Management System transformation over the next 12-24 months.

The cyber threat landscape continues to become more complex. Against this, AO has much improved its cyber security posture.

Link to strategy

1 Acquisition
2 Brilliant customer journey
3 Comprehensive category coverage at great prices
4 Delivering supporting services
5 Efficiency and expertise

Risk trend

Increase
Decrease
No change

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 or general employment rights;
- 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 and we continue to routinely monitor regulatory developments.

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

→

There is ongoing work towards implementation of an improved Crisis Management Plan across the Group.

E UK electricals market

Relevant strategic pillar

1 2 3 4 5

Nature of risk

Uncertainty in the UK (and global) economy has continued with the conflict in Ukraine and now the situation in Gaza. Inflation continues to squeeze many consumers (albeit we are now seeing a drop in the rate) 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 due to increased operating and transportation costs. 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 can drive competition and also make forecasting challenging.

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

→

No change and we continue to see "soft" demand in our markets. Our MDA category has proved fairly resilient, however our newer categories, in particular the Mobile category has seen a material decline and more intense competition.

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.

Link to strategy

1 Acquisition
2 Brilliant customer journey
3 Comprehensive category coverage at great prices
4 Delivering supporting services
5 Efficiency and expertise

Risk trend

↑ Increase
↓ Decrease
→ No change

F Key commercial partnerships

Relevant strategic pillar

3 4

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 and 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 ensure we deliver the right insurance and finance offerings in this regulated space.

The financial output of the agreements we have with the mobile network operators has required a change in commercial arrangements from the start of 2024, many of which have been agreed in principle with others subject to ongoing discussions.

Link to strategy

1 Acquisition
2 Brilliant customer journey
3 Comprehensive category coverage at great prices
4 Delivering supporting services
5 Efficiency and expertise

Risk trend

Increase
Decrease
No change

G Funding and liquidity

Relevant strategic pillar

1 2 3 4 5

Nature of risk

In general the macroeconomic environment remains uncertain heading into FY25, particularly with the possibility of a general election looming. This 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 which has been extended with the existing lenders to April 2027. Given the profitable performance of the Group over the year, as at 31 March 2024, the Group had net funds on a pre-IFRS16 basis of over £30m.

Further, following our successful execution of the pivot in strategy to focus on profitable growth the Group 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 48.

Overall change during the year

Over the year we have generated strong cash flows and expect to continue to do so going forward. As described above, our Revolving Credit Facility has been extended to April 2027.

Emerging risks

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

- Regulatory change continues at pace and we are particularly mindful of a) the Home Office's consultation on cold calling (which could affect the way we sell our product protection insurance); b) DEFRA's consultation on Extended Producer Responsibility in the context of Waste Electrical and Electronic Equipment (which could require us to offer free take-back of WEEE and could cause operational challenges with regard to van fill and recycling capacity) and c) Labour's stance on employment status and the possibility that if they succeed in Government, employment status may be re-categorised, together with a proposal for enhanced employment rights.
- 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 is starting 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.

Our risks
continued

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 2027. 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 43 to 47; 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 period of their assessment and 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 2027.

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 81. The financial position of the Company and its cash flows are described in the Chief Financial Officer's review on pages 32 to 39. 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 43 to 47.

Notwithstanding net current liabilities of £9.1m as at 31 March 2024, 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, following agreement with the lenders in March 2024, the maturity has now been extended by one year to April 2027).

The Directors have prepared base and sensitised cash flow forecasts for the Group for a period of 12 months from the expected approval of the financial statements ("the going concern period") which indicate that the Group will remain compliant with its covenants and will have sufficient funds through its existing cash balances and availability of funds from 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:

- Restricting growth in FY25 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.

Section 172 Statement and engaging with our stakeholders

	Matters set out in section 172
s.172(1)(a)	the likely consequences of any decision in the long term
s.172(1)(b)	the interests of the company's employees
s.172(1)(c)	the need to foster the company's business relationships with suppliers, customers and others
s.172(1)(d)	the impact of the company's operations on the community and the environment
s.172(1)(e)	the desirability of the company maintaining a reputation for high standards of business conduct
s.172(1)(f)	the need to act fairly as between members of the company

Section 172 statement

The Board has a duty under section 172 of the Companies Act 2006 to act in a way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholders. In doing so, the Board must have regard to the matters in section 172.

Section 414CZA of the Companies Act 2006 requires the Board to describe in this Report how, during the financial year, they have had regard to the matters in section 172 when performing their duty (a "section 172 statement").

This section of the Report (pages 50 to 53) has been prepared in furtherance of section 414CZA and is also intended to give information relevant to the requirements on employee engagement and fostering business relationships set out in the Large and Medium-sized Companies Regulations 2008 (SI2008/410).

To fully understand how the Board have regard to the matters in section 172, readers are encouraged to read the 'How we create value' section on pages 10 to 11, the 'Fair, equal and responsible' section on pages 72 to 81 and the 'Stakeholder voice into the Boardroom' section on page 97.

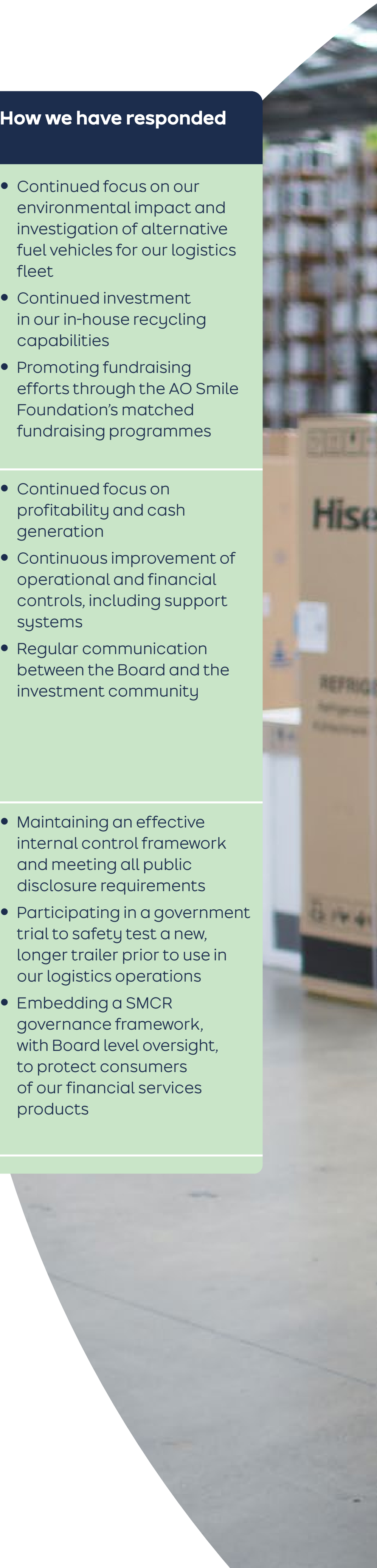
Engaging with our stakeholders

Section 172 and the Large and Medium-sized Companies Regulations require the Board to understand and consider the interests of the Group's stakeholders. Therefore, the Board receives regular updates on the Group's engagement with the various stakeholder groups. The Group's key stakeholder groups are Customers, People, Suppliers and Partners, the Community, Shareholders and Regulators. The engagement with each of the key stakeholder groups is described in more detail below:

Key stakeholder group	How we engage	What matters to them	How we have responded
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 in and innovate our capabilities, and leverage new opportunities.	• Dedicated, highly responsive customer service centre, a variety of digital communication channels including social media platforms and Chatbot • Dedicated account management for B2B clients • Collection of customer satisfaction metrics, use of feedback and review platforms, extensive customer research including surveys, data analytics and virtual customer lab sessions	• Brilliant customer service through the purchasing journey and during the life of their products • Value for money • Environmental impacts and compliance matters, such as the protection of their data	• Continuous focus on the quality of product information, including information on product running costs • Continuous improvements in communications and processes in the event of order issues, delays or faulty products • Initiatives designed to promote brilliant customer service, such as membership, our 5* service level agreement and our "expert agent" programme
People Our AO culture is the most important element in binding the competencies in our business model together.	• Regular business updates provided through our electronic information channels and the CEO's in person "State of the Nation" updates and Q&A sessions • Feedback mechanisms including employee surveys, engagement forums, listening groups and a confidential whistleblowing hotline • Formal partnership with USDAW (in Logistics business)	• A positive culture, well-being and health and safety • Reward and benefits • Career and development opportunities	• One-day training sessions for all new starters, led by the CEO, providing an understanding of AO's mission, purpose and values • Bespoke health and safety training courses designed and continual investment in safe working practices • Pay increases applied to all team members with further increases for lower paid workers, a number of talent development programmes and the launch of AO Play, an interactive learning and development tool containing numerous courses.
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.	• Annual "top to top" (CEO) meetings to understand how we maximise our mutual objectives • Buying visits to see and understand product roadmaps and capabilities • Steering and governance meetings with finance partners	• Long-term, mutually supportive and collaborative relationships • Customer proposition enhancements including the provision of quality product information and brilliant after-care • Payment practices	• Continued focus on effective supplier onboarding • Quarterly review sessions with all key suppliers to ensure plans are working and aligned • Continual improvements to product information and recommendations to better explain the manufacturers' products

Section 172 Statement

Key stakeholder group	How we engage	What matters to them	How we have responded
The 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.	• Supporting charities, participating in fundraising initiatives and promoting sports and youth groups • Employability forums and linking with employment services and educational institutions • Participation in recycling forums and fostering relations with the Environment Agency and bodies such as WEEELABEX	• Environmental performance and recycling of waste products • Investment and community support • Sustainability initiatives	• Continued focus on our environmental impact and investigation of alternative fuel vehicles for our logistics fleet • Continued investment in our in-house recycling capabilities • Promoting 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 our shareholders with fair, balanced and understandable information on our strategy, business model, culture, performance and governance.	• Financial results presentations • Institutional investor roadshows and investor conferences • Regular meetings with shareholders and analysts, conducted by the Executive Directors and, where relevant to their area of responsibility, the Chair and the Board Committee Chairs	• Performance, returns and the provision of operational and financial information • Opportunities and strategic ambition • Risk appetite and governance controls	• Continued focus on profitability and cash generation • Continuous improvement of operational and financial controls, including support systems • Regular communication between the Board and the investment community
Regulators Compliance with and anticipating changes to regulations is key to our continued success. Important regulatory bodies include the FCA, due to both our market listing and our financial services activities, the ICO, due to the volume of customer data we process, and VOSA, due to the size of our logistics fleet.	• Attending regulatory updates and horizon scanning • Participation in regulatory surveys • Participation in industry consultations, such as the recent consultation to amend or replace the current Waste Electrical and Electronic Equipment (WEEE) Regulation	• Compliance and cooperation • Environmental impact • Public safety	• Maintaining an effective internal control framework and meeting all public disclosure requirements • Participating in a government trial to safety test a new, longer trailer prior to use in our logistics operations • Embedding a SMCR governance framework, with Board level oversight, to protect consumers of our financial services products



Managing our logistics fleet

This case study has been included to provide further insight into how the Board have had regard to the matters in section 172 when making decisions.

In January 2024, the Board were asked to consider a proposal to purchase 100 new home delivery vehicles and 10 new tractor units, as part of the ongoing renewal of our logistics fleet. In considering the proposal, the Board had particular regard to:

- The likely consequences of this decision in the long term: this significant (c£5.8m) purchase of new vehicles supports the Company in the delivery of its future anticipated growth and decarbonisation strategy and offers the Group's logistics operation a more flexible and efficient fleet.
- The interests of its employees: the purchase supports growth, which benefits team members by securing employment.
- The need to foster the company's business relationships with suppliers, customers and others: the new vehicles are being provided by three different manufacturers, allowing the Group to balance its risk across a number of suppliers. Improvements to customer experience are expected due to increased vehicle reliability and increased loading space. The enhanced safety features installed in the new vehicles are expected to positively impact the driver experience.
- The impact of the company's operations on the community and the environment: the tractor units are Bio-CNG fuelled which is a clean, sustainable, and cost-effective alternative to diesel. It also offers CO_2 reductions when compared to diesel.

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.

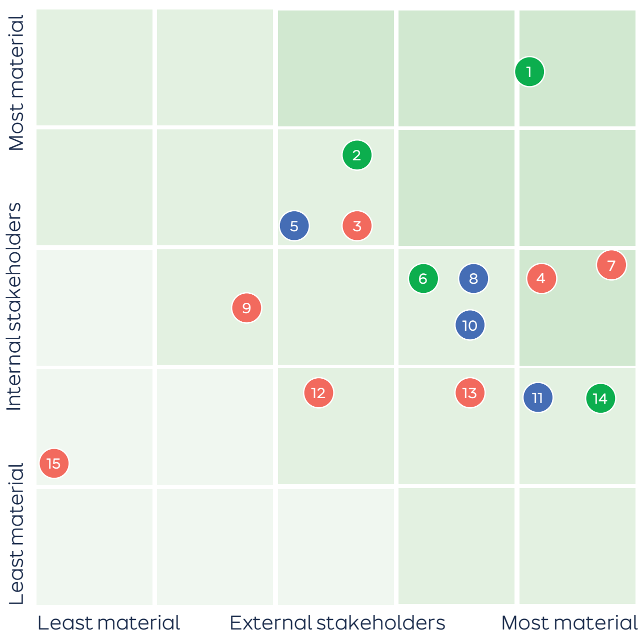
Across AO's business, there are a variety of sustainable living initiatives in place, for example, our continued investment in our vertically integrated recycling facilities with the addition of the "extruder" planned for next year, driving efficiencies and carbon reduction to our logistics operations, the well-being of our people and our community outreach projects. We believe that some customers and talent are increasingly gravitating towards companies that are properly addressing areas of sustainability and inclusion.

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 FY22, 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 part of our enterprise risk management processes we have this year, revisited that materiality assessment, asking our management teams to reconsider, in particular, climate related risks and opportunities, and to consider the resilience of our business model under different climate scenarios. Whilst this has given us a greater understanding of some of the longer-term risks we may face, we note our material sustainability risks remain unchanged as against previous years.



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:

Sustainable living

High-level material topic

- Waste and recycling, Plastics and packaging
- Carbon reduction
- Sustainable products

AO long-term commitments

- Promoting circular and sustainable consumption and recycling
- Supporting the transition to a low-carbon economy

What have we done in FY24?

- Continue to optimise our recycling facility and extend its capabilities.
- Better recycling of plastics and agreement to procure an extruder
- Furthered our cradle to cradle strategy with more recycled plastics going into the manufacture of new products
- Fleet review, incl. CNG trials and further CNG commitments
- LED installation
- Waste segregation
- Property efficiencies
- Promotion of the energy saving tool on website and energy related CRM campaigns

SDG goal

Fair, equal and responsible

High-level material topic

- Talent, retention and attraction
- Diversity, equality, and inclusion
- Health and safety

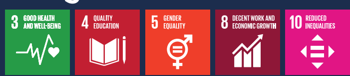
AO long-term commitments

- Being an equitable and inclusive business
- Providing safe, decent and meaningful work

What have we done in FY24

- Increased engagement; You said We did; Increase in eNPS
- Addressing pay challenges for our lower paid colleagues
- Invested in better car parking for all; improved office environment
- H&S mandatory training for all employees
- Driven an increased collection of D,E and I data
- [other]

SDG goal



Fit for the Future

High-level material topic

- Data protection / cyber security
- Internal governance
- Ethical and resilient supply chains
- Charity and community

AO long-term commitments

- Transparent and robust supplier procurement
- Supporting and respecting customers' rights to shop safely online
- Investing in our communities.

What have we done in FY24

- Redesigned procurement process
- Created an Ethical Supply Chains working group
- Greater focus on Cyber security with the expansion of the Data Security and Protection Steering Committee
- Partnership with Bolton Lads and Girls Youth charity
- Match payroll giving donations into AO Smile initiatives
- Community sports sponsorship
- Continued to promote and celebrated MAD days

SDG goal

Sustainable Living

Promoting circular and sustainable consumption and recycling

Unlike many other retailers in our sector, we take in-house 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. Our priority is to repair and refurbish an appliance where this is appropriate, giving it a new lease of life thus preventing goods from being prematurely recycled. If reuse is not appropriate, we responsibly recycle the product, maximising the value recovered.

The following flow map shows the journey of products after they have been discarded by consumers and on the following pages 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

Collection point → AO Collection → Cooling units and LOA → AO Logistics → AO Crewe

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

Recycling and Reuse KPIs:

c.7.5m

appliances for recycling or reuse received since opening Telford

c.1.5m

total appliances volumes received in Telford for recycling or reuse in FY24 (+48,538 from FY23)

c.3,000

tonnes of packaging recycled (up 11% YOY)

c.11,000

tonnes of recycled plastics produced (up 10% YOY)

c.2,000

refurbished tech appliances with our 3rd party specialist to give them a new lease of life ready to be re-sold

c.30,000

damaged and faulty appliances processed at our rework centre

FY24 developments:

- Our partnership with Volution Group and Ultrapolymers (incorporating brands such as Manrose, Vent Axia and National Ventilation) have grown from strength to strength with almost 15 million parts moulded from AO plastics, combining to make 1.5 million fans along with various accessories and fittings.
- We've branched out with a new partner to make benches, tables and planters with some of the lower grade material (polypropylene), demonstrating how we want to maximise value recovery and match our outputs to specific uses.
- Our plastics have received RecyClass accreditation – an independently audited standard for recycled plastics, demonstrating the consistent quality and traceability of our plastics, and helping open more opportunities across Europe.
- We contracted to purchase an extruder to enhance our plastics refining facility which will see us able to turn the recycled plastics flakes into pellets which are then ready for moulding. This investment of c.EUR1.3m should open up additional markets for us for our recycled plastics and/or reduce costs (given all extrusion is currently undertaken by a third party). Most importantly use of the recycled pellets means virgin plastics do not have be used. The new plant is expected to arrive later in 2024 and should be operational by the end of FY25.

Extended producer responsibility

The UK Government is committed to reducing electronic waste to cut carbon emissions.

The resource extraction for, and manufacturing of, electronic products contribute to more than 50% of their lifetime of CO_2 emissions. Accordingly, the UK Government has set a legally binding target to reduce residual waste (i.e. waste that is not collected separately for recycling by 50% by 2042 relative to 2019 levels)

DEFRA have commenced a consultation to amend or replace the current Waste Electrical and Electronic Equipment (WEEE) Regulations in order to meet these targets. The consultation includes a number of proposals aimed at ensuring producers and distributors of electrical and electronic products finance the full net cost of collection and proper treatment of products that end up as waste and ensure that waste collections are maximised.

We support the underlying ambitions of the proposals and are well placed to help drive change through our vertically integrated logistics and recycling facilities.

Recycling fridge

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.

Recycling plastic

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 2

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

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 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 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 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.

Supporting the transition to a low-carbon economy

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.

Fleet (Scope 1)

The major contributor to scope 1 emission is UK diesel. This is largely due to the major activities of AO's logistics fleet but also includes fuel use from AO Recycling.

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, Compressed Natural Gas ("CNG") and hydrogen home delivery vehicles and tractor units.

In relation to home delivery vehicles, two years ago we installed four electric vehicle charge points between the Potters Bar and Heywood depots. We trialled two ' brands' of electric home delivery vehicles but neither was appropriate for our requirements due to payload constraints, limited range availability and limitations with chassis and box type. To date there have been no electric vehicles which meet our requirements and neither are there CNG or hydrogen vans which are suitable, however, we are working with vehicle manufacturers to understand developments in the market and are hopeful that there will soon be an electric home delivery vehicle which will meet our range and payload requirements which we can trial in the coming 12-18 months.

In relation to tractor units, electric or hydrogen options are not currently suitable for our requirements. We bought 10 CNG units in FY22 and continue to monitor performance. CNG is currently seen as the most viable option to decrease carbon emissions in our fleet in the short to medium term and we are approaching phase 2 of our roll out. A further 10 CNG tractor units are arriving by November 2024. The CO_2 saving of a fully Bio-CNG fleet versus diesel could be circa 7,500 Tonnes annually, representing a total of 85% reduction for our trunking fleet. By FY27 there would be the opportunity to transition the majority of our tractor units to CNG as many diesel leases will have ended, however we continue to assess developments in the market across all types of fuel.

We have assessed the viability of longer-semi-trailers (LSTs), which could add 10% more capacity than our current mega trailers, which could save a further 800 tonnes of CO_2 per annum. Our trials have proved successful and accordingly, we have purchased 20 additional LSTs which are due in Spring/Summer.

Once the additional 10 CNG units and the 20 LSTs arrive, these will be coupled to drive further carbon reduction, totalling up to 40% reduction in GHG emission versus the legacy fleet.

We continue to work with partners and manufacturers to understand technological developments with a view to decarbonising the fleet in the longer term.

Property and facilities (Scope 2)

Emissions from energy purchased (Scope 2) are relatively small, with the market-based figure taking into consideration AO's wide adoption of renewable energy purchasing to date[1].

Close to 90% of electricity used by our operations is renewable. Where we source the electricity directly, this is 100% renewable. Where a third-party sources the electricity (for example, a landlord), we continue to work with these parties with a view to us meeting the BRC target of 100% renewable energy supply used by our operations by 2030. Our property portfolio is currently close to 90% renewable energy, contracted up to September 2024. Due to extreme price increases our costs are due to increase by almost 50% when our current contract expires, and it was an additional six figure sum more per annum for a renewable premium. Based on this we made the commercial decision to utilise non renewable energy. The market will continue to be monitored and if the renewable energy market changes, we can upgrade at any time.

Crucial therefore is a reduction in the energy we consume and below we set out our progress to date regarding energy reduction and other sustainability initiatives together with future actions:

[1] The location-based method reflects the average emissions intensity of grids on which energy consumption occurs, using mostly grid-average emission factor data. Conversely, the market-based method reflects emissions from electricity that companies have purposefully chosen to some extent. Whilst the location-based method reveals what the company is physically putting into the air, the market-based method shows emissions the company is responsible for through its purchasing decisions. Both methods are important, as location-based factors help organizations gauge their impact within the physical locations where they operate, while the market-based method accounts for the complexities and ramifications of purchasing decisions on the power mix.

What we have done so far	Future plans
• Our head office, all warehouses and most outbases have, been fitted with LED lighting, which will reduce energy consumption at these sites. • Changes to air conditioning settings • Commenced work on ESOS phase 3 • Commenced installing additional Smart meters for energy consumption across the estate. • Commenced the transition of our company car fleet to EV or Hybrid with EV charge points installed at Telford and one site at Crewe • Installed tap sensors and water flow reducers at our head office. • Utilising rain water harvesting at the Stoke site	• Voltage Optimisation trial will begin with installation at one of our Crewe sites in summer 2024. If successful further sites to be considered. • Complete installation of additional Smart meters for energy consumption across the estate. • Continue to install site specific Light / motion sensors across the outbase / motion sensors • Continue the transition of our company car fleet to EV or Hybrid and evaluate the possibility of installing EV charge points at other sites • Further work for ESOS phase 3 • Entered into an agreement with a Water Broker to support in procurement of water, management of the account and water saving expertise and opportunities

In addition, we are cognisant that a shift in fleet strategy towards electric vehicles would require greater power requirements at our sites. Site planning has therefore been enhanced to ensure that we are considering long term infrastructure requirements (e.g. the viability of solar panels, distance from sub-stations and pipe infrastructure) when renewing leases at our existing sites or planning for new ones.

Sustainable Products (Scope 3)

The indirect emissions in the GHG inventory dominate our Group emissions, with Scope 3 (emissions in the value chain) representing over 98% of total emissions. The overwhelming majority of these Scope 3 emissions are linked to product lifecycle as a result of their manufacture, use and disposal.

Percentage split of emissions at key product stages of lifespan

Product manufacturers	→	AO World	→	Lifetime use of product	→	Disposal of product
33%		2%		63%		2%

Over the last 12 months we have continued to see price inflation and whilst the rate of inflation is now slowing, the cost of living crisis continues for many. Household energy prices continue to be high leading customers to further prioritise lifetime running costs during their purchasing decisions. Our data indicates that customers are actively searching for products on Google and other search engines with higher energy efficiency ratings and other sustainability-related features. 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. Our product emissions programme initiatives include:

- highlighting our energy saving tool on ao.com, helping customers understand the real financial benefit of purchasing an energy efficient appliance
- including energy savings hints and tips on ao.com and on CRM emails
- highlighting energy efficient products in our CRM emails.

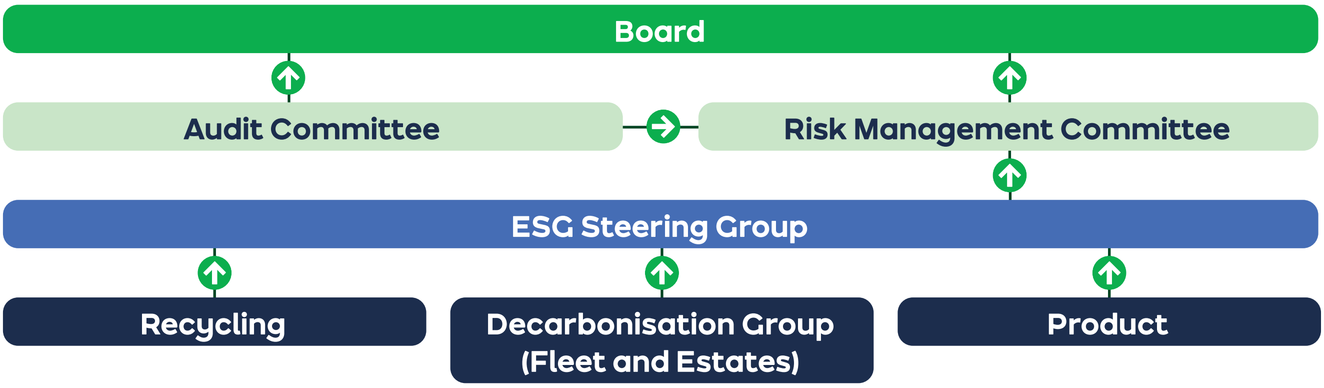
Task force on climate-related financial disclosures ("TCFD")

The Board recognises the importance of understanding and managing the impact of potential climate-related risks and opportunities on AO's business and strategy and because of this we have reintroduced an ESG steering group to help drive our strategy forward and facilitate cross-group collaboration amongst local area owners.

We confirm that, the following section of the Annual Report includes all climate-related financial disclosures consistent with the Taskforce on Climate-related Financial Disclosures ("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".

These disclosures also satisfy the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Governance



Governance	
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 Management and Audit Committees. The Board receives an annual written update on ESG progress which includes climate related matters and specifically updates on the Group's recycling strategy and decarbonisation strategy (and status of the scope 1 emissions) with discussions also held on product lifetime emissions. Separately, it also reviews and approves the sustainability section of the annual report including the detailed GHG disclosures and progress year on year. Further, the Board also oversees and approves major capital expenditure, such as the acquisition of new vehicles and trailers as and when current leases expire or vehicles come to the end of their useful life and monitors the resulting affect in GHG emissions from the Group's fleet. Written papers are produced by the management teams to aid the Board in its considerations. The Audit Committee meeting quarterly and considering climate-related topics as part of its review of the effectiveness of risk management and the associated system of internal control. Our Risk Management Committee meets at least twice per year has delegated the steering of climate risks to our ESG Steering Group, to help drive progress in our key working groups of a) Recycling, b) Decarbonisation (Fleet and Estates) and c) Product Emissions and facilitate cross-group collaboration amongst local area owners. We have scheduled an annual ESG overarching review of strategy and progress. However, 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 and approved the direction on our fleet transition with CNG and LSTs being bought to aid carbon reduction. The Board also has oversight of our circular economy strategy with the plastics recycling being a component of that. During the year the Board approved our recalculated Scopes 1,2 and 3 baseline for the UK Group. It received detailed papers on our scenario planning and ESG metrics and targets from which metrics and some targets have now been set.

Strategy	
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 Director of Group Audit and Risk and ESG Steering Group. Risks raised have been incorporated into relevant risk registers. Twice per year, business unit risk registers are debated by the RMC, 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 was re-established over the year, to help drive progress in our key working groups of a) Recycling, b) Decarbonisation (Fleet and Estates) and c) Product Emissions and facilitate cross-group collaboration amongst local area owners.
Climate-related risks and opportunities identified over the short, medium, and long term	In the table on pages 64 to 67 we explain the climate-related risks and opportunities that could have a significant effect on our strategy, operations and finances. Risks have been considered across the short term (1 to 3 years) the medium term (3 to 5 years) and the longer-term (5 years plus), in alignment with our wider risk management procedures and financial planning. 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. Further, the areas of highest potential impact are those which we are already taking action to address through our working groups.
Impact of climate-related risks and opportunities on our businesses, strategy, and financial planning	Our climate-related risk assessment and climate scenario analysis has provided the basis from which we can begin to properly assess the impact of climate-related risks and opportunities on our business strategy and financially planning. In the table on pages 64 to 67 we primarily focus on the qualitative impact of climate-related risks on our business. Whilst some limited quantitative impacts have been given for the short to medium, we expect to evolve our assessment over time and intend to provide further detail in future reports, including more detail around the interdependencies of our climate-related risks and opportunities and their ability to create value over time.
Resilience of our strategies, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	During FY24 we carried out qualitative scenario analysis at temperature increases of 1.5°C and 4°C over the longer term (i.e. to 2050) which aligns with the Government's regulatory aspirations for net zero by 2050. Our analysis was carried out internally based on our own research and by reference, in particular, to the Intergovernmental Panel on Climate Change (the "IPCC"). The IPCC have considered a spectrum of possible futures that differ in terms of the level of projected warming and society's ability to adapt to the changes ahead. **Orderly Transition** A scenario consistent with the Paris Agreement goal of **keeping global warming below 2°C at a c. 1.5°C level**. • While this amount of warming increases the physical risks to a degree, in particular, the frequency and severity of extreme weather, **more severe physical climate impacts are avoided**. • However this would involve the **introduction of more stringent climate policies and greater innovation and investment** in infrastructure by the businesses and governments, meaning transitional risks are more notable. • Carbon pricing is introduced in the 2020s and gradually increases through the 2030s. **Hot House World** A scenario where global warming increases by > 4°C. In this world, humanity doesn't just fail to reverse its emissions curve, it doubles down on fossil fuel extraction and energy-intensive lifestyles. As nations dig up and burn more and more coal throughout the century, the world warms by 4.4°C. A 4°C temperature increase intensifies the impacts seen at the 1.5°C degree scenario with severe physical risks • Severe physical risks are encountered • Transitional risks are initially quite low as limited action is taken and current policies remain in place As can be seen from the table on pages 64 to 67, the overall risk and estimated* 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 qualitative assessment, we believe that there is no immediate material financial risk or threat to our business model, however, this conclusion may change once quantitative scenario analysis is undertaken. Further, the areas of highest estimated potential impact are those which we are already taking action to address through our working groups. The business strategy and model will need to evolve and we have started to think about mitigations. Fundamentally, we still see that there will be a market for electrical products and physical delivery will still be necessary however, the method of delivery will be subject to change with evolving technologies and the nature of products may change.

Climate-related Risks and Opportunities

Transitional Risks	TCFD category	Description of impact	Time frame 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). **£**		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).
Rights to Repair	Transition risk (Policy and Legal)	Increasing regulatory drivers for retailers to sell products which are capable of easy repair which could reduce sales of new products and costs thereby affecting profits (Retail, Logistics and Recycling). **£**		Reuse operations provide ability for products to have a second life. Opportunity for us to expand our product offering to include associated parts.
Reputational damage due to failure to act on sustainability trends	Transition risk (Customer 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). **£** Regulatory risk of "greenwashing" leads to loss of trust.		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 focusing on reuse and recycling 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.

Estimated Financial Impact – Without Detailed Quantitative Modelling

£ £ £ - Significant impact on Group **£ £** - Moderate impact on Group **£** - Limited impact on Group

Transitional Risks	TCFD category	Description of impact	Time frame of impact	Mitigation strategy
Fleet transformation	Transition risk (Market)	AO depends on its fleet to deliver products to customers and collect waste products. Currently a vast proportion of these are diesel (which the government hopes to phase out within the next c. 15 years). There is a potential increased cost of transitioning to non-fossil fuel-based fleet. There is a risk that technologies selected initially could become sub-optimal. There is a risk that the location and/or infrastructure at our sites is not suitable to meet the needs of new technologies. **££**		In the short to medium term we are trialling the use of CNG in trunking, as an interim measure. Use of LSTs should reduce the number of trunking vehicles required. For the longer term we are investigating alternative low-carbon fuels and hope to move to non-fossil (EVs and/or Hydrogen) in the medium to long term subject to development of available technology and infrastructure. Site planning has therefore been enhanced to ensure that we are considering long term infrastructure requirements (e.g. the viability of solar panels, distance from sub-stations and pipe infrastructure) when renewing leases at our existing sites or planning for new ones.
Carbon Pricing and legislation		Governments may impose a carbon tax, which could have financial implications for carbon output of scope 1, 2 and 3 emissions. There could be a 'carbon-cap' set and a requirement to buy and sell carbon permits, mandatory carbon offset programs including reforestation and renewable energy investment, sector specific carbon taxes affecting electrical product, and increased emissions reporting and disclosures. Carbon taxes could result in increased operating costs, reduced product margins and lower sales volumes if costs were passed on to the end consumer. **£**		Fleet transformation Reduced Energy Consumption Product Emissions Programme

Key

Short timescale Medium timescale Longer timescale

Climate-related Risks and Opportunities
continued

Physical Risks	TCFD category	Description of impact- Orderly Transition	Description of impact- Hot House World	Mitigation strategy
Physical risks impacting our supply chain	Physical risks (Acute and Chronic)	We could face increased risk around our suppliers ability to source raw materials for products, transport disruption, adapting warehousing space and increasing our inventories, potential supplier failure. **££**	Further scarcity/quality of raw materials, severe transportation problems and warehousing availability and storage challenges. Investment in emergency supply chain planning and contingency would be required and we could face a period of business disruption. In certain geographical locations there could be water scarcity through a change in precipitation patterns, increased evaporation rates due to higher temperatures or increased competition for usage due to population density and competing priorities. This may affect manufacturer production if water and cooling is required in their processes. **£££**	Increased supply chain planning and risk modelling may be required to minimise disruption and ensure sufficient customer availability.
Physical risks impacting our site (e.g. increased frequency of power outages, flood risks, heatwaves)	Physical risks (Acute and Chronic)	Costs may increase through building adaption measures and land planning and permits may be more difficult to obtain. It could be expected that there would be an expansion of low-emission zones that may restrict certain vehicles from entering or toll charges may be applied. Additionally, increasingly unpredictable weather events such as floods and high winds may cause greater and more frequent damage to our buildings, and our assets held within, and power outages therefore increasing costs and reducing service levels. **£**	Sea level rise would be more pronounced and lead to increased scarcity of commercial land availability; potential for migration of people that may affect delivery efficiency. Potential damage to buildings and increased maintenance can be expected with unpredictable and extreme weather activity. Land could be repurposed to help with carbon capture, carbon removal, reforestation or for significant changes to urban planning. There could also be reduced water availability or issues with drainage for commercial sites due to potential scarcity. Heat waves could affect the well being of our people – distribution sites would need to be properly cooled **££**	Buildings may need to be adapted or retrofit for climate change or energy efficiency purposes. Location of sites to be considered taking into account long-term view of weather impacts (e.g. coastal areas) and also access to energy.

Estimated Financial Impact – Without Detailed Quantitative Modelling

£ £ £ - Significant impact on Group **£ £** - Moderate impact on Group **£** - Limited impact on Group

Physical Risks	TCFD category	Description of impact- Orderly Transition	Description of impact- Hot House World	Mitigation strategy
Physical risks impacting our ability to deliver	Physical risks (Acute and Chronic)	Disruption caused by e.g. flood risk and heat waves or, conversely, very cold events resulting in national road infrastructure problems and therefore impacting effective logistics 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) **£**	Disruption to infrastructure such as roads and bridges **£££** Heat waves could affect the well being of our people to deliver – vehicles would all need to be fitted with aircon and drop numbers may need to be reduced to address health and safety concerns **£**	Potential relocation of sites to better support network

Opportunities	TCFD category	Description of impact	Time frame of impact	Mitigation 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		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. Opportunity to expand our "reuse" operations.
Extended Producer Responsibility	Transition opportunity (Policy and Legal)	Increased sales (and profits); lower cost of compliance **£**		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		We continue to build relationships with suppliers in such categories whilst monitoring market trends and consumer behaviour.

Key

Short timescale   Medium timescale   Longer timescale

Climate-related Risks and Opportunities
continued

Risk management	
Our 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. 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 processes for managing climate-related risks.	All risks are assigned a risk manager, to ensure that risk is properly controlled and mitigated, or where appropriate tolerated, by the business unit. As with all risks, decisions taken against a particular risk will be scrutinised by the RMC with any risks tolerated above our appetite threshold, discussed further with the Audit Committee and/or Board. Our Risk and Audit team is supporting the business units to better identify and assess environmental risks to ensure these are appropriately managed.
How our processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	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 40 to 47.

Metrics and Targets	
Metrics used to assess climate related risks and opportunities	We currently use our greenhouse gas emissions (in Scopes 1, 2 and 3) together with our carbon intensity ratio as metrics to help us understand and manage climate related risks. These emissions and ratios are reported on page 70. Further in the context of recycling opportunities we use metrics such as: • the number of appliances received for recycling and reuse; • the number of products put into reuse; • tonnage of packaging recycled; and • tonnage of plastics recycled.
Scope 1, 2 and 3 GHG emissions and related risks	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. 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). In FY23, we 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 which we are using as our baseline for future targets. We have repeated our calculations in all 3 scopes for the year under review and these are shown in the following section. Risks related to these emissions are set out on pages 64 to 67 above, with the main medium-term risk relating to carbon pricing.

Metrics and Targets

Targets used to manage climate related risks and opportunities and performance against targets

We are aligned to the Government's target of net zero by 2050. In meeting this aim we intend to set our own interim science-based targets across our Scope 1 and 2 emissions in the medium term once we have a better view of the technology and infrastructure required to fully decarbonise the fleet and our longer term energy requirements.

In the short term we are targeting a reduction of Scope 1 emissions through our logistics programmes which centre around use of CNG for trunking, improving vehicle capacity through use of the new LSTs and better home delivery boxes and using enhanced telematic solutions to drive most efficiently. We are targeting for all our heavy goods vehicles to be CNG based (or lower carbon alternative depending on technology developments) by 2035.

In relation to our scope 2 emissions we are targeting use of 100% renewable energy in our operations and whilst currently the vast majority of our energy consumed does come from renewable sources, we expect to take a backwards step and revert to non-renewable as the current market demand for renewable has made prices soar and therefore too costly. Our focus is therefore driving down absolute reduction in energy consumption per site, through the initiatives outlined on pages 60 and 61.

Performance against these targets is shown in the GHG emissions reported [below].

In terms of our opportunities we have set qualitative targets to:

a) maximise the amount of e-waste collected from AO customers;

b) optimise product reuse; and

c) maximise the amount of plastics recycled.

Our Remuneration Committee has again considered climate-related targets in the context of Executive compensation but given the uncertainty on the UK's energy strategy, infrastructure and policy, it has not incorporated climate-related metrics in its incentive schemes to date.

Climate-related Risks and Opportunities

continued

Greenhouse gas emissions

Scope 1,2 & 3 Greenhouse Gas Emissions[1/5]

Year ending 31 March	% change FY24 v FY23	2024 tCO_2e	2023 tCO_2e	2022 tCO_2e	2021 tCO_2e	2020 tCO_2e
Scope 1 (direct emissions): Total emissions from operations and combustion of fuel	**-10%**	**19,641**	21,919	38,081	31,958	26,587
Scope 2 (indirect emissions):[2] Total emissions from energy purchased						
Market-based	**-7%**	**284**	304	2,992	1,284	1,697
Location-based	**-1%**	**2,327**	2,350	3,396	3,411	3,679
Total gross Scope 1 and 2:						
Market-based	**-10%**	**19,925**	22,222	41,073	33,242	28,284
Location-based	**-9%**	**21,969**	24,268	41,477	35,369	30,266
Carbon Intensity ratio:[3]						
Tonnes of CO_2e per £m of revenue	**-2%**	**21.12**	21.48	30.32	21.29	28.55
Scope 3[4]						
Category 1: Purchased goods & services	**8%**	**479,733**	445,349	–	260,044	–
Category 3: Upstream fuel and energy	**-2%**	**5,262**	5,344			
Category 5: Waste in operations	**0%**	**15**	15			
Category 7: Commuting	**-22%**	**2,356**	3021			
Category 9: Downstream transport	**-47%**	**372**	705			
Category 11: Use of sold products	**-6%**	**903,129**	963,107	–	928,296	–
Category 12: End-of-life treatment of sold products	**-8%**	**30,092**	32,640			
Other Scope 3 emissions	**-**	**-**	–	–	14,564	–
Total gross Scope 3 emissions	**-2%**	**1,420,958**	1,450,181	–	1,202,904	–
Total gross Scope 1, 2 and 3 (location) emissions	**-2%**	**1,442,927**	1,474,449	–	1,238,273	–
Energy use kWh (Scope 1 and 2)[4]						
	% change FY24 v FY23	**2024**	2023	2022	2021	2020
UK	**-9%**	**12,297,977**	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, FY23 and FY24 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 FY24 are estimated to stand at 1.44 million tCO_2e.

Scope 1 – The direct emissions of the AO Group for FY24 were 1.365% of our total emission (FY23: 1.49%). Direct emissions have reduced over the reporting period, this can be attributed to a reduction in home deliveries in comparison with FY23. 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 over the period has avoided a further c.814 tCO_2e compared to diesel – accounting for an estimated 3.8% reduction in home delivery and trunking emissions overall.

Scope 2 – The indirect Scope 2 emissions related to electricity consumption also show a reduction on the previous year (1% on location-based and 7% on market-based). 43% of 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.

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 changes to 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. We have also restated Category 11 (use of sold products) emissions data for FY23 as with our improved data methodologies it was identified from comparative analysis that customer product returns data was omitted from FY23, therefore erroneously increasing our emissions data. 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 2.1% 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. However, only 0.2% can be attributed to emissions generated to disposal of products going to landfill.

Fair, equal and responsible

Fair, equal and responsible

Our 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

We regard our internal culture as a fundamental driver of our success, and invest accordingly to nurture it. As part of our pivot to profit over the last 18 months, actions to reduce costs and improve efficiency necessarily impacted our people. This compounded the degradation we had experienced in our culture during the remote working covid period. It has therefore been a key priority over the year to help AOers come to terms with, understand, and appreciate the transformative changes we have made over the past 12-24 months.

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 senior management, 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.

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 happiness, 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.

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

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 engagement scores as well as other identified priority areas that need to be addressed so that we can focus local and Group-level actions.

With listening groups and action groups addressing local issues at a granular level in each part of the Group, we have ensured employees appreciate that they have been listened to and involved in restoring our cultural strength. Key initiatives such as addressing pay challenges for our lower paid colleagues, investing in better car parking for all, re-introducing some workplace flexibility and improving the office environment and tools have all been welcomed.

Three employee surveys have been conducted in-house during FY24 which assessed our employee net promoter score. The first was conducted in June 2023 which resulted in a score of 11, the second in October 23 which resulted in a score of 17 and a third in January 2024 which gave a score of 23. The average of these 3 scores is 17. Notably the score is much improved since the last survey of the last financial year of 1.

We have also seen an improvement in the average happiness score from 7.2 (in November 2022) to 7.8 in January 2024.

Importantly, all departments are now showing a positive score ranging from a “Good” eNPS score for 8 of our departments with others at “Excellent” or “Exceptional.” Particularly pleasing is the response rates with 80% of AOers taking the time to respond to the survey.

These actions have resulted in an average eNPS score of 17 for the year which is a marked improvement on last year and indicates our culture is back on track. We are working together cohesively, collaborating better than ever before with renewed determination and a winning ambition

Talent attraction and retention

Heading into FY24 the ability to attract and retain top talent were key anticipated risks; together with AO culture, challenges around market pay rates and less availability of core competencies, meaning over reliance on some individuals for expertise, knowledge, and skills.

Whilst recruitment has remained challenging throughout the year, the retention risk did not materialise as expected, with voluntary turnover reducing beyond our expectations. Feedback mechanisms put in place have meant AOers have felt listened to and able to influence local areas of change, and the investments in environmental improvements and salaries mid-year were well received, all contributing to more positive sentiment.

Our people priorities over the year have focused on supporting business stabilisation, fixing unsustainable attrition in key business areas, and embedding ‘cost saving driven’ change through revised structures, support for new managers with broader role responsibilities and new ways of working. AO’s bruised culture and employer brand have been key initiatives, helping AOers to understand that change has been necessary for the business in a way they can relate to, feel comfortable and engage with.

As we look to the future, it is predicted hiring conditions will continue to soften throughout 2024, with increased candidate availability. At the same time, given the outlook for the UK economy there’s an expected increase in the unemployment rate, driving an increased candidate pool.

Whilst this is positive for our candidate attraction, we are mindful of the continued decrease in the UK employment rate which is down on the quarter, impacted by an increase in the economic inactive populations – long term sick, student and retired populations.

Our strong Driver and Customer Experience propositions place us in a positive application rate position, although traditional support function roles are seeing a reduction in applications. Actions are in place to modify attraction plans, with increased focus on direct contact for passive candidates through improved LinkedIn recruitment tools.

We are also seeing a big shift in leadership and management capability. Employee expectations and workforce challenges are creating the need for more people-focused managers with strong communication skills and emotional intelligence which we will focus on through our learning and development programmes

We continued to evolve our people proposition in line with our 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. This enables 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.

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, with a focus on developing our digital learning offering and improving our bespoke training programmes.

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.

We have worked with the leadership team to help them improve how they operate as a team alongside their local plans. We have done this through a process of insight gathering, and facilitated sessions to build team purpose, objectives, ways of working and behaviours. This also included basic team psychometrics to understand each other better, improve communication and manage conflict. This will continue into FY25 as we focus on leading high performing teams, and leadership capability to do this with emphasis on flexible leadership styles, having brilliant performance and development conversations and developing a coaching mindset.

Fair, equal and responsible
continued

To support AOers who are keen to progress their career we have continued to roll-out the STAR programme supporting c.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. This year we have established apprenticeships to support future AO skills requirements in data management, project management and management development together with enrolments on a women in leadership programme. Circa 4.5% of AOers participate in an apprenticeship programme from level 3 (A level standard) through to level 7 (master's degree).

Our first tranche of software development apprentices recently graduated through our Tech Academy. Supporting our talent pipeline with 100% retention, this group of AOers were grass root hires with no prior experience in Tech. Recruited in November 2022 as Coders completing a levy funded programme to support their accelerated development plan. They attended a 12-week boot camp with our training provider before being assigned to product squads in our front end and back-end software development teams. We are targeting increased participation in apprenticeship learning going forward.

Based on listening group feedback and our previous training calendar activity, we have introduced virtual webinar sessions as an alternative medium of delivering content across the group with these bite-size events being one of the highest viewed items on our learning hub. Topics covered so far are Imposter Syndrome, Boosting your confidence, Success with your PDP, Winter Well-being, Personal Effectiveness and the Art of giving feedback.

Over the next year, we will continue to raise the bar in the quality of new hires, extend our digital learning offer 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 and Well-being

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 continuing over the majority of 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. Accordingly, a mid-year salary increase was granted in September 2023 of 2% was made to c.200 of our lowest paid workers. All eligible AOers received a minimum of 4% increase in basic pay in April 2024's pay review with the average award being a 5% increase.

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. Since the period end we've also introduced unlimited holiday buying subject to a simple framework.

AO's reward philosophy and principles support an enhanced reward package for leaders. As such the flexible benefits scheme initially introduced just for senior leaders, giving choice on benefits and bringing our reward package more in line with the market, has been extended to senior management.

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 continued to grant 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 & Inclusion initiatives in FY24	
Diversity Data	Launched a Group wide diversity data and, as result, we now hold DE&I data for 75% of all AOers, a big shift from 50% a year ago. The data will enable us to design initiatives that deliver real change to diversity, equity and inclusion at AO. Initial analysis confirms that people with a disability or neurodiverse condition are underrepresented at AO. Activity is ongoing to assess for bias in hiring managers and overcome any barriers to attraction and sourcing diverse candidates
Gender equality	Celebrated international women's day with a week's programme of events including unconscious bias workshops, confidence building and inspirational talks from Gemma Vaughan (Director at AO Arena), Emma Hutchinson (CEO at Bolton Lads and Girls Club) and Georgie Perris-Redding (a professional rugby player with Sale Sharks) Launched a women in leadership programme aimed at providing support to women to develop their careers and hopefully drive an increase in female representation at more senior levels. Implemented 10 work from homes days (in addition to our core hours working patterns) to give parents and carers, in particular, more flexible working
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 Crewe 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 Continued to develop our information materials to educate, celebrate and provide support on neurodiversity, with webinars and video content Facilitated pension advisory session with a third party specialist to help AOers better understand pensions and to aid financial well-being.

Fair, equal and responsible
continued

Equity, diversity and inclusion ("EDI")

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. This is reflected in our EDI 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."

During the year, we have continued to raise awareness of and celebrate diversity through a variety of initiatives at a local level, enabling AOers to have a contribution to shaping our inclusive culture and feel safe to share their personal stories and experiences.

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 2024 Gender Pay Gap Report highlighted that our overall gender pay gap (as at the snapshot date of 5 April 2023) 4% on both a mean and median basis (significantly below the ONS average of 14.3%). However, our gender pay gaps (on a median basis) and at individual entity level are generally higher, ranging from 6% in Expert Logistics to over 36% 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.

AO is for everyone. We should all feel that we belong. That's why we are creating a welcoming and inclusive place to work.

In terms of gender representation, our Logistics and Recycling businesses are typically male dominated, with only 20% and 18% female representation respectively, as at the snapshot date. Retail and enabling functions have c.40% 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.

As at 31 March 2024, our Senior Leadership team (i.e. the direct reports to our two Executive Directors) was 36% (FY23: 31% female). The number of female AOers across the whole business was 32.2% (FY23: 30%).

Our latest Gender Pay Gap Report with a snapshot date of 5 April 2023 can be found at https://www.ao-world.com/wp-content/uploads/2024/04/Gender-Pay-Gap-2024-FINAL.pdf

Our focus on developing a diverse and inclusive culture will continue to be a key focus for us this year.

What we've done so far:

- Made progress in addressing the gap of females in senior leadership roles 36% as at 31 March 2024
- Senior Manager roles are equally represented by female and male AOers (50/50%)
- Improved female representation in Tech roles with 40% of all hires female.
- 100% retention of females on AO's Tech Academy Software Developer apprenticeship.
- Brought to life the stories of female AOers in front line roles, to continue to address barriers and challenges in attracting women.
- Power of Personal effectiveness learning strategy to address areas typically a barrier to women, such as imposter syndrome and boosting confidence
- Launched a Women into Leadership programme focusing on career and personal development.

What we will be doing to maintain and build on our progress so far:

- Continue to build on our attraction strategy ensuring vacancies at AO are attractive to all and no bias exists in our recruitment processes.
- Introduce DE&I benchmarks to focus our equity initiatives. Associated actions plans will define our overt commitment to place equity at the heart of everything we do.
- Boost our internal networks to ensure under-represented groups are an influential stakeholder in tackling the gender pay gap.
- Raise the bar on menopause and perimenopause support, to ensure women of all ages are supported during their career.

Ethnicity

We currently do not report on ethnicity representation across our workforce, but as noted above we now have better data from AOers to understand ethnic backgrounds for the majority of AOers We will continue to promote the benefits of holding Diversity data with a view to improving even further, to be able to better understand the backgrounds of our teams and 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 2024 below:

Gender:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)[2]	Number in Executive management	Percentage of Executive management
Men	6	85.7%	3	2	100%
Women	1	14.3%	–	–	-%
Other categories	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Ethnicity:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)[2]	Number in Executive management	Percentage of Executive management
White British or other white (including minority-white groups)	7	100%	3	2	100%
Mixed/multiple ethnic groups	–	–%	–	–	0%
Asian/Asian British	–	–%	–	–	0%
Black/African/Caribbean/Black British	–	–%	–	–	0%
Other ethnic group, including Arab	–	–%	–	–	0%
Not specified/ prefer not to say	–	–%	–	–	0%

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

2 The position of SID is currently vacant.

Fair, equal and responsible
continued

As can be seen in the table on the previous page, AO has not met any of the FCA's targets on Board diversity: we have not met the target of 40% of the Board being women, none of the Board's senior positions are held by women and none of the Board are from an ethnic minority background. 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 we have in the past and will continue in the future to specifically highlight to our search partner that increasing the diversity of the Board, in all aspects, is an important consideration with these appointments and will have diversity requirements for candidate shortlists with a view to increasing female and ethnically diverse representation. 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. Our inclusion 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

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.

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 another consecutive year. At AO Logistics we have achieved the RoSPA silver award and continue on our long-term aim to move gold status.

One of our main aims this year has been to grow the risk ownership model with our operational management. We have delivered multiple initiatives to develop and empower our managers to take further ownership of risk in their areas. This development will provide us with stronger risk management in each business unit and better control as we look to grow the business.

Our health and safety principles are built on

- Regularly updates to the board on health and safety performance
- Providing all stakeholders with support to manage risk in their departments
- Inspecting each operational area of the business on a risk-based frequency
- Assessing risks to the business and our people, providing measures to control these risks
- Providing adequate information, instruction and training to all people working on behalf of the business
- Investigating all workforce incidents with the aim of preventing a reoccurrence
- Continuing to drive performance against the standards set out in the ISO45001 management system and RoSPA criteria

In 2024 we are aiming to maintain high assurance inspection scores across the group and further reduce accidents at work. We are running several 'red flag' exercises that will test our current controls and resilience in a high-risk incident scenario, that we will simulate, as a further opportunity to learn and improve.

Non-financial and sustainability information statement

The table below constitutes AO's non-financial and sustainability information statement, produced to comply with Sections 414CA and 414CB 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 56 and 57 SECR/GHG emissions, pages 70 and 71
Employees	Group employee handbook, Whistleblowing policy, Health and safety policy and Equal opportunities policy	Our culture, page 15 Fair, equal and responsible, pages 72 to 78
Social matters	Modern slavery policy Data protection policy	Fit for the Future, pages 80 to 81
Human rights	Modern slavery policy Code of conduct	
Anti-corruption and bribery	Anti-bribery policy	
Principal risks and impact on the business		Risk Report, pages 40 to 47
Description of business model		Our business model, pages 08 and 11
Non-financial KPIs		KPIs, page 03
Climate-related financial disclosures		TCFD, pages 62 to 71

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

"Wow, what a great service. Very good communication and delivered on time. We took out the AO 5 star policy so they took the old one away and packed the washing machine as well. Really lovely delivery lady and gent. Also nice free water bottle."

Syed, AO Customer

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Fit for the Future

Ethical and resilient supply chains

Our Modern Slavery statement for the year ended 31 March 2023 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 established a working group to better monitor modern slavery risks and other ethical supply chain risks and to share ideas and practices. We have further renewed our procurement processes through establishing a central procurement function which will act as a second line of defence on controls.

Following the implementation of the FCA's Consumer Duty rules, we analysed our practices and those of our partners to ensure that we meet or go beyond the required standards. Our CEO, John Roberts, has been appointed as our Consumer Champion ensuring we that treat every customer like our gran; that we are 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 40 to 47.

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, in order to minise risk and uncertainty and to provide a stable tax environment to support the business in achieving this. We will continue to review the tax strategy to ensure that the two are aligned on a regular basis.

Our key objectives include:

- Manage our tax affairs responsibly with integrity and transparency;
- Pay the right amount of tax at the right time;
- Comply will all applicable tax filing obligations in a timely manner.

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 information 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 and have seen progression of number of initiatives to reduce our risk in this area.

Community and charity

Supporting our community and charitable causes is massively important at AO, led from the top with our CEO's well publicised support for restoring funding for youth services matched by private philanthropy. Our corporate sponsorship programme therefore centres on supporting young people to thrive, with a particular focus on sports programmes which can help improve both physical and mental health and help address loneliness. All our AOers are encouraged to do their bit for our wider society, but we try not to be prescriptive on this and urge them to support causes close to their hearts.

During the year we have been involved in the following initiatives:

- commenced a grass roots sponsorship programme where we've pledged funds for sports kits for a hundred UK grass roots youth teams, including ones our mini AOers are part of.
- commenced a sponsorship of Jacksonville Jaguars Jag Tag Programme which will being American football to around 300 UK schools.
- Sponsored Soccer Aid for UNICEF at Old Trafford, helping create a family atmosphere with our thunder sticks and our AO Bear mascot present and raising vital funds for the charity.
- Continued our sponsorship of:
  - Bolton Lads and Girls Club
  - Sale Shark Rugby (final year)

- Manchester Thunder, one of the country's leading netball teams. Through this partnership we are raising 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.
- Lancashire County Cricket Club Youth Medical team alongside donations to help kit out county age group and disabilities squads with training kits and equipment
- Altrincham Football club

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 almost 100 primary schools across the North West, with new schools being registered each term.

AO Smile

The AO Smile Foundation continues 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 boosts the money raised by up to 50%.

The AO Smile Foundation has the potential to be a massive driver of engagement and brand but we recognise we are not making the most of it. Previously, around 10% of AOers used payroll giving to donate to the Smile Foundation. After doing some work to understand why the number is so low, we've found that the minimum £5 per month donation is putting some off and so we've decided to reduce the floor to £1 per month.

Further, given the Group's improved financial position, AO has agreed to match employees' payroll giving donations to AO Smile, enabling AO Smile to help those good causes a little more.

AO Smile has also supported a number of charities and good causes in FY24 by providing fundraising boosts to AOers' chosen charities including St Catherine's, Hospice, Kindney Research UK, Crewe FC, Radcliffe food bank and the Royal British Legion. uring FY24 AOers donated over £30,000 to charity which was boosted by the Smile Foundation.

AOer volunteering

To facilitate volunteering, we continue to offer two paid Make a Difference ("MAD") days to every AOer, encouraging AOers to support their local communities and the causes that matter to them. During FY24, 23 good causes have benefited from MAD days which have involved 94 AOers donating around 750 hours of their time.

We also offer volunteering roles related to AO Smile charity partners such as Onside YouthZones. The AO Smile Foundation is in its final year as founding patron of HideOut Youth Zone through a £25,000 a year donation and provision of volunteering opportunities to AOers from the local East Manchester area.

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.

The Company's Strategic Report is set out on pages 02 to 81 and was approved by the Board on 25 June 2024 and signed on its behalf by:

Julie Finnemore
Company Secretary
25 June 2024

20 years of AO supporting Bolton Lads and Girls Club

For over two decades, AO has been a catalyst for positive change in the lives of children and young people across Bolton and Greater Manchester. Our sponsorship has enabled thousands of children to engage in grassroots football, elevating the BLGC facility to become one of the best in the North West!

With our investment of around £1 million over the last twenty years, we've enabled the club to expand their outreach and double the number of teams, broadening the access of sports to children of all abilities. As a thank you for our support, BLGC has officially renamed their sports centre on Hacken Lane to 'AO Sports Club'!

> "We are extremely grateful to AO for all the support we have received over the last 20 years, both financially and otherwise, they have helped to improve the opportunities available to countless young people. Thank you on behalf of everyone at BLGC for the difference you have made."
>
> **Emma Hutchinson**
> CEO of BLGC.

Our Governance

Contents

Trustpilot

87%

5-star reviews

(over 500,000 total reviews)

Buying with confidence

"Guys really helpful, delivery on time and phoned before they arrived, excellent customer service."
Sue

Governance at a glance

The Board's composition is reviewed regularly with a view to ensuring a diverse mix of backgrounds, skills, knowledge and experience as well as deep expertise in retail and customer focus and technology.

Board meeting attendance

The table below summarises the attendance of the Directors during the year ended 31 March 2024.

Director	Meetings eligible to attend
Geoff Cooper	7/7
John Roberts	7/7
Mark Higgins	7/7
Chris Hopkinson	7/7
Marisa Cassoni*	3/3
Shaun McCabe**	6/7
Peter Pritchard	7/7
Sarah Venning**	6/7

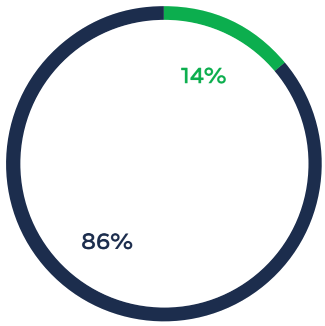
* Marisa Cassoni retired from the Board on 27 September 2023.

** Shaun McCabe and Sarah Venning each missed one meeting due to medical reasons. 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.

Skills Matrix

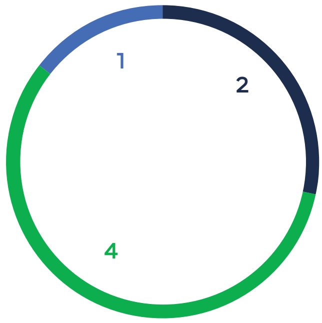
	Geoff Cooper	John Roberts	Mark Higgins	Chris Hopkinson	Peter Pritchard	Shaun McCabe	Sarah Venning
Retail/customer-focused business experience	●	●	●	●	●	●	●
Digital experience		●	●		●	●	●
Finance and accounting	●		●	●		●	
International experience	●	●	●	●	●	●	●
Functional experience in management and operations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

Board Gender



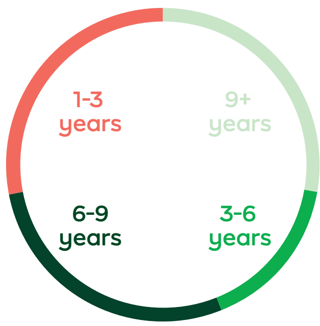
● Male
● Female

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)

Board Tenure (In years)



● John Roberts
● Chris Hopkinson
● Mark Higgins
● Geoff Cooper
● Shaun McCabe
● Peter Pritchard
● Sarah Venning

Chair's letter and introduction

“AO's robust corporate governance framework ensures we are well placed to drive and support the long-term sustainable success of the Group.”

Geoff Cooper
Chair

Dear Shareholders

On behalf of the Board, I am pleased to present our Corporate Governance Report for the year ended 31 March 2024.

AO's healthy culture, positive values and high-performing team have been at the forefront again during this financial year and remain key to delivering our strategic objectives. These qualities, together with AO's robust corporate governance framework, which provides effective control and oversight, ensures we are well placed to drive and support the long-term sustainable success of the Group.

Read more about our culture on page 15

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 87.

This year has been busy for our Board and the principal Committees, with particular focus on: (a) growth drivers; (b) strategic opportunities, including the recent purchase of certain assets of A1; (c) operational and financial performance; (d) the composition of the Board and its principal Committees; and (e) ensuring AO has the right leadership, who model the values and are remunerated appropriately. Over the year, the Board has reviewed the Company's progress against its ESG strategy and we are pleased to be able to give this important topic more focus. You can read more about this work in our Sustainability Report (pages 54 to 81).

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. Our s172 statement (pages 50 to 53). sets out in more detail how the Board has approached this duty.

Finally, I look forward to meeting shareholders at our next Annual General Meeting which will be held at 9.00 am on 18 September 2024 at AO Bolton, 5a The Parklands, Lostock, BL6 4SD. As was the case last year, all Directors wishing to remain in office will seek 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 Cosec@ao.com.

Geoff Cooper
Chair
25 June 2024

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 principles 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 129. Disclosures required by LR 9.8.6 relating to the Group's diversity policy are detailed in our Sustainability Report on pages 54 and 81 and in the Corporate Governance Report on pages 90 and 97. Directors' biographies and membership of Board Committees are set out on pages 88 and 89.

The table below summarises how the Directors have applied the principles of the Code during the year and where key content can be found in the report. The Directors consider that the Company has, throughout the period under review, complied with the provisions of the Code, save that no external evaluation of the effectiveness of the Board has been conducted (as required by provision 21); an internal evaluation has, however, been carried out which indicates that the Board is working well and meeting its objectives.

The Directors confirm that, through the activities of the Audit Committee described on pages 102 to 107, it has reviewed the effectiveness of the Company's system of risk management and internal controls.

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 08 to 11 Risk management – pages 40 to 47 Board of Directors – pages 88 and 89 Board leadership and purpose – pages 90 and 97 Engagement – pages 50 to 53 People and culture – pages 15 and 51 Workforce engagement – pages 72 to 78
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 – pages 90 to 97 Board of Directors – pages 88 and 89 Division of responsibilities – pages 91 and 92 Independence and time commitments – pages 95 and 100 Nomination Committee Report –pages 98 to 100
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 effectiveness review – pages 94 and 95 Nomination Committee Report – pages 98 to 100 Board skills and experience – page 84 and pages 88 to 89
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 40 to 47 Audit Committee Report – pages 102 to 107
Remuneration	The Remuneration Committee sets levels of remuneration that are designed to promote the long-term, sustainable 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 128

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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

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

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 master's 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 Trainline PLC, ASOS PLC, Amazon Europe and boohoo Group PLC

Significant current external appointments

None

Independent

Yes

Peter Pritchard
Non-Executive Director

Committee membership

A R N

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

A R N

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, BAA and Pret A Manger
- Experience in digital transformation and information technology

Significant current external appointments

Chief Digital & Data Officer at Merlin Entertainments

Independent

Yes

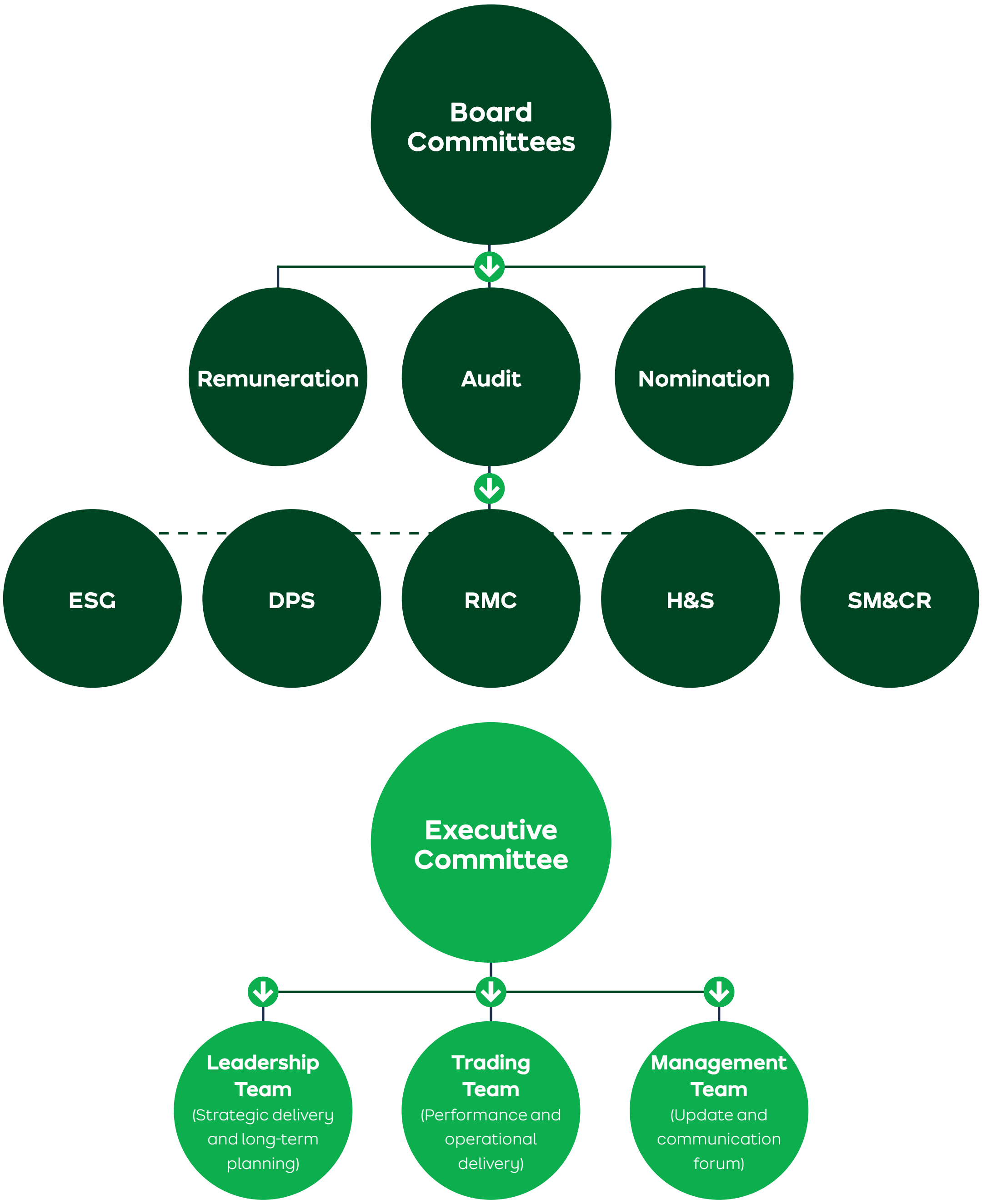
Key

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

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 of 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. This year we have re-established our ESG steering committee to help drive forward progress with our three strategic pillars and ensure a collaborative and holistic approach.

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 Executive Committee, our Director of Group Audit and Risk and our Legal Director, 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 sustainable 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 88 and 89.

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 and Chief Executive Officer, please review the Terms of Reference on our website at ao-world.com.

Board roles and 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

Non-Executive Directors (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

We have not appointed any of our non-executive directors to the role of Senior Independent NED and are keeping this under review. The Chair has the support of all non-executives together with the Company Secretary who act as an internal sounding board and discussions are open and transparent. Shareholders are welcome to contact any of our non-executives through the Company Secretary (or their direct lines) should communication with the Chair, CEO or CFO be inappropriate.

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 98 to 128.

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
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
Remuneration	Responsible for all elements of the remuneration of the Executive Committee, the Chair and the Company Secretary	At least two Independent Non-Executive Directors (or such number as is required from time to time by the UK Corporate Governance Code)	Three
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

Board meetings

The Board meets as often as necessary to effectively conduct its business. Seven 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. All members of the leadership team and selected members of the management team are 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 and to provide training to the Directors where necessary.

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 2024

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

Strategy

- Continually reviewed and challenged the Group's strategy focussing, in particular, on growth drivers, organisational structure and leadership/management development, to ensure the Group is correctly set up to achieve its goals
- Oversaw the acquisition of the "affordablemobiles" and "buymobiles" platforms and brands from A1 Comms Limited (in administration)
- Reviewed the Company's progress against its ESG strategy, including consideration of scenario planning, metrics and targets
- Monitored the alignment between the Group's strategy and its culture with regular updates on attrition rates, whistleblowing events and activities designed to promote the Group's values and purpose

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
- Approved the annual budget, the business plan for the Group and individual capital expenditure projects including systems and the purchase of new vehicles for the logistics fleet

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)
- Approved the Group's tax strategy

Governance and Legal

- Oversaw the retirement of Marisa Cassoni and the resulting re-organisation of Committee composition
- Reviewed compliance with the Listing Rules, DTRs and the 2018 Code, as well reviewing the implications of the new 2024 Code, which begins to come into effect for the Group's 2025/2026 financial year
- Consideration of the composition and effectiveness of the Board, in particular how the Board can support the future growth plans of the Group
- Conducted the annual review of Board Effectiveness and approved updates to various policies and statements including the Company's gender pay gap statement and 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
- Approved the implementation of a Governance, Risk and Controls application (AuditBoard) to assist with the monitoring of key strategic and operational risks

Board meeting attendance

The table below summarises the attendance of the Directors during the year ended 31 March 2024.

Director	Meetings attended / meetings eligible to attend
Geoff Cooper	7/7
John Roberts	7/7
Mark Higgins	7/7
Chris Hopkinson	7/7
Marisa Cassoni*	3/3
Shaun McCabe**	6/7
Peter Pritchard	7/7
Sarah Venning**	6/7

* Marisa Cassoni retired from the Board during the year but attended each of the three meetings she was eligible to attend prior to that.
**Shaun McCabe and Sarah Venning were unable to attend one Board meeting due to medical reasons.

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 2024

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
Chris Hopkinson	appointed 12 December 2005
John Roberts	appointed 2 August 2005
Marisa Cassoni	appointed 5 February 2014 and resigned 27 September 2023

Composition, succession and effectiveness

Composition

As at the date of this Annual Report, the Board comprises seven members: the Chair, two Executive Directors and four Non-Executive Directors. Excluding the Chair, three Board members (i.e. at least half) are considered independent in line with the Code.

Marisa Cassoni retired from the Board in September 2023. 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 88 and 89. Further details on the role of the Chair and members of the Board can be found on page 91. The Chair and Non-Executive Directors are appointed for an initial three-year term which then rolls over but all Directors are subject to annual re-election by shareholders at the AGM.

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 pages 98 to 100. The disclosures relating to gender diversity within the Group 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 72 to 78. For information on our procedures concerning the appointment and replacement of Directors, please see pages 130 and 131.

For the purposes of assessing compliance with the Code, the Board considers that 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 solely due to 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 Effectiveness review 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 effective challenge 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 88 and 89 and the skills matrix on page 84, 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 by 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.

Effectiveness Review

The effectiveness and performance of the Board is vital to our success. The Code requires that there should be a formal and rigorous annual review 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 review, which, for FTSE 350 companies, should be at least every three years. Our last external review was carried out in the year ended 31 March 2018. Given the retirement of Marisa Cassoni and the subsequent reorganisation of the Committee composition, with new Audit and Remuneration Committee Chairs put in place, the Board felt it would be appropriate to allow this new Committee composition to settle before conducting an external review. An internal review was instead undertaken and we continue to deem our robust internal reviews most appropriate for the Board in the near term.

The internal review 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
- whether each Director continues to make an effective contribution.

The results of the review were collated by the Chair and an assessment was provided to the Nomination Committee for further discussion. The results of the review 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 Chris Hopkinson as the longest serving Non-Executive Director, was also conducted. Following the review, 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 and provide training as required.

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 DLA Piper have delivered training to the Directors on the consumer duty. As part of the Board review 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 Directors 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 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.

As part of the annual review, the Board 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. Mark Higgins holds no external directorships. Details of the Directors' significant external directorships can be found on pages 88 and 89.

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

Corporate Governance Report
continued

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 review 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.

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 annually. Any breach of procedures will be regarded as serious misconduct, potentially justifying immediate dismissal.

Shareholder engagement
The Board 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, is responsible for ensuring that the Board understands the views of major shareholders.

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 requirements. The Company Secretary is available to shareholders if they have concerns that cannot be raised through the normal channels or if such concerns have not been resolved. 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 at ao-world.com.

Annual General Meeting
The AGM of the Company will take place at 9:00 am on 18 September 2024 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 9.00 am on 16 September 2024 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 Cosec@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 of 97% or more, save for the resolution on political donations, which received votes in support of 93%.

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 50 to 53. 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 interactive 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

“Ensuring a balanced Board with diversity of skills and thought.”

Geoff Cooper
Chair

I am pleased to introduce the report of the Nomination Committee for the year ended 31 March 2024. Full details of the Committee and its activities during the year are given below.

Committee members	Meetings attended / Meetings eligible to attend
Geoff Cooper	3/3
Chris Hopkinson	3/3
Marisa Cassoni*	1/1
Peter Pritchard**	3/3
Sarah Venning***	1/1

* Marisa Cassoni retired from the Committee following the September meeting.

** Peter Pritchard joined the Committee from the September meeting.

*** Sarah Venning joined the Committee from the March meeting.

Membership and meetings

- For the first two meetings during the year, the Committee comprised three Non-Executive Directors. For the last meeting of the year, the Committee comprised four 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 was also deemed independent during the time she served on the Committee during the year. Both Peter Pritchard and Sarah Venning, who joined the Committee during the year, are deemed independent. Chris Hopkinson is not deemed to be independent due to his historic involvement with the Company; however, the continuity, experience and knowledge of Chris meant he continued to make 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 88 and 89.
- 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 allow the Committee to discharge its 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 at ao-world.com 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 planned retirement of Marisa Cassoni from the Board in September 2023, the Committee reviewed the composition of the principal Committees and recommended the appointment of Shaun McCabe as Audit Committee Chair and Peter Pritchard as Remuneration Committee Chair. Both bring recent experience in relevant public company roles and the Board, as a whole, is benefiting from their leadership of these key Committees. In addition and to ensure the Committees contain the skills and experience required to fulfil their functions, Peter was appointed as an additional member of the Nomination Committee (having already been appointed to the Audit Committee on his initial appointment to the Board) and Sarah Venning was appointed to the Remuneration, Audit and Nomination Committees. 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. The Committee continues 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

Nomination Committee Report
continued

aspects are to be considered in determining the optimum composition of the Board and the Executive Committee to ensure an appropriate balance.

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 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. 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 14% (2023: 25%), and 27% at senior management level (which comprises our Executive Committee (none of whom are female) and their direct reports) (2023: 27%). 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 72 to 78.

Board effectiveness

Pursuant to the recommendation set out in the Code, an externally facilitated review of the Board was considered but, given the changes to the membership of the Board's Committees, including two new Chairs, it was decided that an externally facilitated review would not be appropriate at this time. An internal process of reviewing the performance of the Board, led by me, was instead undertaken and we continue to deem our robust internal reviews most appropriate for the Board in the near term. Further details of this year's internal review and its results can be found on pages 94 and 95 of the corporate governance section. Overall, the review 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. 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. As at 4 February 2023 Marisa Cassoni had served a nine-year term which was a factor that pointed to her no longer being independent under the Code. However, the Board concluded that Marisa remained independent until her retirement because she was capable of carrying out independent judgment, was able to appropriately challenge management and was not unduly influenced by the Executives or other members of the Board.

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 overboarding 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.

Reappointment of Directors

On the recommendation of the Nomination Committee and in line with the Code, all currently appointed Directors will retire at the 2024 AGM and offer themselves for reappointment. The biographical details of the current Directors can be found on pages 88 and 89. The Committee considers that the performance of the Directors standing for 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 Board's mix of skills, knowledge and experience to ensure that it can continue to support the Group to achieve its goals. Further, senior management succession planning and strengthening our senior talent pipeline will remain under consideration, along with supporting the Group as it continues to build a diverse and inclusive business.

Geoff Cooper
Chair, Nomination Committee
25 June 2024


We have
a growth
mindset

Audit Committee Report

“Ensuring effective internal controls and risk management, together with fair, balanced and understandable reporting.”

Shaun McCabe
Chair, Audit Committee

On behalf of the Committee, I am pleased to present this year’s Audit Committee Report for the year ended 31 March 2024. 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 member	Meetings attended / Meetings eligible to attend
Marisa Cassoni*	3/3
Shaun McCabe**	5/5
Peter Pritchard	5/5
Sarah Venning***	2/2

* Marisa Cassoni retired as Committee Chair following the September 2023 meeting.

** Shaun McCabe took the role of Committee Chair following Marisa’s retirement.

*** Sarah Venning joined the Committee as an additional member following Marisa’s retirement.

Membership

- During the year, the Audit Committee comprised three Independent Non-Executive Directors.
- As required by the 2018 Code, I (and Marisa Cassoni, who chaired the Committee until September 2023) have recent and relevant financial experience and are Members of the Institute of Chartered Accountants 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 the Group operates in line with the 2018 Code requirements. Detailed experience, skills and qualifications of all Committee members can be found on pages 88 and 89, 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 at 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. The review for the year to 31 March 2024 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.
- Challenged management on key areas of estimate and judgment and reviewed conclusions and associated disclosure, particularly around the assessment of the carrying value of goodwill and the valuation of the contract asset.
- 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.
- Approved the procurement of an audit "governance risk and compliance" tool and oversaw the design with internal audit.

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. This included consideration of a PwC review of enhanced controls around Procure to pay and contract assets.

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 on 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 40 to 48.

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 Director of Group Audit and Risk reports to me in relation to all Internal Audit matters 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 function 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.

In the past year, continued progress has been made in enhancing our internal control environment, with further improvements expected in FY25. Increased risk mitigation has been achieved through concerted effort, such as the improvements seen in Tech through strengthening governance, process and tooling, or as an output of the pivot to profit strategy, where improved controls have been required to reduce wastage and increase margins. Internal Audit results from FY24 indicate that none of our re-audited areas have regressed and many have improved, particularly in Tech. Additionally, first time audits have been mainly positive.

Internal Audit also focused on the Mobile business in FY24. Mobile operated within a challenging macroeconomic and commercial environment during the year and some improvements to controls were recommended by Internal Audit. At the close of FY24 good progress had been made towards implementing audit recommendations.

Aside from the core assurance activity, Internal Audit has dedicated a significant portion of time and resource in supporting the business on risk mitigation strategies and helping to strengthen the control environment. This is planned to continue in FY25 as Internal Audit will facilitate implementation of a Group-wide Governance, Risk and Compliance tool (AuditBoard). This will enable periodic self-attestation and validation of material and key controls to enhance risk management and enable the business to work towards compliance with the updated Corporate Governance Code. Additionally, the organisational structure change within Audit & Risk should enable greater alignment and shared synergies between Internal Audit and Risk Management, which should further enhance control activity. However, safeguards will be maintained to ensure the independence of Internal Audit.

Audit Committee Report
continued

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.

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, including, in particular, the Group Director of Audit and Risk, whose tenure means his independence and objectivity is subject to increased scrutiny from the Committee.

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 overseen by the Company Secretary and Director of Group Audit and Risk to ensure issues are investigated 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, anti-corruption and fraud prevention procedures and controls and was 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 2024 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 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 2024 when taken as a whole, are fair, balanced and understandable and whether they provide 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 2024 is 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 133 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.

Going concern and viability assessments
The Committee reviewed the Group's going concern and viability statements as set out on page 48. 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 2027 and recommended to the Board the adoption of both the going concern and viability statements for inclusion in this report.

Significant financial matters	
Product Protection Plan Asset: Risk that the contract asset is under/over stated	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.
Network Commission contract asset: Risk that the contract asset is under/over stated	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.
Recoverability of mobile goodwill: Risk that goodwill related to Mobile is impaired	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 2024 had a carrying value of £21.8m. In February 2024, the Group acquired further intangible assets mainly related to the websites and domains from A1 comms (in administration) which had a carrying value of £2.2m at 31 March 2024. The carrying value is assessed by performing a value-in-use calculation at each balance sheet date based on a discounted cash flow using managements Board approved, risk adjusted, forecast cashflows for the business up to FY29. Sensitivity analysis is performed against the base case, predominantly in relation to the forecast in FY25 and revenue and EBITDA growth in the years beyond. 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 2024, the amount of headroom above the carrying value was £1.3m. 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.

Audit Committee Report

continued

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 27 September 2023, KPMG LLP was reappointed as AO's External Auditor for the financial year ended 31 March 2024. 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 2023 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 identified;
- 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.

External audit tenure

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 2023 AGM. Roger Nixon was appointed as the Audit Partner for the year ended 31 March 2024.

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 2024 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 £70,000 (2023: £89,700), representing c.9% of the value of the Group audit fee (2023: c.11%). 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, 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.

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 2025.

External Auditor fees

During the financial year, the Group External Auditor's fees were £0.8m (2023: £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 2025

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.

Shaun McCabe,
Chair, Audit Committee
25 June 2024

Directors' Remuneration Report

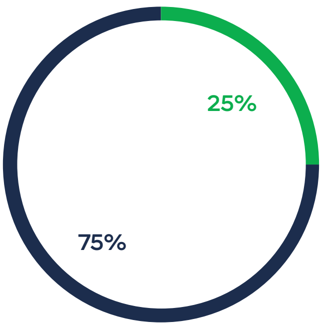
“Ensuring a reward strategy that supports short and long-term sustainable performance.”

Peter Pritchard
Chair, Remuneration Committee

Committee membership

The Committee currently comprises Peter Pritchard (Chair), Shaun McCabe, Sarah Venning and Geoff Cooper, all of whom are Independent Non-Executive Directors. Peter took the chair of the Committee from September 2023 from Shaun McCabe (having served at least a year as a member of the Committee). Sarah Venning joined as an additional committee member in September 2023, after Marisa Cassoni retired from the Board.

Committee Composition



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

The attendance of Committee members at meetings during the year is disclosed below.

Committee Members	Number of meetings attended
Peter Pritchard	5/5
Shaun McCabe	4/5
Sarah Venning	4/5
Geoff Cooper	5/5

Shaun and Sarah each missed one meeting due to medical appointment and illness, however both inputted on any proposals.

FY24 highlights

Highlights of the work of the Remuneration Committee in FY24 and to the date of this report:

- Determined the levels of vesting for the AO Incentive Plan FY24 Award.
- Determined the shares to be released pursuant to the AO Incentive Plan FY21 Award.
- Reviewed the effectiveness of the Directors' remuneration policy and considered the latest guidance on Executive compensation.
- Considered pay levels for the wider workforce in light of the cost of living crisis in the UK.
- Reviewed the Company's Gender Pay Gap report and recommended actions.
- Determined the remuneration for FY25 for our Executive Directors and certain senior management.
- Set the performance conditions for the AO Incentive Plan FY25 Award.

FY25 focus areas:

- Implementing the Remuneration Policy for the third year of the policy period.
- Reviewing the Remuneration Policy ahead of the 2025 AGM where it will be put to a binding vote and, if approved, will be effective for FY26. We will consider our approach to shareholder engagement on this topic depending on the extent of any changes that are proposed.
- Evolve our engagement with the Employee Listening Groups on executive remuneration and consideration of employee views during the policy review.

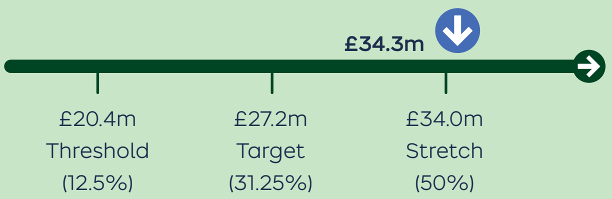
Performance snapshot – AO Incentive Plan Scheme Performance

	Performance Condition	Weighting	Result	Vesting %
Financial	UK Adjusted PBT[1]	50%	£34.3m	50%
	Average Liquidity Headroom[2]	20%	£94.5m	18.7%
Strategic	Customer NPS Scores	10%	82	10%
	Employee NPS Score	10%	17	5%
	Delivery of plan and first steps of execution on growth drivers	10%	Achieved	10%
Total				**[98.7]%**

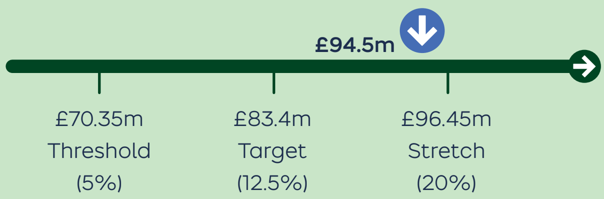
1 UK Adjusted PBT is defined as profit/(loss) before tax, adjusted for any non-recurring items as defined by the Board

2 Average Liquidity Headroom is calculated as the average for the year ended 31 March 2024 of the Group's daily cash plus daily undrawn element of its revolving credit facility

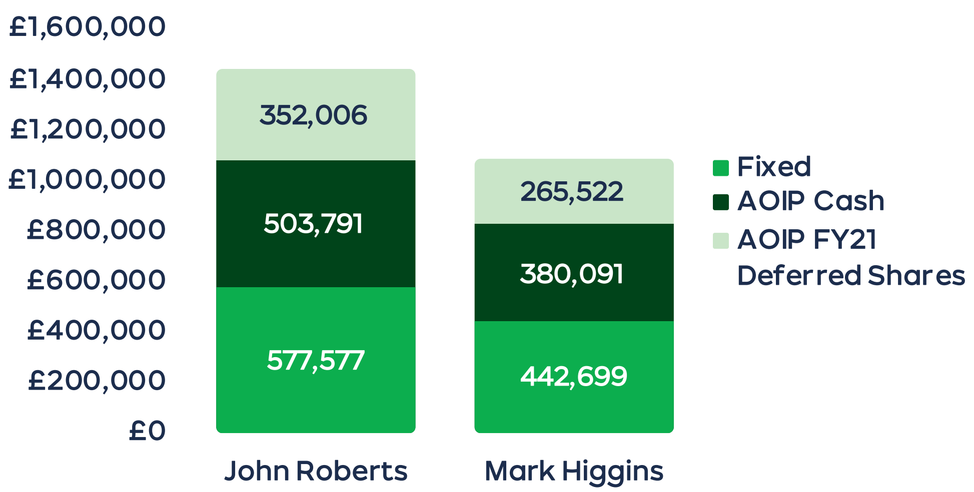
UK adjusted PBT
50%



Average Liquidity Headroom
18.7 %

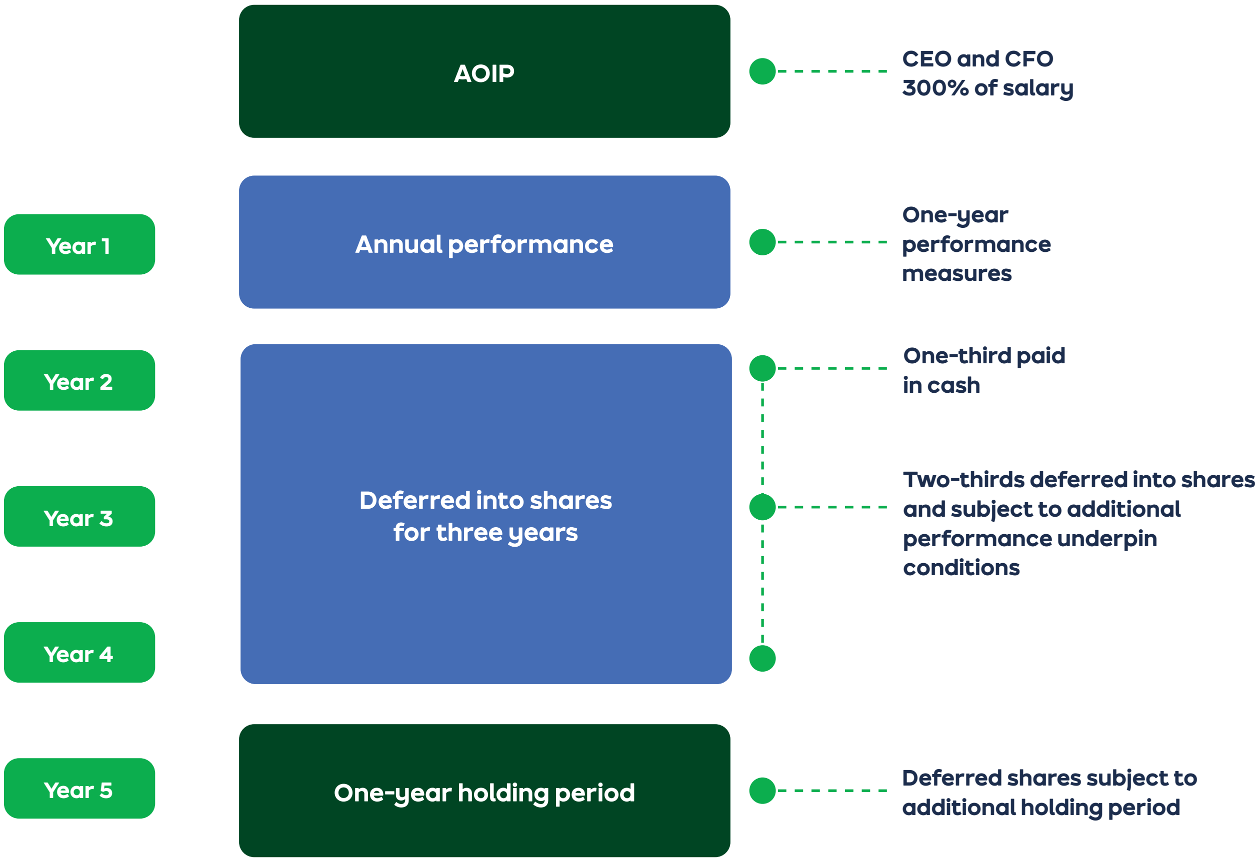


FY24 Executive Compensation at a glance



Directors' Remuneration Report
continued

Time Horizons for the AO incentive plan



Implementation for FY25

Base Salary	7% increase for CEO - £546K 4% increase for CFO - £401K
Flexible Benefits inc pension	13% of salary for CEO 15% of salary for CFO With a commitment from the Executives to not allocate an amount in excess of 5% of their salary to their pension (being the rate of pension which is available to the majority of the wider workforce).
AOIP (single incentive plan combining cash bonus and long term share incentive)	Maximum Opportunity - CEO - 300% of salary - CFO - 300% of salary
Shareholding guidelines	200% of salary (to be held for 2 years post-employment)
Chair	5% increase - £210K
Non-Executive Directors	Introduced fees for committee membership -£4k for Audit Committee and Remuneration Committee membership (other than chair) -£2k for Nomination Committee membership No change to base fees - £57k No change to fees for Chairing the Audit and Remuneration Committees - £15k No change to the fee for any Senior Independent Director - £10k

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
- A summary of the Directors' remuneration policy (which received shareholder approval at the 2022 AGM)
- The Annual Report on Remuneration for FY24 (which will be subject to an advisory vote at the 2024 AGM)

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 2024 (FY24).

Looking Back

Our Executive Board performed strongly throughout the year, continuing to execute the strategic pivot focussing on profitable growth and cash generation. The Group achieved adjusted PBT of £34.3m (FY23 £12m) vastly improving on the prior period. There has been good strategic progress as we focussed on preparing for growth (with ao.com sales growing in the final quarter of the year) and continuing to build on our customer proposition. Average liquidity headroom was towards the top end of our expectations and we ended the year with c.£34m of net funds on a pre-IFRS16 basis. 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 FY24

In terms of variable pay, the Executives were granted AOIP FY24 Awards where the performance conditions were set along three sets of deliverables:

1. Financial (output) metrics, focused on profit before tax and liquidity headroom (50% and 20% weighting respectively);
2. A strategic transformation measure, specifically aimed at delivery of plan and first steps of execution on growth drivers (10% 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, with near stretch targets being met.

In relation to the strategic transformation measure, the Committee is satisfied that a robust plan for growth is in place and initial progress on the growth drivers has been made. The Group ended the year with a growth run rate on ao.com with the final quarter up year on year. Accordingly, the Committee judged that it was appropriate that the full amount pertaining to this metric, i.e. 10%, be awarded.

Customer satisfaction, measured via NPS, has remained strong over the year, averaging in excess of 80 across our ao.com and mophilephonesdirect.co.uk platforms which is considered "Excellent". This score is market leading and an excellent achievement by the team during continuing challenging consumer markets. Accordingly, the Committee has determined that this performance condition has been met in full.

The employee NPS score has much improved over the year with three employee surveys conducted in-house. The first was conducted in June 2023 which resulted in a score of 11, the second in October 23 which resulted in a score of 17 and a third in January 2024 which gave a score of 23 yielding an average of 17 for the Group for the year. Importantly, all departments are now showing a positive score ranging from a "Good" eNPS score for 8 of our departments with others at "Excellent" or "Exceptional." Particularly pleasing is the response rates with 80% of AOers taking the time to respond to the survey. The Committee believe this is an excellent result following the challenges the business has faced over the last two years and shows the investments in culture and people alongside the material transformation that the Group has undertaken. Accordingly, the Committee has determined that this performance condition has been met in full.

In total, the Committee has awarded 98.7% of the maximum AO Incentive Plan Award, which we feel is warranted and well-earned in a remarkable year for the Group and therefore no discretion has been applied. The award value will be settled as one-third in cash and two-thirds under an option over shares to vest in 2027 (subject to the performance underpin and continued employment) and will also be subject to a further one-year holding post-vesting.

Full details of the cash amount to be paid and share awards to be issued to our Executive Directors under the AO Incentive FY24 Award are disclosed on pages 121 to 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 performance and the broader stakeholder experience.

Directors' Remuneration Report
continued

AOIP FY21 Award – release of conditional deferred shares
Each of John Roberts and Mark Higgins were granted a conditional deferred share award pursuant to the FY21 AOIP Award which had a deferral period spanning FY22 to FY24 inclusive and which - at the point of grant - had a value of £904,800 and £682,500 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 FY24. 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 awards should vest in full. The conditional awards have been converted to nil-cost options and accordingly options over 390,000 and 294,181 shares for John and Mark will vest following the announcement of our FY24 results. These awards will remain subject to a one-year holding period post-vesting.

Pension and Benefits
During FY23 we introduced a flexible benefits regime for the Executive and our leadership team, replacing the provision of their previous pension and 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 (including pension contributions) as they see fit. Through this mechanism leaders can choose the level of their pension contributions. However, each of the Executives have committed to not allocate an amount in excess of 5% of their salary to their pension in future years to align with the rate of pension which is available to the majority of the wider workforce. The flexible benefits programme has further been rolled out to senior management levels during FY24.

The Annual Report on Remuneration (set out on pages x to x) 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 continued to engage with AOers on our all-employee AO Value Creation Plan ("VCP22") which targets sustained profitable high growth over the longer term and will be measured over FY27 to FY29. It continues to be powerful in engaging the broad employee population effectively on a common stretching path, creating an understanding of value creation drivers, market mechanics, and steering progress and immense pride of being one team.

Looking forward
As we look to FY25 and beyond we have reviewed our remuneration policy and its effectiveness, considered corporate governance requirements and also had regard to the continuing inflationary pressures faced by our people.

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 under review. 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.

Wider Workforce Considerations
As at March 2024, UK inflation was tracking at 4%, with a predicted annual inflation rate for 2024 of 2.2 percent. Whilst businesses are generally looking to scale back 2024 pay awards (to track the fall in inflation) we are conscious that in 2022 and 2023 affordability challenges meant our pay awards fell short of that seen across the sector. We planned to redress this in the year ahead by awarding a similar pay increase to FY23 to both continue our support for cost of living challenges and close the gap on prior pay awards, ensuring we can attract and retain talent within the business.

Accordingly, a minimum of pay increase of 4% has been awarded across the workforce, with higher increases for certain Contact Centre, Recycling and Logistics operational roles, resulting in an average pay increase of 5%. This is in addition to a mid-year pay increase we made in September 2023 to some of our lower-paid roles of a further 2%.

Approach to remuneration for FY25 Executives

The performance of the business since the strategy pivot has been excellent and our executives have played hugely significant roles in delivering improved operational performance, profitability and the creation of shareholder value. In line with our normal annual approach, the Committee reviewed base salaries during the year in order to ensure that they remain in line with our philosophy that our Executives are paid fairly and in line with market. As part of this, the Committee undertook a review of benchmark data for both the CEO and CFO across the FTSE 250 with the aspiration that base pay should fall in the market competitive range with variable pay opportunity levels aligned to the wider market. Following this review it was clear that the CEO's salary was positioned behind market (i.e. below the lower quartile). On this basis, the Committee considered it fair and appropriate to award John a salary increase of 7% in order to align his base pay with the lower quartile of the FTSE 250. The CFO was awarded a salary increase of 4%, which is below the average increase awarded to the wider workforce of 5%, bringing base pay within the market competitive range, but still somewhat behind median.

Flexible benefit rates (as a percentage of salary) remain unchanged against the prior year.

In terms of variable pay, the Executives will be entitled to participate in the AOIP with an opportunity level of 300% of salary.

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

1. Financial (output) metrics, focused on profit before tax, revenue growth and cash generation (70% weighting);
2. A strategic measure, tied to delivering on certain mobile opportunities (10% weighting); and
3. Stakeholder impact measures, focusing on customers and employees (20% weighting).

Given the progress made in delivering the strategy pivot over the past two years, the Board is now re-targeting top line growth and accordingly have re-introduced a revenue metric for FY25, with a 15% weighting. However, growth must be profitable and, as per the previous year a PBT metric accounts for the lion's share of the financial metrics (45%) and this coupled with the free cash flow metric (10%) will ensure that we continue to have a clear focus on the Group's financial stability.

We continue to recognise the importance of ESG and, in the context of remuneration, continue to set "stakeholder" measures encompassing customers and employees which are aimed at ensuring the goodwill of the business and driving long-term sustainability. For FY25, following the Group's transition away from NPS as its main customer satisfaction measure, the customer measure will be based on Trustpilot scores (10% weighting). An Engagement Index Score ("EIS") will be used (5% weighting) in place of eNPS as an employee engagement metric, with a further employee focussed metric aimed at strengthening our people capabilities (5% weighting) also included.

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 that the Chairman's fee should be increased by 5% to £210,000, reflecting both strong performance in role and wider market rates (and recognising that the Chair fee had not been increased since 2019). This increase is aligned to average increases awarded to the wider workforce. No increase has been made to the basic NED fee. However, it has been determined that additional fees should be paid for committee membership, taking into account the increasing time commitment required to fulfil these roles. Additional fees have been set £4k per annum for membership of the Audit and Remuneration committees and £2k per annum for the Nomination committee.

Further details regarding the implementation of our policy in the year ahead are provided on pages 125 to 128.

Employees

As set out in the Corporate Governance report on page 91, 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 FY24, the key features of the policy and how we propose to implement it in FY25.

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

Peter Pritchard
Chair, Remuneration Committee
25 June 2024

Policy report

This part of the Directors' Remuneration report sets out a summary of the Directors' remuneration policy approved by shareholders at our 2022 AGM on 28 September 2022 (the "Policy"). The full Remuneration Policy is available in the 2022 Annual Report, which can be accessed at www.ao-world.com.

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. 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 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. profit, 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

Directors' Remuneration Report
continued

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.

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

Element	Purpose and link to strategy	Fees
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.

Service agreements and letters of appointment contracts
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.

Executive Director	Date joined Group	Date of current contract	Notice period by the Company	Notice period by the Director	Unexpired Term	Termination Payment
John Roberts	19/04/2000	14/02/2014	12 months	12 months	Rolling	Payment in lieu of notice of 115% of base salary, which is calculated to cover the value of contractual benefits and pension
Mark Higgins	10/07/2011	31/05/2014	12 months	12 months	Rolling	Payment in lieu of notice of 115% of base salary, which is calculated to cover the value of contractual benefits and pension

The table below details the letters of appointment for each Non-Executive Director

Director and date of letter of appointment	Unexpired term	Notice period by Company (months)	Notice period by Director (months)	Date joined Group
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
Chris Hopkinson 14/02/2014	Initial term of three years from date of appointment – renewed for successive on 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 – renewed for successive on year periods subject to termination by either party	3	3	25/07/2018
Peter Pritchard 01/10/2022	Initial term of three years from date of appointment subject to termination by either party	3	3	01/10/2022
Sarah Venning 01/11/2022	Initial term of three years from date of appointment subject to termination by either party	3	3	01/11/2022

Annual Report on Remuneration

The Annual Remuneration for FY24 was structured within the framework of the remuneration policy adopted by shareholders at 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 FY24 (Audited)

The audited table below shows the aggregate emoluments earned by the Directors of the Company during FY24 being the period 1 April 2023 to 31 March 2024 (or relating to that period in the case of the AO Incentive Plan) and, for comparison, the amounts earned during FY23, being the period 1 April 2022 to 31 March 2023 (or relating to that period in the case of variable remuneration).

		Salaries and fees	Benefits (exc pension)[1]	Pension[1]	Total fixed	AOIP cash [2]	AOIP Deferred shares[3]	Total variable	Total
		£	£	£	£	£	£		£
Executive Directors									
John Roberts	FY24	510,427	63,150	4,000	577,577	503,791	352,006	855,797	1,433,374
	FY23	490,795	60,106	4,000	554,901	389,200	231,766	620,966	1,175,867
Mark Higgins	FY24	385,097	47,602	10,000	442,699	380,091	265,522	645,612	1,088,311
	FY23	370,285	50,288	4,000	424,573	293,636	175,112	468,748	893,321
Chairman									
Geoff Cooper	FY24	200,000	0	0	200,000	0	0	0	200,000
	FY23	200,000	0	0	200,000	0	0	0	200,000
Non-Executive Directors									
Christopher Hopkinson	FY24	57,000	0	0	57,000	0	0	0	57,000
	FY23	55,000	0	0	55,000	0	0	0	55,000
Shaun McCabe	FY24	72,000	0	0	72,000	0	0	0	72,000
	FY23	75,000	0	0	75,000	0	0	0	75,000
Peter Pritchard	FY24	64,500	0	0	64,500	0	0	0	64,500
	FY23	27,500	0	0	27,500	0	0	0	27,500
Sarah Venning	FY24	57,000	0	0	57,000	0	0	0	57,000
	FY23	22,917	0	0	22,917	0	0	0	22,917
Marisa Cassoni[4]	FY24	41,000	0	0	41,000	0	0	0	41,000
	FY23	80,000	0	0	80,000	0	0	0	80,000
Total	FY24	1,387,024	110,752	14,000	1,511,776	883,882	617,528	1,501,410	3,013,186
Total	FY23	1,321,497	110,394	8,000	1,439,891	682,836	406,879	1,089,715	2,529,605

1 From 1 October 2022, the Group introduced a flexible benefits scheme for the Executives and other senior management. Pension contributions amounts show the total amount each executive contributed to the pension from their flexible benefit allowance, with the balance of the flexible benefits allowance shown under benefits..

2 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 FY24. Following partial attainment of the performance conditions 98.7% 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. The deferred share options will vest in July 2027 subject to continued employment and attainment of the performance underpin, following which Executives will be required to hold awarded options (or shares to which those options relate if they are exercised during the holding period) for a further year.

3 Each of John Roberts and Mark Higgins were granted a conditional deferred share award pursuant to the FY21 AOIP Award which had a deferral period spanning FY22 to FY24 inclusive and which at the point of grant had a value of £904,800 and £682,500 respectively. The Remuneration Committee has deemed that the performance underpin has been met in full and accordingly 390,000 and 294,181 shares will vest to 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 2024 of 90.26p. The share price used to determine the award in July 2021 was £2.32. None of the value disclosed is therefore attributable to share price growth and therefore discretion not applicable. The deferred share option value for FY23 reported for Mark Higgins has been restated – in the previous report we used an estimate of 63.26 (being the 3 month average share price to 31 March 2023); when the option became exercisable on 5 July 2023, the actual share price was 81.35p.

4 Marisa Cassoni stepped down from office on 27 September 2023

Details of variable pay earned in FY24 (Audited)

AO Incentive Plan FY24 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 2024.

The targets for the AO Incentive Plan Award were weighted towards financial metrics (70%), with the remaining 30% 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 FY24 AO Incentive Plan Award.

Measure (weighting)	Targets		% payout (for this element)	Performance achieved	Award
UK Adjusted Profit Before Tax (50%)	Threshold	£20.4m	25%	£34.3m	50%
	On target	£27.2m	62.5%		
	Stretch	£34.0m	100%		
Average Liquidity Headroom (20%)	Threshold	£70.35m	25%	£94.5m	18.7%
	On target	£83.4m	62.5%		
	Stretch	£96.4m	100%		
Customer NPS (10%)[1]	Threshold	70	25%	83	10%
	On target	75	62.5%		
	Stretch	80	100%		
Employee NPS (10%)[2]	Threshold	-5	25%	17	10%
	On target	5	62.5%		
	Stretch	15	100%		
Strategic (10%)	Committee judgement based on the strategy for growth drivers			10	10%
				Total	98.7%

1 This is the average NPS figure across ao.com and mpd.co.uk, weighted by revenue.

2 This is the average ENPS figure taken across the three surveys conducted in the year.

Performance against financial targets

As is covered in the CFO report on pages 32 to 39, the Group continued to focus on cash and profit generation this year and performance has been pleasing against those targets with near stretch targets being met.

Accordingly, 68.7% of the award relevant to financial targets (of the possible 70%) 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. For ao.com we have an average NPS score of 85 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 continued to be affected by the cost of living crisis and extraordinary macro-economic uncertainty. Accordingly, the Committee has determined that this performance condition has been met in full.

Employee NPS

The employee NPS score has much improved over the year with three employee surveys conducted in-house. The first was conducted in June 2023 which resulted in a score of 11, the second in October 23 which resulted in a score of 17 and a third in January 2024 which gave a score of 23 yielding an average of 17 for the Group for the year. Importantly, all departments are now showing a positive score ranging from a "Good" eNPS score for 8 of our departments with others at "Excellent" or "Exceptional." Particularly pleasing is the response rates with 80% of AOers taking the time to respond to the survey. The Committee believe this is an excellent result following the challenges the business has faced over the last two years and shows the investments in culture and people alongside the material transformation that the Group has undertaken. Accordingly, the Committee has determined that this performance condition has been met in full.

Strategic transformation

The strategic transformation measure was specifically aimed at building a plan for growth. The Committee is satisfied that a robust plan for growth is in place and initial progress on the growth drivers has been made. The Group ended the year with a growth run rate on ao.com with the final quarter up year on year. Accordingly, the Committee judged that it was appropriate that the full amount pertaining to this metric, i.e. 10%, be awarded.

In total, therefore, we have awarded 98.7% 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%	98.7%	£503,791	£1,007,583
CFO	300%	98.7%	£380,091	£760,181

1 The cash element will be paid in June/July 2024.

2 The share award will be granted in July 2024 by way of nil-cost options 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 2027 as well as the Executive's continued employment. Following vesting of the option, Executives will be required to hold the option (or the shares to which it relates if the option is exercised immediately) for a further one-year period.

Release of shares under the FY21 AOIP Award

Each of John Roberts and Mark Higgins were granted a conditional deferred share award pursuant to the FY21 AOIP Award which had a deferral period spanning FY22 to FY24 inclusive and which, at the point of grant, had a value of £904,800 and £682,500, 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 FY24. 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 converted to nil-cost options and accordingly options over 390,000 and 294,181 shares for John and Mark will vest in following the announcement of our FY24 results, but remain subject to a further one year holding period post-vesting.

For the purpose of the single figure calculations, these awards have been valued based on the three month average share price to 31 March 2024 of 90.26p. The share price used to determine the award in July 2021 was £2.32. 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 2024 and the previous three 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.

	FY24 vs FY23			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]	Salary[1]	Taxable benefits[2]	AOIP cash element[3]
John Roberts	4%	4.7%	29%	3%	2.0%	445%	2.7%	4.3%	-84%	3%	-10.8%	110%
Mark Higgins	4%	6.1%	29%	3%	10.8%	429%	2.7%	1.1%	-84%	3%	-14.3%	110%
Geoff Cooper	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Chris Hopkinson	3.60%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Shaun McCabe[4]	-4%	0%	0%	36.6%	0%	0%	0%	0%	0%	0%	0%	0%
Peter Pritchard[5]	17.27%	0%	0%	36.6%	0%	0%	0%	0%	0%	0%	0%	0%
Sarah Venning[6]	3.64%	0%	0%	36.6%	0%	0%	0%	0%	0%	0%	0%	0%
Other employees (AO World PLC)	8.15%	-1.8%	18.1%	8.25%	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 FY23 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).

3 The percentage change in the 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 decrease reflects him ceasing to be chair of the remuneration committee from 27 September 2023 (the fee for which was reduced from FY24 from £20,000 to £15000) and being appointed as audit committee chair.

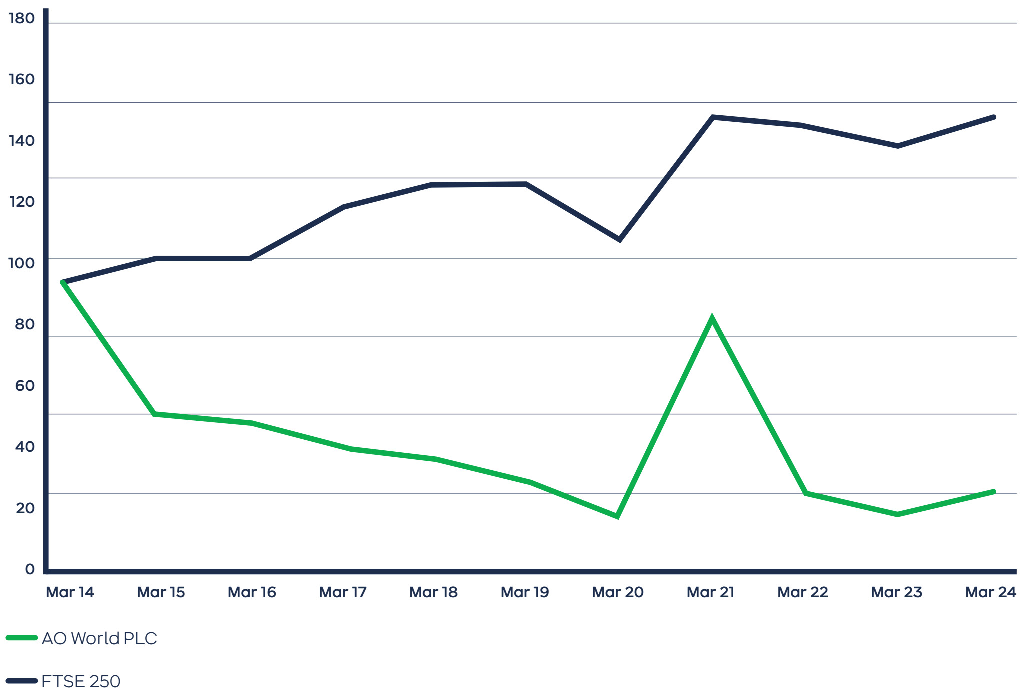
5 Peter Pritchard was appointed to the Company in 2022, part way through the financial year ended 31 March 2023. For the purposes of comparison, a full year's base NED fee has been used for FY23. Further Peter was appointed as remuneration chair from 27 September 2023.

6 Sarah Venning was appointed to the Company in 2022, part way through the financial year ended 31 March 2023. For the purposes of comparison, a full year's base NED fee have been used for FY23.

7 Marisa Cassoni stepped down on 27 September 2022 and therefore been excluded from the table. has 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 TSR performance against the performance of the FTSE 250 Index from 31 March 2014 (the date on which the Company's shares were first conditionally traded) to 31 March 2024. This index was chosen as it represents a broad equity market index, of which AO is a constituent, which includes companies of a broadly comparable size and complexity.



Total remuneration of CEO

The table below shows the total remuneration figure for the Chief Executive during the financial years ended 31 March 2014 to 31 March 2024. 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 and FY24 also includes the value of vested options under the AOIP.

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Total remuneration (£'000)	537*	588*	575#+	781#	551*+	733*	977*	611*	1,132*	1,433
Annual bonus (% of maximum)	0%	10%	10%	37.5%	–	–	–	–	–	–
AO Incentive Plan Award (% of maximum)	–	–	–	–	50.5%	47.8%	97.5%	15%	79.3%	[98.7]
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.

	FY23	FY24	% change
Staff costs[1]	£127.7m	£115.5m	-9.5%
Distributions to shareholders	No distributions were made to shareholders in FY23 or FY24		

1 Includes base salaries, social security and pension, and share based payment charges.

Directors' Remuneration Report
continued

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
FY24	Option A	56:1	48:1	35:1
FY23	Option A	46:1	40:1	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 FY24 was calculated and ranked using 2023/24 P60 and P11D data, employer pension contributions and payments under the Company share schemes, in line with the reporting regulations. The total remuneration for FY24 for the employees identified at P25, P50 and P75 is £25,383, £29,828, and £40,771 respectively. The base salary in respect of FY24 for the employees identified at P25, P50 and P75 is £24,032, £28,408 and £38,562 respectively.

3 FY24 payments to the wider employee base referred to above include the FY23 cash element of the FY23 AOIP payment, which was paid in FY24, but for the CEO, we have used the single total figure value, which includes the FY24 AOIP cash payment to be paid in early FY25, but which relates to the FY24 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 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 98.7% for FY24 vs 79.3% 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 2024.

External appointments

No fees were received by Executive Directors for external appointments during the year ended 31 March 2024.

Directors' shareholdings and share interests (Audited)

Directors' shareholdings as at 31 March 2024 are set out below.

During the year under review no options were exercised by either of the Executive Directors, save as disclosed in note 4 below.

There have been no changes to Directors' shareholdings during the period from 1 April 2023 to the date of this report, save for a gift of 1,360,000 shares to charity by John Roberts on 3 April 2024.

Directors' shareholdings

	Shares held beneficially at 31 March 2024[1]	Target shareholding guidelines (% of salary)[2]	Target shareholding achieved	PSP options[3]	AOIP share awards[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	1,952,235	33,962
Mark Higgins	306,231	200%	No	NIL	1,365,454	33,692
Chris Hopkinson	2,631,306	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 but for Chris Hopkinson it excludes shares held by his pension fund (1,999,999) of which is one of the beneficiaries but not sole beneficiary

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 vested in July 2023 but have yet to be exercised. Conditional awards over 390,000 were awarded in July 2021 as part of the AOIP FY21 award (based on a share price of £2.32) which will vest in June 2024. 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 be subject to an additional one year holding period). Options over 918,900 shares were awarded in July 2023 as part of the AOIP FY23 award (based on a share price of £0.85), which will vest in July 2026 subject to the attainment of the performance underpin and continued employment (and then be subject to an additional 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 vested in July 2023 half of which were exercised and sold, and half of which have been retained. 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 be released in July. 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 vest in July 2025 subject to the attainment of the performance underpin and continued employment (and then be subject to an additional one year holding period). Options over 693,273 shares were awarded in July 2023 as part of the AOIP FY23 award (based on a share price of £0.85), which will vest in July 2027 subject to the attainment of the performance underpin and continued employment. 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.

Further share options are expected to be granted to John Roberts and Mark Higgins in July 2024 as part of the AO Incentive Plan Award FY24 grant – with a value of £1,007,583 and £760,181 at grant respectively, which will be released in July 2027 subject to the attainment of the performance underpin and continued employment (and then subject to an additional one year holding period).

5 Each of John Roberts and Mark Higgins entered into a new 3 year SAYE contract, under which options over 33,692 shares were granted on 1 March 2023.

Implementation of remuneration policy for 2024/2025 ("FY25")

A summary of the Policy can be found on pages 116 to 117 of this Annual Report.

Salary

The performance of the business since the strategy pivot has been excellent and our executives have played hugely significant roles in delivering improved operational performance, profitability and the creation of shareholder value. In line with our normal annual approach, the Committee reviewed base salaries during the year in order to ensure that they remain in line with our philosophy that our Executives are paid fairly and in line with market. As part of this, the Committee undertook a review of benchmark data for both the CEO and CFO across the FTSE 250 with the aspiration that base pay should fall in the market competitive range with variable pay opportunity levels aligned to the wider market. Following this review it was clear that the CEO's salary was positioned behind market (i.e. below the lower quartile). On this basis, the Committee considered it fair and appropriate to award John a salary increase of 7% in order to align his base pay with the lower quartile of the FTSE 250. The CFO was awarded a salary increase of 4%, bringing base pay within the market competitive range, but still somewhat behind median.

The current salaries as at 1 April 2024 (and those as at 1 April 2023) are as follows:

Individual	Role	Base salary at 1 April 2024	Base salary at 1 April 2023	% increase
John Roberts	CEO	£546,174	£510,427	7%
Mark Higgins	CFO	£400,500	£385,096	4%

Pension and other benefits

Executive Directors are eligible for a flexible benefits regime equivalent to13% 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. However, each of the Executives have committed to not allocate an amount in excess of 5% of their salary to their pension in future years to align with the rate of pension which is available to the majority of the wider workforce. The flexible benefits programme was further rolled out to senior management levels during FY24.

AO Incentive Plan

In respect of FY25, the Executive Directors will have a maximum award opportunity of 300% of basic salary. Performance will be measured between 1 April 2024 and 31 March 2025 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 FY25. 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 Committees' 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 FY25 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, revenue growth and cash generation (70% weighting);
2. A strategic measure tied to executing certain information technology platform transformation (10% weighting); and
3. Stakeholder impact measures, focusing on customers and employees (20% weighting).

Financial

Given the progress made in delivering the strategy pivot over the past two years, the Board is now re-targeting top line growth and accordingly, have re-introduced a revenue metric for FY25, with a 15% weighting. However, growth must be profitable and, as per the previous year a PBT metric accounts for the lion's share of the financial metrics (45%) and this coupled with a cash flow metric (10%) will ensure that we continue to have a clear focus on the Group's financial stability. 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.

We continue to recognise the importance of ESG and in the context of remuneration continue to set "stakeholder" measures encompassing customers and employees which are aimed at ensuring the goodwill of the business over the longer term. As can be seen on pages 04 to 27, customer and employee satisfaction are central to our strategy with both being key drivers for creating long-term sustainable growth.

Stakeholder – Customer

Historically, our customer metric has been Customer NPS, however this year we are changing our focus to Trustpilot scores and therefore this will be included in the AOIP from FY25.

In the last six months, AO has transitioned its primary customer satisfaction measurement from Net Promoter Score (NPS) to Trustpilot. While we continue to monitor NPS and address any arising concerns, this shift towards Trustpilot reflects our commitment to aligning AO's positioning as the UK's most trusted electrical retailer, as John covers in depth in his report.

Embracing Trustpilot as a more transparent and publicly accessible metric, ensures a singular and public gauge of trust, reinforcing our dedication to transparency and accountability. This streamlined approach enables AO to internally consolidate all measures of trust under one accessible platform, allowing us as a business to focus on improving customer satisfaction and driving down waste and inefficiency across the group, further solidifying our trust reputation.

The target relates solely to the Trustpilot scores on ao.com, rather than encompassing all our consumer sites.

The weighting for this metric, given its huge importance to the long term success of the business remains at 10%. It is critical that we continue to obsess about the customer whilst we continue to drive optimal bottom line performance and grow the top line.

Stakeholder – Employee

In prior years our employee metric has centred around employee NPS which is a KPI based on a specific engagement survey question "How likely are you to recommend AO as a place to work?"".

However, we feel that eNPS does not always give the best picture of employee satisfaction as, under the eNPS ratings framework, a score of 7-8 (a score we often see) is categorised as "passive" and therefore unmeasured. Accordingly, this year we plan to replace the eNPS measurement with an Engagement Index Score (EIS) metric. EIS covers the following 6 key indicators of engagement across the year; Happiness; Loyalty & Retention; Meaningful work; Discretionary Effort; Belonging and Growth with our threshold, on target and stretch targets being 6, 7 and 8 respectively.

We also are intending to include a second measure relating to strengthening the capabilities of our people to support our longer-term strategy.

Together these employee measures are proposed to have a 10% weighting.

Strategic

The final measure is also strategic and is tied to advancing our mobile opportunities (10% weighting).

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.

	Performance condition	Weighting
	Adjusted PBT	45%
Group financial (70%)	Revenue	15%
	Cash	10%
Strategic transformation non-financial (10%)	Strategic Transformation	10%
	Customer – Trustpilot score	10%
Stakeholder measures non-financial (20%)	Employee EIS Score	5%
	Employee Metric	5%

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 FY25 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/only be released 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

Fees for the Non-Executive Directors (including the Chair) were reviewed during the year and benchmarked against peers. It was determined that the Chairman's fee should be increased by 5% to £210,000, reflecting both strong performance in role and wider market rates (and recognising that the Chair fee had not been increased since 2019). This increase is in line with the average awarded to the wider workforce. No increase has been made to the basic NED fee. This increase is aligned to average increases awarded to the wider workforce. It has also been determined that additional fees should be paid for committee membership, taking into account the increasing time commitment required to fulfil these roles. Additional fees have been set £4k per annum for membership of the Audit and Remuneration committees and £2k per annum for the Nomination committee.

Changes to Non-Executive Director fees for FY25 have been agreed as follows:

	FY24	FY25	% change
Chairman fee covering all board duties	£200,000	£210,000	5.0%
Non-Executive Director basic fee	£57,000	£57,000	0.0%
Supplementary fees to Non-Executives covering additional Board duties			
Audit Committee Chairman Fee	£15,000	£15,000	0.0%
Remuneration Committee Chairman Fee	£15,000	£15,000	0.0%
Senior Independent Director Fee	£10,000	£10,000	0.0%
Audit committee member		£4,000	new
Remco member		£4,000	new
Nomco member		£2,000	new

*at present the Company has not appointed a Senior Independent Director

Remuneration Committee membership

The members of the Committee were, for the year in question, Peter Pritchard, Shaun McCabe, Geoff Cooper, Sarah Venning (since 27 September 2023) and Marisa Cassoni (until she retired from the Board 27 September 2023).

Peter Pritchard took over chairing the Committee from Shaun McCabe following the AGM in September 2023.

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 FY24, there were five formal meetings of the Remuneration Committee. All relevant committee members attended all of the meetings, with the exception of Shaun and Sarah who each missed one meeting due to medical appointments.

The responsibilities of the Committee are set out in the corporate governance section of the Annual Report on page 92 onwards. The Executive Directors, the Legal Director 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 2024, 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 £14,400 plus VAT.

Shareholder feedback

At the 2023 AGM, the Annual Remuneration Report for the year ended 31 March 2023 was put to shareholders by way of an advisory vote and at the 2022 AGM 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
2023: To approve the Directors' remuneration report	505,918,131	98.16	9,479,457	1.84	515,415,282	17,694
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.

Peter Pritchard
Chair, Remuneration Committee
25 June 2024

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 2024. This report set outs additional statutory information.

2024 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 18 September 2024 at 9:00 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 this Report.

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 134 to 186. The Directors do not recommend payment of a dividend by the Company in respect of the year ended 31 March 2024.

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 both the 31 March 2024 and the date of this document, the issued share capital of the Company was £1,446,426.12, comprising 578,570,448 ordinary shares of 0.25p each. Shortly following the date of this document, the FY21 AOIP Deferred Share Awards will vest and employees will be able to exercise options to acquire an aggregate of 1,629,614 new ordinary shares of 0.25p each in the Company; the Company will satisfy these Awards by issuing such number of new ordinary shares to its Employee Benefit Trust.

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 171. All the information detailed in Note 28 on page 171 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 172 to 174.

At the Annual General Meeting of the Company, to be held on 18 September 2024, the Directors will seek authority from shareholders to allot shares in the capital of the Company up to a maximum nominal amount of £ 964,284.08 (385,713,632) shares (representing approximately 66.6% of the Company's issued ordinary share capital) of which 192,856,816 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 57,857,044.80 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 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 and 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

As at 31 March 2024, the Company had been notified of, in accordance with chapter 5 of the FCA's Disclosure Guidance and Transparency Rules, or was aware of (to the best of its knowledge) the following significant interests:

Shareholder	No. of shares held	% voting rights
Frasers Group PLC	141,891,318	24.5%
Camelot Capital Partners	118,459,508	20.5%
John Roberts*	105,885,876	18.3%
Pheonix Asset Management Partners	33,873,448	5.9%
Christopher Hopkinson**	24,631,603	4.3%
Lancaster Investment Management	23,734,862	4.1%

* John Roberts' 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.

** Holding includes 350,857 ordinary shares held by Gayle Halstead, defined under MAR as a person with whom Christopher Hopkinson is closely associated but excludes 1,999,999 ordinary shares held in a pension of which Christopher Hopkinson is one of the beneficiaries.

Since the period end and to 21 June 2024, the Company has been notified of the following changes in significant interests:

Shareholder	No. of shares held	% voting rights
Frasers Group PLC	141,209,441	24.4%
Camelot Capital Partners	118,459,508	20.5%
John Roberts*	104,525,876	18.1%
Pheonix Asset Management Partners	33,873,448	5.9%
Christopher Hopkinson**	24,631,306	4.3%
Lancaster Investment Management	23,824,812	4.1%

Directors

Director	Position	Served in the year ended 31 March 2024
Geoff Cooper	Chair	Served throughout the year
Marisa Cassoni	Senior Independent Non-Executive Director	Resigned in September 2023
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	Served throughout the year
Sarah Venning	Independent Non-Executive Director	Served throughout the year

Their biographical details are set out on pages 88 and 89. 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 88 and 89.

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

There have been no balance sheet events that either require adjustment to the financial statements or are important in the understanding of the Company's current position.

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 2024 remained in existence.

Independent Auditor

The Company's Auditor, KPMG LLP, has indicated their willingness to continue their role as the Company's Auditor. Resolutions 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.

Reporting requirements

As permitted by section 414C of the Companies 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.

Directors' Report continued

Reporting requirement	Location
Strategic Report – Companies Act 2006 s.414A-D	Strategic Report on pages 02 to 81
Likely future developments of the business and Group	Strategic Report on pages 02 to 81
DTR4.1.8R – management report – the Directors' Report and Strategic Report comprise the "management report"	Directors' Report on pages 129 to 132, and the Strategic Report on pages 02 to 81
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 128
Statement on corporate governance	Corporate Governance Report, Audit Committee Report, Nomination Committee Report and Directors' Remuneration Report on pages 90 to 128
Board's assessment of the Group's internal control systems	Corporate Governance Report from page 90, and the Audit Committee Report on pages 102 to 107
Board of Directors	Corporate governance statement on pages 88 and 89
Community	Strategic Report; Sustainability Report on page 80
Business relationships with suppliers, customers and others	Strategic Report: How we engage with our stakeholders report on pages 50 to 53
Directors' interests	Directors' Remuneration Report from pages 108 to 128
Diversity policy	Strategic Report: Sustainability Report – Fair, equal and responsible on pages 72 to 78, and the Nomination Committee Report on pages 98 to 100
Employee engagement	Strategic Report: Engaging with our stakeholders on page 51; Sustainability Report – Fair, equal and responsible on pages 72 to 78
Employee involvement	Strategic Report: Engaging with our stakeholders on page 51; Sustainability Report – Fair, equal and responsible on pages 72 to 78
Employees with disabilities	Strategic Report: Sustainability Report – Fair, equal and responsible on pages 72 to 78
Going concern and viability statement	Strategic Report page 48
Task force on climate-related financial disclosures	TCFD disclosures on pages 62 to 71
Greenhouse gas emissions and streamlined energy and carbon reporting	Strategic Report: Sustainability Report pages 70 and 71
Details of use of financial instruments and specific policies for managing financial risk	Note 33 to Group financial statements on pages 174 to 177
Significant related-party agreements	Note 34 to the consolidated financial statements on page 177
Directors' responsibility statement	Directors' responsibility statement on page 133

The Strategic Report, comprising pages 02 to 81, and this Directors' Report, comprising pages 129 to 132, have been approved by the Board and are signed on its behalf by:

Julie Finnemore
Company Secretary
25 June 2024

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 accounting standards and applicable law, including FRS 101 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 the Group's 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, relevant and reliable and, in respect of the parent Company financial statements only, 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 ("DTR") 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The Auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

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
25 June 2024

Our Financials

Contents

“Always use AO for appliances. Easy to order, good product, decent prices.”

Sam

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 2024 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 2024 and of the Group's profit 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 8 financial years ended 31 March 2024. 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.

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 (unchanged from 2023), 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.

Overview

Materiality: group financial statements as a whole	£2m (2023:£2.5m) 0.19% (2023: 0.22%) of Group total revenue	
Coverage	95% (2023:96%) of Group profit before tax	
Key audit matters	vs 2023	
Recurring risks	Recoverability of Mobile goodwill	▲
	Product protection plans contract asset	◄►
	Network commissions contract asset	◄►
	Recoverability of parent Company's investment in subsidiaries	◄►

	The risk	Our response
Recoverability of Mobile goodwill Mobile goodwill £14.7 million; 2023: £14.7 million Refer to page 105 (Audit Committee Report) Page 153 (Accounting Policy) Page 158 (Key sources of estimation uncertainty) and page 161 (Financial Disclosures – goodwill)	**Forecast based assessment:** The goodwill arising on the historic acquisition of MobilePhonesDirect ("Mobile goodwill") is significant and the risk of irrecoverability has increased due to recent performance and 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 growth, margin per connection, cost inflation, cost savings and the discount rate. The effect of these matters is that, as part of our risk assessment we determined that the recoverability of Mobile goodwill 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 and possibly many times that amount. The financial statements (note 16) disclose the sensitivities performed 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 utilised our internal valuations specialists to support with our assessment of an appropriate range of discount rates based on market data and compared this to that applied by management. We evaluated the Group's assumptions included within the value in use calculation by comparing key assumptions such as projected revenue. and margin per connection, cost inflation and cost savings 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 reasonably possible scenarios that could give rise to an impairment in their own sensitivity analysis. **Assessing transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the inherent risks in the valuation of goodwill, and sufficiently disclose and quantify key sensitivities. 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 (2023: acceptable)
Product protection plans contract asset £94.7 million contract asset; 2023: £92.7 million Refer to page 105 (Audit Committee Report) Page 151 (Accounting Policy) Page 157 (Key sources of estimation uncertainty) and page 166 (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 model. The inputs into that model, such as the profit share entitlement, price increases and cancellations and the backstop are based on forecast performance and are subjective estimates which require judgement. This gives rise to a fraud risk in respect of the revenue recognised. Management performance is assessed in relation to adjusted PBT which may create an incentive to overstate revenue recognised in respect of product protection plans.	**Our procedures included:** **Benchmarking assumptions:** We assessed the directors' assumptions applied in the model such as using historic plan data to generate the expected average life of plans sold. This was assessed by comparing the historical assumption to actual cancellations. **Sensitivity analysis:** We performed sensitivity analysis on judgemental assumptions relating to future plan profitability and the life of plans, and challenged the plausibility and severity of sensitivities performed by management. **Our sector experience:** We challenged the assumptions made such as life of the plans and expected future plan profitability based on our knowledge of the business and the Group, considering factors occurring in the macroeconomic environment.

	The risk	Our response
Product protection plans contract asset continued	**Application of data:** The calculation of the contract asset is based on the correct categorisation of certain data elements within the model, such as the method of sale of the plan. This historic data is also used by the directors as a benchmark for determining their estimates of future cancellations. Given there is judgment required in this categorisation and the potential for material changes to the carrying value of the plan asset, this area is open to the possibility of fraud or error. **Calculation error:** The model used to calculate the values recorded in relation to the asset is extensive, and as such is open to the possibility of mathematical error. 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 4) disclose the sensitivity estimated by the Group.	**Our procedures included:** **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. **Reperformance:** With the assistance of our data modelling specialists, we have independently re-performed the calculations to derive the values recorded in relation to the contract asset and compared these to the values calculated by management. **Test of details:** For a sample of plans we verified whether the categorisation of the plan in the model was appropriate. **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 the 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 (2023: acceptable)
Network commissions contract asset £61.8 million contract asset; 2023: £81.4 million Refer to page 105 (Audit Committee Report) Page 151 (Accounting Policy) Page 157 (Key sources of estimation uncertainty) and page 167 (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. Some inputs into the model used to calculate the asset value, such as the number and frequency of customer disconnections, are based on forecast performance and are subjective estimates which require judgement. This gives rise to a fraud risk in respect of the revenue recognised. Management performance is assessed in relation to adjusted PBT which may create an incentive to overstate revenue recognised in respect of product protection plans.	**Our procedures included:** **Sector experience:** We challenged the assumptions made such as number of customer disconnections, and monthly expected cash receipts by comparing to actual historical experience taking into account our knowledge of the business and external macroeconomic trends. **Sensitivity analysis:** We performed sensitivity analysis on the judgemental assumptions applied, and challenged management regarding the plausibility and severity of those performed by comparing to third party trends, taking into account our knowledge of the business. **Data comparisons:** We evaluated the historical accuracy of the model with reference to actual data. We compared monthly cash receipts per network to expected cash receipts per the model. We performed reconciliations of historic cash received to third party data. For third party data we have agreed all cash receipts to invoices and bank statement. For connections data we have agreed to payment files which have been extracted directly from the third-party network portals. We agreed a sample of new connections in the model to bank statements.

	The risk	Our response
Network commissions contract asset continued	**Application of data:** Completeness and accuracy of data captured in the models used to calculate the asset value could be incorrect due to the manual nature of the calculations and inputs, such as date of cash receipt and connection date, involved in the data transfer from the third party and into the model. **Calculation error:** The model used to calculate the values recorded in relation to the asset is extensive, and as such is open to the possibility of mathematical error. The effect of these matters is that as part of our risk assessment, for audit planning purposes we determine that the contract asset had a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality. The financial statements (note 22) disclose the sensitivities performed by the Group.	**Our procedures included:** **Assessing transparency:** We assessed the adequacy of the disclosures relating to the unobservable measures and the sensitivity of the outcome of the calculation to changes in the 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 (2023: acceptable).
Recoverability of parent Company's investment in subsidiaries Investment in subsidiaries £46.2 million; 2023: £42.7 million Refer to page 181 (Accounting Policy) and (Financial Disclosures)	**Low risk, high value** The carrying value of the parent Company's investment in subsidiaries represents 38% (2023: 57%) 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 and that is why we consider it to be a key audit matter.	**Our procedures included:** **Test of detail:** We compared the carrying amount of 100% of investments with the relevant subsidiaries' net assets in the group consolidation, to identify whether their net assets, being an approximation of their minimum recoverable amount, are in excess of their carrying amount and assess whether these subsidiaries have historically been profit-making. **Assessing subsidiary audits:** We considered the results of the audit work on the subsidiary audits, and whether the result of those audits impacts the net assets and/or profitability of the entities. 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. (2023: acceptable).

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 million (2023: £2.5 million), determined with reference to a benchmark of Group total revenue, of which it represents 0.19% (2023: 0.21%).

In selecting the most appropriate benchmark in the current period we considered the Group's return to profitability following the changes in the Group's strategy and the simplification of the Group's business through the closure of its overseas operations in recent years. Whilst the Group's profitability improved, similarly to the previous period we selected the total revenue from continuing operations to be the most appropriate benchmark as it provides a more stable measure year on year. To reflect the increasing importance of the Group's profitability for the users of the financial statements we reduced materiality accordingly from £2.5 million to £2.0 million.

Materiality for the parent Company financial statements as a whole was set at £0.6 million (2023: £0.7 million), determined with reference to a benchmark of Company total assets, of which it represents 0.5% (2023: 0.9%).

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.

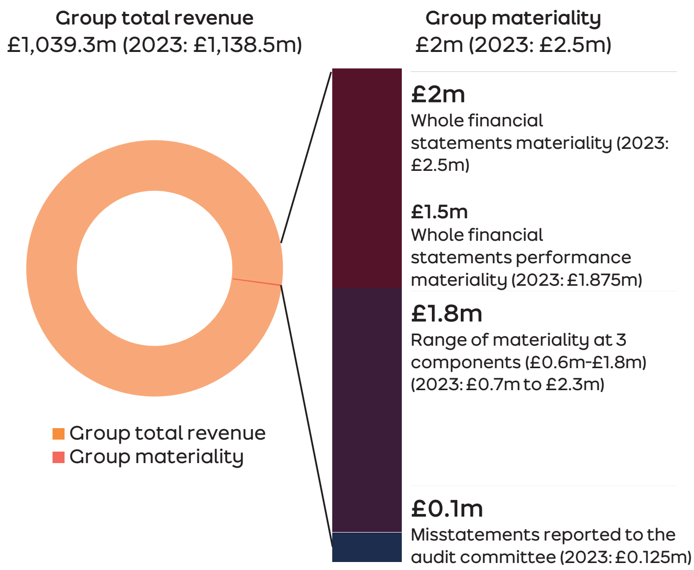
Performance materiality was set at 75% (2023: 75%) of materiality for the financial statements as a whole, which equates to £1.5 million (2023: £1.875m) for the Group and £0.45m (2023: £0.525m) for the parent Company. We applied this percentage in our determination of performance materiality because 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 £0.1 million (2023: £0.125 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 13 (2023: 12) reporting components, we subjected 3 (2023: 4) 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% (2023: 3%) of total Group revenue, 5% (2023: 4%) of Group profit before tax and 6% (2023: 7%) of total Group assets is represented by 10 (2023: 8) reporting components, none of which individually represented more than 5% (2023: 3.3%) 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 controls over financial reporting.



4. The impact of climate change on our audit

In planning our audit, we have considered the potential impact of risks arising from climate change on the Group's business and its financial statements.

As part of our audit we performed a risk assessment, including making enquiries or management, holding discussions with our internal climate change professionals to challenge our risk assessment, reading board minutes and applying our knowledge of the Group and sector in which it operates to understand the extent of the potential impact of climate change risk on the Group's financial statements.

We concluded that climate risk has no significant effect this year on the financial statements due to the nature of the Group's current business operations. As a result, there was no impact from climate risk on our key audit matters.

We have read the disclosure of climate related information in the annual report and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of the climate risk disclosures in the annual report.

5 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 financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Group's available financial resources and metrics relevant to debt covenants over this period was the general macroeconomic environment and continuing cost of inflationary pressures.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively 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.

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 page 48 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.

6 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, internal audit, legal and Group management 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 and the risk of fraudulent revenue recognition, 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, excluding PPP and Network Commission revenue as discussed in the Key Audit Matters above 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 subjective estimates for contract assets is set out in the key audit matter disclosures in section 2 of this report.

We also 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 the judgements made in making accounting estimates are indicative of a potential bias including assessing the contract asset estimates for bias.

Identifying and responding to risks of material misstatement related to 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, and through discussion with the Directors and other management (as required by auditing 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.

Secondly the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, financial services regulation, data protection laws, anti-bribery, employment law and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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 fraud 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.

7 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 48 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 48 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.

8 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.

9 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 133, 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 under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10 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.

Roger Nixon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

25 June 2024

Consolidated income statement
For the year ended 31 March 2024

	Note	2024 £m	2023 £m
Revenue	5, 6	**1,039.3**	1,138.5
Cost of sales	6,8	**(796.0)**	(900.3)
Gross profit		**243.3**	238.2
Administrative expenses	7,8	**(207.7)**	(226.4)
Other operating income	8	**0.6**	0.7
Operating profit	8	**36.2**	12.5
Finance income	11	**4.5**	2.9
Finance costs	12	**(6.4)**	(7.8)
Profit before tax		**34.3**	7.6
Tax charge	13	**(9.6)**	(1.2)
Profit after tax for the period from continuing operations		**24.7**	6.4
Loss for the period from discontinued operations	35	**–**	(8.8)
Profit/ (loss) after tax for the year		**24.7**	(2.4)
Profit/ (loss) for the year attributable to:			
Owners of the Company		**24.7**	(2.6)
Non-controlling interests	29	**–**	0.2
		24.7	(2.4)
Earnings per share from continuing operations (pence)			
Basic earnings per share	15	**4.29**	1.13
Diluted earnings per share	15	**4.14**	1.10
Earnings/ (loss) per share from continuing and discontinued operations (pence)			
Basic earnings / (loss) per share	15	**4.29**	(0.48)
Diluted earnings / (loss) per share	15	**4.14**	(0.47)

Consolidated statement of comprehensive income
For the year ended 31 March 2024

	2024 £m	2023 £m
Profit/ (loss) for the year	**24.7**	(2.4)
Items recycled to income statement		
Exchange differences on translation of foreign operations	**–**	(6.4)
Total comprehensive profit/ (loss) for the year	**24.7**	(8.8)
Total comprehensive profit/ (loss) for the year attributable to:		
Owners of the Company	**24.7**	(9.0)
Non-controlling interests	**–**	0.2
	24.7	(8.8)
Total comprehensive profit/ (loss) attributable to owners of the parent arising from:		
Continuing operations	**24.7**	6.2
Discontinued operations	**–**	(15.2)
	24.7	(9.0)

Consolidated statement of financial position
As at 31 March 2024

	Note	2024 £m	2023 £m
Non-current assets			
Goodwill	16	**28.2**	28.2
Other intangible assets	17	**9.6**	9.6
Property, plant and equipment	18	**20.1**	20.9
Right of use assets	18	**56.2**	69.4
Trade and other receivables	22	**90.0**	93.3
Deferred tax	20	**2.9**	8.3
		207.1	229.7
Current assets			
Inventories	21	**79.5**	73.1
Trade and other receivables	22	**115.1**	137.8
Corporation tax receivable		**–**	0.6
Cash and cash equivalents	24	**40.1**	19.1
		234.7	230.6
Total assets		**441.8**	460.3
Current liabilities			
Trade and other payables	23	**(225.6)**	(249.5)
Borrowings	25	**(0.2)**	(10.0)
Lease liabilities	26	**(16.9)**	(17.8)
Corporation tax payable		**(0.6)**	–
Provisions	27	**(0.6)**	(1.2)
		(243.9)	(278.5)
Net current liabilities		**(9.1)**	(47.9)
Non-current liabilities			
Trade and other payables	23	**(2.5)**	(4.8)
Borrowings	25	**(1.9)**	–
Lease liabilities	26	**(51.9)**	(67.5)
Provisions	27	**(3.9)**	(3.8)
		(60.1)	(76.1)
Total liabilities		**(304.0)**	(354.6)
Net assets		**137.8**	105.7
Equity attributable to owners of the parent			
Share capital	28	**1.4**	1.4
Share premium account	28	**108.5**	108.2
Other reserves	30	**64.4**	59.4
Retained losses		**(36.5)**	(63.3)
Total equity		**137.8**	105.7

The financial statements of AO World PLC, registered number 05525751, on pages 145 to 178 were approved by the Board of Directors and authorised for issue on 25 June 2024. 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 2024

	Share capital £m	Investment in own shares £m	Share premium account £m	Other reserves: Merger reserve £m	Other reserves: Capital redemption reserve £m	Other reserves: Share-based payments reserve £m	Other reserves: Translation reserve £m	Other reserves: Other reserve £m	Retained losses £m	Total £m	Non-controlling interest £m	Total £m
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**
Profit for the period	–	–	–	–	–	–	–	–	24.7	24.7	–	24.7
Share-based payment charge (net of tax)	–	–	–	–	–	7.1	–	–	–	7.1	–	7.1
Issue of shares	–	–	0.3	–	–	–	–	–	–	0.3	–	0.3
Movement between reserves	–	–	–	–	–	(2.2)	–	–	2.2	–	–	–
Balance at 31 March 2024	**1.4**	**–**	**108.5**	**59.2**	**0.5**	**20.4**	**(9.4)**	**(6.3)**	**(36.5)**	**137.8**	**–**	**137.8**

Consolidated statement of cash flows
For the year ended 31 March 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Profit for the year in continuing operations		**24.7**	6.4
Net cash used in operating activities in discontinued operations	35	**(0.5)**	(8.8)
Adjustments for:			
Depreciation and amortisation	17, 18	**24.3**	29.0
(Profit)/ Loss on disposal of property, plant and equipment		**(0.1)**	0.9
Finance income	11	**(4.5)**	(2.9)
Finance costs	12	**6.4**	7.8
Taxation charge	13	**9.6**	1.2
Share-based payment charge	31	**6.7**	5.3
(Decrease)/ Increase in provisions	27	**(0.6)**	2.7
Operating cash flows before movement in working capital		**66.0**	41.6
(Increase)/ decrease in inventories		**(6.4)**	9.0
Decrease in trade and other receivables		**28.8**	14.7
Decrease in trade and other payables		**(25.6)**	(43.0)
Total movement in working capital		**(3.2)**	(19.4)
Taxation (paid) / refunded		**(1.2)**	2.2
Cash generated from operating activities		**61.6**	24.4
Cash flows from investing activities			
Interest received		**0.7**	–
Proceeds from sale of property, plant and equipment		**–**	0.1
Acquisition costs relating to right of use assets		**(0.1)**	–
Acquisition of property, plant and equipment		**(5.8)**	(2.1)
Acquisition of intangible assets	17	**(2.4)**	(0.1)
Net cash used in investing activities by discontinued operations	35	**–**	9.8
Cash (used in) / generated from investing activities		**(7.6)**	7.7
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**0.3**	41.1
Share issue costs		**–**	(2.0)
Acquisition of non-controlling interests		**–**	(2.5)
Proceeds from new borrowings	25	**2.2**	–
Net repayment of borrowings	25	**(10.1)**	(35.0)
Interest paid on borrowings	12	**(3.1)**	(3.5)
Interest paid on lease liabilities	12	**(3.8)**	(4.2)
Repayment of lease liabilities		**(18.4)**	(17.7)
Net cash used in financing activities by discontinued operations	35	**(0.1)**	(8.6)
Net cash used in financing activities		**(33.0)**	(32.3)
Net increase/ (decrease) in cash		**21.0**	(0.3)
Exchange loss on cash and cash equivalents		**–**	(0.1)
Cash and cash equivalents at beginning of year		**19.1**	19.5
Cash and cash equivalents at end of year	24	**40.1**	19.1

Notes to the consolidated financial statements

For the year ended 31 March 2024

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 187. 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 81.

These financial statements are presented in pounds sterling (£m) as that is the currency of the primary economic environment in which the Group operates.

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 2024, are relevant to the Group but have had no material impact on the Group's Financial Statements:

- IFRS 17 Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2
- Amendments to IAS 8
- Amendments to IAS 12

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:

- Amendments to IAS 1, Non-current liabilities with Covenants and Classification of Liabilities as Current or Non-current (effective date 1 January 2024).
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback (effective date 1 January 2024).
- Amendments to IAS 7 and IFRS7, Supplier Finance Arrangements (effective date 1 January 2024).
- Amendments to IAS 21, Lack of Exchangeability (effective date 1 January 2025- not yet adopted by the UK Endorsement Board).
- IFRS 18 Presentation and Disclosures in Financial Statements (effective date 1 January 2027- not yet adopted by the UK Endorsement Board).

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.

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.

Discontinued Operations

Following the closure of the German operations in the previous year, the German operations are treated as a discontinued activity under IFRS5 and the results and cashflows are therefore shown separately on the face of each of the primary statements. Further details are included in note 35.

Going concern

Further information on our risks are shown on pages 40 to 47.

Notwithstanding net current liabilities of £9.1m as at 31 March 2024, 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, following agreement with the lenders in March 2024, the maturity has now been extended by one year to April 2027).

The Directors have prepared base and sensitised cash flow forecasts for the Group for a period of 12 months from the expected approval of the financial statements ("the going concern period") which indicate that the Group will remain compliant with its covenants and will have sufficient funds through its existing cash balances and availability of funds from 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:

- Restricting growth in FY25 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 a number of websites with the main one being ao.com – as well as selling products through third party websites. 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 up to 100 days. Therefore, a returns liability (included in accruals) and a right to the returned goods (included in inventories) 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. Included in Services revenue is income related to the Groups membership subscription (which span a year) and is recognised over the length of the subscription.

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 the Group for the supply of the handset. The Group earns a commission for the service provided to each MNO ("network commission").

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).

3. Significant accounting policies continued

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 recognises supplier income receivable from agreements for volume rebates. These are largely agreed in the month after recognition and 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 as it represents distinct marketing services provided to suppliers. Income is recognised once performance conditions upon the Group are met, such as the finalisation of marketing and promotional campaigns.

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.

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.

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; and
- Bank interest.

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.

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.

The Group has applied the mandatory temporary exception to the requirements of IAS12 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed Pillar Two rules.

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
Marketing related assets (including domain names)	5 to 10 years straight-line
Software	3 to 5 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. Costs relating to software not controlled by the Group are charged to the income statement

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.

3. Significant accounting policies continued

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 Group. 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.

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.

Impairment of 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.

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.

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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand, on demand deposits and cash in transit.

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.

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.

Advanced payments on account

Advanced payments on account relate to payments on account from Mobile Network Operators where there is no right of set off with the contract asset within the mobile business. Amounts are initially recognised within creditors 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.

3. Significant accounting policies continued

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.

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.

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.

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.

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.

Adjusted Profit Before Tax

Adjusted Profit Before Tax "PBT" is calculated by adding back or deducting Adjusting items to Profit Before Tax. 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.

There are no Adjusting items in the current year.

The Adjusting Item for the prior year arose following the Group's change of strategy to focus on the UK business, in which it started a simplification of its operations which included removing areas of the business that didn't fit the current priorities, including the trial with Tesco and housebuilder contracts; simplifying the organisational structure and associated contracts and exiting surplus properties. As a consequence, the Group recognised an expense of £4.5m relating to the restructuring which, due to its size and nature, was added back in arriving at Adjusted EBITDA and Adjusted PBT.

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 impairment of intangibles and goodwill and revenue recognition in respect of commission for product protection plans and network connections include significant areas of accounting estimation.

With regard to revenue recognition in respect of commission for product protection plans and network connections, 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 these 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 estimate of profit share relating to the scheme as a whole;
- the estimated rate of attrition based on historic data; 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.

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 the valuation of plans which has resulted in £2.8m of previously recognised revenue which has now been reversed in the year ended 31 March 2024.

The commission receivable balance as at 31 March 2024 was £96.5m (2023: £93.1m). The rate used to discount the revenue for the FY24 cohort is 5.85% (2023: 5.45%). The weighted average of discount rates used in the years prior to FY24 was 4.34% (2023: 3.91%).

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) 4.49% (2023: 2.86%);
- 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 (c7%).

The commission receivable on mobile phone connections can therefore depend on customer behaviour after the point of sale. The revenue recognised and associated receivable in the month of connection is estimated based on all future cash flows that will be received from the MNO and these are discounted based on the timing of receipt. This also takes into account the potential clawback of commission by the MNOs and any additional churn expected as a result of recent price increases announced and applied by the MNOs, for which a restriction to revenue is made based on historical experience.

Notes to the consolidated financial statements continued
For the year ended 31 March 2024

4. Key sources of estimation uncertainty

continued

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 valuation of connections which has resulted in a £3.0m of previously constrained revenue which has now been recognised in the year ended 31 March 2024.

In line with the requirements of IFRS 15, the Group only recognises revenue to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with its variable consideration is subsequently resolved. This 'constraint' results in potential revenue of £3.2m being restricted at 31 March 2024 (31 March 2023: £8.7m).

Whilst there is estimation uncertainty in valuing the contract asset, reasonably possible changes in assumptions are not expected to result in material changes to the valuation of the asset in the next financial year.

The commission receivable balance as at 31 March 2024 was £63.1m (2023: £81.3m). The rate used to discount the current year revenue is 4.49% (2023: 2.83%).

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 2024 these had a carrying value of £21.8m.

In February 2024, the Group acquired further intangible assets mainly related to the websites and domains of affordablemobiles.co.uk and buymobiles.net (together referred to as "Affordable Mobiles") totalling £2.3m which at 31 March 2024 had a carrying value of £2.2m (see note 16 for consideration of Cash Generating Units).

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 2024 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 which is outlined in note 16.

5. Revenue

The table below shows the Group's revenue by major business area. Revenue recognition for each area is outlined in Note 3.

Major product/services lines	2024 £m	2023 £m
Product revenue	**798.3**	874.8
Services revenue	**63.1**	56.2
Commission revenue	**128.1**	156.4
Third-party logistics revenue	**27.6**	27.6
Recycling revenue	**22.3**	23.6
	1,039.3	1,138.5

Details of the revenue in each category are set out in note 3.

6. Segmental analysis

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.

In the periods prior to FY23, 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.

7. Administrative expenses

	2024 £m	2023 £m
Marketing and advertising expenses	**40.5**	38.0
Warehousing expenses	**52.2**	59.8
Other administrative expenses	**115.0**	128.6
	207.7	226.4

8. Operating profit for the year

Operating profit for the year has been arrived at after charging/(crediting):

	2024 £m	2023 £m
Depreciation of:		
Owned assets	**5.1**	6.6
Owned assets financed by lease	**1.5**	1.9
Right of use assets	**15.4**	18.0
Amortisation	**2.3**	2.6
(Profit)/ loss on disposal of property, plant and equipment	**(0.1)**	0.2
Cost of inventory	**705.9**	799.9
Staff costs	**122.3**	133.0
Other operating income:		
Short-term sublets	**(0.6)**	(0.7)
Adjusting items (see Note 3)		
Restructuring costs (included in other administrative expenses)	**–**	4.5

9. Auditor's remuneration

The analysis of the Auditor's remuneration is as follows:

	2024 £m	2023 £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	**0.8**	0.7
Total Auditor's remuneration	**0.9**	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 107. No services were provided on a contingent fee basis. Non-audit fees of £70,000 were incurred in relation to the review of the interim financial statements (2023: £89,700).

10. Staff numbers and costs

The average monthly number of employees (including Directors) was:

	2024 Number	2023 Number
Sales, marketing and distribution	**2,834**	3,366
Directors (Executive and Non-Executive)	**8**	7
	2,842	3,373

Their aggregate remuneration comprised:

	2024 £m	2023 £m
Wages and salaries	**100.2**	110.4
Social security costs	**11.1**	12.4
Contributions to defined contribution plans (see Note 32)	**4.3**	4.9
Share-based payment charge (see Note 31)	**6.7**	5.3
	122.3	133.0

11. Finance income

	2024 £m	2023 £m
Bank interest	**0.7**	–
Unwind of discounting on non-current contract assets	**3.8**	2.9
	4.5	2.9

12. Finance costs

	2024 £m	2023 £m
Interest on lease liabilities	**3.8**	4.2
Interest on bank loans	**0.9**	2.3
Other finance costs	**1.7**	1.2
	6.4	7.8

13. Tax

	2024 £m	2023 £m
Corporation tax		
Current year	**3.7**	0.3
Adjustments in respect of prior years	**0.1**	0.2
	3.8	0.5
Deferred tax (see Note 20)		
Current year	**6.0**	0.1
Adjustments in respect of prior years	**(0.2)**	0.6
	5.8	0.7
Total tax charge	**9.6**	1.2

The expected corporation tax charge for the year is calculated at the UK corporation tax rate of 25% (2023: 19%) on the profit before tax for the year.

The charge for the year can be reconciled to the profit in the statement of comprehensive income as follows:

Year ended 31 March	2024 £m	2023 £m
Profit before tax on continuing operations	**34.3**	7.6
Tax at the UK corporation tax rate of 25% (2023: 19%)	**8.6**	1.5
Ineligible expenses	**0.5**	0.2
Impact of difference in current and deferred tax rates	**–**	(0.7)
Income not taxable	**(0.1)**	–
Group relief claimed from discontinued operations	**–**	(1.6)
Share-based payments	**0.6**	1.0
R&D tax credit	**0.1**	–
Prior period adjustments	**(0.1)**	0.8
Tax charge for the year	**9.6**	1.2

Pillar Two legislation has been enacted in the UK to introduce the multinational top-up tax and domestic top-up tax to accounting periods beginning on or after 31 December 2023. The legislation will be effective for the Group's financial year beginning 1 April 2024. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

Based on the assessment performed on the latest financial information for the year ended 31 March 2024, and forecast information for periods to 31 March 2027, the Pillar Two effective tax rates in all jurisdictions in which the Group operates are expected to be above 15%. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

14. Dividends

The Directors do not propose a dividend for the year ended 31 March 2024 (2023: £nil).

15. Earnings/ (loss) per share

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

	2024 £m	2023 £m
Profit attributable to Owners of the Parent Company from continuing operations	**24.7**	6.2
Loss attributable to Owners of the Parent Company from discontinued operations	**–**	(8.8)
	24.7	(2.6)
Number of shares		
Weighted average shares in issue for the purposes of basic earnings/ (loss) per share	**577,184,050**	548,947,969
Potentially dilutive shares	**21,058,825**	15,509,762
Weighted average number of diluted ordinary shares	**598,242,875**	564,457,731
Earnings per share from continuing operations (pence per share)		
Basic earnings per share	**4.29**	1.13
Diluted earnings per share	**4.14**	1.10
Earnings/ (loss) per share from continuing and discontinued operations (pence per share)		
Basic earnings/ (loss) per share	**4.29**	(0.48)
Diluted earnings/ (loss) per share	**4.14**	(0.47)

16. Goodwill

	£m
Carrying value at 31 March 2023 and at 31 March 2024	**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 2024, goodwill acquired through UK business combinations (excluding Mobile Phones Direct Limited) was allocated to the UK (excluding Mobile) cash-generating unit ("CGU"). 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 2024. 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 11.9% (2023: 13.1%).

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

At 31 March 2024, the goodwill allocated to the Mobile cash generating unit ("CGU") was £14.7m (2023: £14.7m). In addition to goodwill, at 31 March 2024 other intangibles assets relating to this CGU were £9.3m (2023: £7.8m.)

Included in the intangible assets noted above are the websites and domains of affordablemobiles.co.uk and buymobiles.net and other intangible assets (together referred to as "Affordable Mobiles") which the Group acquired in the year. Management believed this acquisition was an appropriate event to reassess the Mobile CGU. After considering a number of factors such as; whether cash inflows are independently generated, the transactions flow of the new websites, the monitoring of operations and overall management responsibilities, management have concluded that Affordable Mobiles should be included in the Mobile CGU and as such, at 31 March 2024 the assessment of the carrying value of the Mobile CGU includes the assets acquired during the year.

During the period, the Group has seen a significant reduction in demand for new connections, partly driven by the exceptional inflationary increases applied by the networks. With the results of the mobile business partly reliant on volume related targets,

16. Goodwill continued

competition in the mobile market for a smaller number of connections has had a material adverse effect on the results compared to management's expectations. Consequently, management have assessed the recoverable amount of the CGU using a value in use model. This has been based on management's Board approved, risk adjusted, forecast cashflows for the business up to FY29 with the final year being the basis for a perpetuity calculation using a long term growth rate of 2%.

Following the acquisition of affordablemobiles.co.uk and buymobiles.net, as well as the rebase of the business strategy to focus on profitable connections rather than volumes (as set out in the Chief Financial Officer's Review on page 33), the key assumptions for the first year of the forecast (year ending 31 March 2025) are considered to be:

- Revenue growth of 35%;
- Gross margin increase of 10 percentage points; and
- The normalisation of working capital during FY25 resulting in a cash inflow of £7.1m

Key assumptions applied within the remaining forecast period (FY26-29) are:

- Revenue growth of 2% on FY25 assumed levels; and
- Cost inflation and cost saving of between +3% and -3% based on expectations for inflation, management's estimate of product price changes based on industry knowledge and reductions in brand spend.

A pre-tax discount rate of 12.4% has been applied to the cash flows based on the capital structure of an equivalent business and reflecting market risk and volatility due to current macro- economic uncertainty. The total recoverable amount of the CGU is greater than it's carrying value by £1.3m in managements base case and therefore no impairment is required. However, given the minimal amount of headroom at 31 March 2024, reasonably plausible changes in assumptions could lead to a material impairment in the future as demonstrated below:

Key assumption	Sensitivity applied	(Impairment)/ headroom
Revenue growth	Revenue growth in FY25 restricted by 50%, no growth beyond FY25	(£7.6m)
Working capital	Initiatives to unwind working in FY25 capital do not materialise	(£5.2m)
Gross margin in year 1	Gross margin reduces/ increases by 1 percentage point	(£14.4)/ £16.9m
Cost inflation/ savings beyond year 1	Increase of 5% in total costs and reduction of 5% in savings	(£4.3m)
Pre-tax discount rate	Increase/Decrease of 1%	(£5.2m)/ £6.6m

17. Other intangible assets

	Software £m	Marketing related assets (including domain names) £m	Customer lists £m	Total £m
Cost				
At 31 March 2022	7.8	16.0	0.4	24.2
Additions	0.1	–	–	0.1
Disposals	(1.5)	–	–	(1.5)
At 31 March 2023	6.4	16.0	0.4	22.8
Additions	0.1	2.0	0.3	2.4
Disposals	(0.4)	(0.2)	–	(0.6)
At 31 March 2024	**6.1**	**17.8**	**0.7**	**24.6**
Amortisation				
At 31 March 2022	5.7	6.1	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	5.3	7.6	0.3	13.2
Charge for the year	0.7	1.6	0.1	2.3
Disposals	(0.3)	0.2)	–	(0.5)
At 31 March 2024	**5.7**	**8.9**	**0.4**	**15.0**
Carrying amount				
At 31 March 2024	**0.3**	**8.9**	**0.4**	**9.6**
At 31 March 2023	1.1	8.4	0.2	9.6

Amortisation is charged to administrative expenses in the consolidated income statement.

In February 2024, the Group acquired the websites and domains of affordablemobiles.co.uk and buymobiles.net, which are included within marketing related assets in the table above, and a customer list totalling £2.3m

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 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	14.6	21.5	16.7	13.0	–	67.0
Additions	3.5	0.2	0.9	0.3	0.9	–	5.8
Disposals	–	(3.2)	(0.4)	(1.0)	(0.2)	–	(4.8)
At 31 March 2024	**4.6**	**11.6**	**22.0**	**16.0**	**13.7**	**–**	**67.9**
Accumulated depreciation							
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	–	46.1
Charge for the year	0.1	1.4	2.4	1.5	1.2	–	6.6
Disposals	–	(3.1)	(0.4)	(1.0)	(0.2)	–	(4.8)
At 31 March 2024	**0.2**	**8.4**	**13.5**	**13.3**	**12.4**	**–**	**47.8**
Carrying amount							
At 31 March 2024	**4.4**	**3.2**	**8.5**	**2.7**	**1.3**	**–**	**20.1**
At 31 March 2023	1.0	4.5	9.9	3.8	1.6	–	20.9

At 31 March 2024, the Group had capital expenditure committments of £3.5m (2023: £nil).

At 31 March 2024, 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 £4.5m (2023: £6.0m). 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.

Notes to the consolidated financial statements continued
For the year ended 31 March 2024

18. Property, plant and equipment continued

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 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
Additions	3.0	0.5	0.3	3.9
Disposals	(7.8)	(2.2)	(0.8)	(10.8)
At 31 March 2024	**91.6**	**30.3**	**0.3**	**122.2**
Accumulated depreciation				
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
Charge for the year	8.8	6.5	0.1	15.4
Disposals	(6.2)	(2.1)	(0.8)	(9.1)
At 31 March 2024	**47.7**	**18.2**	**0.1**	**65.9**
Carrying amount				
At 31 March 2024	**43.9**	**12.1**	**0.2**	**56.2**
At 31 March 2023	51.2	18.1	–	69.4

The expense relating to short-term leases and low value assets included within the Income Statement amounted to £1.3m (2023: £0.5m). At 31 March 2024, the Group was committed to leases which had not yet commenced totalling £0.5m (2023: 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 2024.

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
Elekdirect Limited	United Kingdom	Ordinary	100%	Retail
Electrical Appliance Outlet Limited	United Kingdom	Ordinary	100%	Retail
Affordable Mobiles Limited	United Kingdom	Ordinary	100%†	Retail
Expert Logistics Ltd	United Kingdom	Ordinary	100%†	Logistics and transport
AO Recycling Limited	United Kingdom	Ordinary	100%	WEEE recycling
Worry Free Limited	United Kingdom	Ordinary	100%	Holding company
Appliances Online Ltd	United Kingdom	Ordinary	100%	Holding company
AO Ltd	United Kingdom	Ordinary	100%	Holding company
AO Deutschland Limited	Germany	Ordinary	100%‡	Non trading (see note 35)
AO.BE SA	Belgium	Ordinary	99.99%*	Dormant
WEEE Collect It Limited	United Kingdom	Ordinary	100%**	Dormant
WEEE Re-use It Limited	United Kingdom	Ordinary	100%**	Dormant
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

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 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 187 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 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
Credit/(debit) to income statement	0.8	(0.3)	(0.8)	0.4	(0.2)	(5.8)	(5.8)
Credit to reserves	0.3	–	–	–	–	–	0.3
At 31 March 2024	**1.9**	**1.0**	**0.1**	**(1.8)**	**0.4**	**1.3**	**2.9**

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 has an unrecognised deferred tax asset of £0.1m (2023: £0.1m) in respect of unused losses carried forward.

21. Inventories

	2024 £m	2023 £m
Finished goods	**79.5**	73.1

Included within inventories are stock provisions of £1.4m (2023: £0.6m).

22. Trade and other receivables

	2024 £m	2023 £m
Trade receivables	**17.7**	21.6
Contract assets	**159.6**	174.4
Prepayments and accrued income	**27.9**	34.9
Other receivables	**–**	0.2
	205.1	231.1

The trade and other receivables are classified as:

	2024 £m	2023 £m
Non-current assets	**90.0**	93.3
Current assets	**115.1**	137.8
	205.1	231.1

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:

	2024 £m	2023 £m
Balance brought forward	**174.4**	174.1
Revenue recognised	**120.8**	148.7
Cash received	**(139.6)**	(154.0)
Revisions to estimates	**0.2**	2.7
Unwind of discounting	**3.8**	2.9
Balance carried forward	**159.6**	174.4

Included in the contract asset above in relation to product protection plans at 31 March 2023, was an amount of £(2.8)m in relation to variable consideration recognised as revenue up to that date which has reversed in the year ended 31 March 2024. This arose as a result of the cost of claims being higher than forecast, principally as a result of continued high inflation and is included in the "Revisions to estimates" above. Also included is previously constrained revenue of £3.0m in relation to network commissions (out of contract revenue) which has now been recognised in the year ended 31 March 2024.

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. Customer contracts with the MNOs are ordinarily for a duration of 24 months. Management assess each half year, the expected tenure of the live contracts based primarily on cancellations and cash collection. As a consequence, in line with the requirements of IFRS 15, the Group only recognises revenue to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with its variable consideration is subsequently resolved. This 'constraint' results in potential revenue of £3.2m being restricted at 31 March 2024 in relation to network commissions (31 March 2023: £8.7m).

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. It also receives a share of the overall profitability of the scheme. 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 – 5.85% (2023: 5.45%);
- 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 6 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 15 years from c.3.4m plans that have been sold. Of these, c.1.09m 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) or decrease by 2%	(1.5)/ 1.5
Profit share entitlement- (increase) or decrease in claims costby 10%	(1.9)/ 2.3
Backstop (reduce)/ increase by 12months	(2.4)/ 1.9

Cancellations

The number of cancellations and therefore the cancellation rate can fluctuate based on a number of factors including macroeconomic changes such as unemployment and cost of living. The impact of reasonable potential changes is shown in the sensitivities above.

Profit share

The profit share attaching to the overall scheme is dependent on factors such as the price of the plan, the cost and incidence 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. The above sensitivity considers what any reasonable change in claims cost could mean to the overall profit share.

Backstop

Management apply an acceleration of cancellations beyond the anticipated life of certain products upto a backstop which is currently based on the oldest actual plans in existence. Currently no revenue is recognised beyond that date. The sensitivity applied shows what the impact to the calculation of estimated future revenue would be if the backstop was extended a further year (given a small number of plans have now reached the current backstop) or alternatively the backstop was tightened as there are a relatively lower number of plans which are approaching the backstop.

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 – 4.49% (2023: 2.83%);
- 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.

22. Trade and other receivables continued

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.

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	1.4/ (1.4)

Cancellations

The number of cancellations and, therefore, the cancellation rate, can fluctuate based on a number of factors. These include macroeconomic changes e.g., unemployment, interest rates and inflation. The impact of reasonable potential changes is shown in the sensitivities above.

23. Trade and other payables

	2024 £m	2023 £m
Trade payables	**145.3**	163.4
Accruals	**20.9**	19.4
Advanced payments on account	**29.8**	37.2
Deferred income	**17.9**	14.2
Other payables	**14.2**	20.1
	228.1	254.3

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 55 days (2023: 51 days). Advanced payments on account relate to 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:

	2024 £m	2023 £m
Current liabilities	**225.6**	249.5
Long-term liabilities	**2.5**	4.8
	228.1	254.3

24. Net debt

	2024 £m	2023 £m
Cash and cash equivalents at year end	**40.1**	19.1
Borrowings – Repayable within one year	**(0.2)**	(10.0)
Borrowings – Repayable after one year	**(1.9)**	–
Owned asset lease liabilities – Repayable within one year	**(1.6)**	(1.9)
Owned asset lease liabilities – Repayable after one year	**(2.0)**	(3.6)
Net funds (excluding leases relating to right of use assets)	**34.4**	3.6
Right of use asset lease liabilities – Repayable within one year	**(15.4)**	(15.8)
Right of use asset lease liabilities – Repayable after one year	**(49.8)**	(63.9)
Net debt	**(30.8)**	(76.1)

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 2023	10.0	85.3
Changes from financing cash flows		
Payment of interest	(0.9)	(3.8)
Repayment of lease liabilities	–	(18.4)
Repayment of borrowings	(10.1)	–
New borrowings	2.2	–
Total changes from financing cash flows	(8.8)	(22.2)
Other changes		
New lease liabilities	–	3.8
Reassessment of lease term	–	(1.9)
Interest expense	0.9	3.8
Total other changes	0.9	5.7
Balance at 31 March 2024	**2.1**	**68.8**

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

On 14 July, AO Recycling Limited, a wholly owned subsidiary, acquired the land and building at its Halesfield site for £3.5m. This was partly funded by a ten year commercial mortgage of £2.2m which is shown as New borrowings in the reconciliation above.

	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**

25. Borrowings

	2024 £m	2023 £m
Secured borrowing at amortised cost		
Bank loan	**2.1**	–
Drawdowns on Revolving Credit Facility	**–**	10.0
Amount due for settlement within 12 months	**0.2**	10.0
Amount due for settlement after 12 months	**1.9**	–

On 6 April 2023, the Group renewed its £80m revolving credit facility and, following agreement with the lenders in March 2024, the maturity has now been extended by one year to April 2027. The total amount utilised at 31 March 2024 on the existing facility was £3.7m and represents guarantees and letters of credit (2023: £10.0m cash drawings and £0.2m of letters of credit).

The bank loan relates to a new ten year commercial mortgage in relation to the acquisition of land and a building in AO Recycling Limited, a wholly owned subsidiary.

26. Lease liabilities

	Minimum lease payments	
	2024 £m	**2023 £m**
Amounts payable under lease liabilities:		
Within one year	**20.6**	21.6
Within one to two years	**16.1**	20.8
Within two to three years	**12.3**	15.8
Within three to four years	**8.8**	11.7
Within four to five years	**7.2**	8.5
Greater than five years	**15.0**	20.6
	80.1	99.1

	Present value of minimum lease payments	
	2024 £m	**2023 £m**
Amounts payable under lease liabilities:		
Within one year	**16.9**	17.8
Within one to two years	**13.9**	17.5
Within two to three years	**10.5**	13.7
Within three to four years	**7.6**	10.2
Within four to five years	**6.4**	7.4
Greater than five years	**13.5**	18.7
	68.8	85.3

27. Provisions

	2024 £m	2023 £m
Provisions	**4.4**	5.0

Provisions are classified as:

	2024 £m	2023 £m
Current liabilities	**0.6**	1.2
Non-current liabilities	**3.9**	3.8
	4.4	5.0

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 2023	0.8	4.2	5.0
Provisions created in the year	–	0.6	0.6
Utilised in the year	(0.3)	(0.9)	(1.2)
At 31 March 2024	**0.5**	**3.9**	**4.4**

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 and therefore the provision represents the estimated cost to fulfil this. The provision will be utilised as leased assets expire. The restructuring provision relates to the simplification of operations in the prior year which included the early termination of existing contracts.

28. Share capital, investment in own shares and share premium

	Number of shares m	Share capital £m	Share premium £m
At 1 April 2023	576.9	1.4	108.2
Share issue	1.6	–	0.3
At 31 March 2024	**578.6**	**1.4**	**108.5**

On 5 July 2023, the Company issued 1,443,526 to satisfy options granted in July 2019 under the AFY20 AO 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.

On the same date, the Company issued 205,933 shares to satisfy the exercise of shares under the SAYE scheme and subsequently, 381,487 shares were exercised with proceeds totalling £0.3m for the scheme. Shares over and above the issue on 5 July were satisfied using existing shares held by the EBT.

As at 31 March 2024, the number of shares held by the EBT was 788,578 (2023: 520,212).

29. Non-controlling interest

	2024 £m	2023 £m
Balance at 1 April	–	1.0
Share of (profit)/ loss for the year	–	(0.2)
Acquisition of minority interest	–	(0.8)
Balance at 31 March	–	–

In the prior 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.

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) 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 prior year, the difference between the nominal value and fair value of the shares issued as part of the Capital Raise of £37.0m was been taken to the merger reserve.

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 translation reserve represents the cumulative exchange differences arising from the translation of overseas subsidiaries.

The other reserve arose on the acquisition of AO Recycling Limited, which is now a wholly owned subsidiary, and relates to the difference between the gross and fair valuation of the put option.

31. Share-based payments

Performance Share Plan

The table below summarises the amounts recognised in the income statement during the year.

	2024 £m	2023 £m
FY20 AO Incentive Plan	–	0.7
FY21 AO Incentive Plan	**1.1**	1.0
FY22 AO Incentive Plan	**0.1**	0.1
FY23 AO Incentive Plan	**0.9**	0.5
FY24 AO Incentive Plan	**0.9**	–
Value Creation Plan ("VCP")	**3.1**	1.9
Sharesave scheme	**0.6**	1.1
Total share scheme charge	**6.7**	5.3

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 FY20 AO Incentive Plan vested. The number of shares vesting was 1,443,526.

FY21 AO 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 2024, was 1,629,655.

FY22 AO 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 2024, was 1,417,157.

FY23 AO Incentive Plan

The 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.

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 2024, was 3,909,320.

FY24 AO Incentive Plan

On 6 July 2023, the Company adopted the FY24 AO Incentive plan award 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 performance conditions along three sets of deliverables as detailed below as well as the continuing employment of the individuals:

1. Financial (output) metrics- focused on profit before tax and average liquidity (70% weighting);
2. Stakeholder impact measures- focusing on customers and employees (20% weighting); and
3. Strategic measure- tied to delivering a new strategic plan (10% weighting)

The bonus and number of conditional share awards was initially calculated based on the performance criteria for the year ended 31 March 2024. The vesting date for the conditional shares is July 2027. The Remuneration Committee of the Board determines the extent to which this target has been met.

The fair value was determined to be the share price at grant date of £0.814.

The number of awards made were 6,195,947 and based on the performance criteria achieved, and subject to continued employment, the number of conditional shares relating to the scheme at 31 March 2024 is 5,668,326.

Value Creation Plan ("VCP")

The Group has a value Creation Plan ("VCP"), initially launched during FY21 and replaced in FY23, which is 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 principal features of the 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 up to 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.

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.

The original grant date fair value expense for the original scheme continues 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.

During the year ended 31 March 2024, additional Employee Awards of 121,133 were granted on 5 July 2023 and 88,527 were granted on 21 November 2023 which have fair values (calculated using the Black Scholes model) as set out below:

5 July 2023	**31 March 2027**	**31 March 2028**	**31 March 2029**
Number of units granted	121,133	121,133	121,133
Fair value per unit	£4.84	£2.03	£1.63

21 November 2023	**31 March 2027**	**31 March 2028**	**31 March 2029**
Number of units granted	88,527	88,527	88,527
Fair value per unit	£4.60	£2.98	£1.65

Having taken account of the new awards in the period and the impact of leavers, the number of outstanding units at 31 March 2024 is 1,354,156.

As a consequence, the charge to the income statement for the year ended 31 March 2024 was £3.0m.

31. Share-based payments continued

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:

	2024 No. of options	2024 WAEP (£)*	2023 No. of options	2023 WAEP (£)*
Outstanding at the beginning of the year	**6,422,665**	**0.63**	6,046,594	0.96
Granted during the year	**2,708,138**	**0.53**	5,452,718	0.53
Forfeited during the year	**(1,412,963)**	**0.71**	(4,829,808)	0.90
Exercised during the period	**(381,487)**	**0.89**	–	–
Lapsed in the year	**(220,885)**	**1.01**	(246,839)	1.01
Outstanding at the end of the year	**7,115,468**	**0.62**	6,422,665	0.63

* Weighted average exercise price.

During the year ended 31 March 2024, options were granted on 22 December 2023. For the shares outstanding at 31 March 2024, the remaining weighted average contractual life is 2.21 years (2023: 2.50 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 2024:

For options granted on	1 Feb 2019	22 Jan 2020	25 Jan 2021	23 Dec 2021	22 Dec 2022	21 Dec 2023
Risk-free rate	0.79%	0.79%	0.79%	0.58%	3.58%	4.16%
Expected volatility	46.5%	46.5%	46.5%	45.0%	45.0%	60%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Option life	3 years	3 years	3 years	3 years	3 years	3 years

Expected volatility under both the LTIP and the SAYE schemes was calculated by considering both the Company's historical daily share price volatility data and that of a group of listed comparator companies over a period commensurate with the expected term of the awards.

32. Retirement benefit schemes

Defined contribution schemes

The pension cost charge for the year represents contributions payable by the Group and amounted to £4.3m (2023: £5.4m). Contributions totalling £0.6m (2023: £0.6m) 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.

Borrowings

Borrowings are stated at their amortised cost using the effective interest method.

The fair value of borrowings, calculated based on the discounted value of future cash flows, is not materially different to their carrying value.

Lease liabilites

The carrying value of lease liabilities are measured in accordance with IFRS 16.

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.

	2024 Carrying amount £m	2024 Fair value £m	2023 Carrying amount £m	2023 Fair value £m
Financial assets designated as fair value through profit or loss				
Loans and receivables				
Cash and cash equivalents	**40.1**	**40.1**	19.1	19.1
Trade receivables (see Note 22)	**17.7**	**17.7**	21.6	21.6
Prepayments and other receivables (see Note 22)	**27.9**	**27.9**	35.1	35.1
Total financial assets	**85.7**	**85.7**	75.8	75.8
Financial liabilities measured at amortised cost				
Trade payables (see Note 23)	**(145.3)**	**(145.3)**	(163.4)	(163.4)
Other payables excluding deferred income (see Note 23)	**(64.9)**	**(64.9)**	(76.9)	(76.9)
Borrowings (see Note 25)	**(2.1)**	**(2.1)**	(10.0)	(10.0)
Total financial liabilities	**(212.3)**	**(212.3)**	(250.2)	(250.2)
Total financial instruments	**(126.6)**	**(126.6)**	(174.4)	(174.4)

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:

	2024 £m	2023 £m
Trade receivables	**17.7**	21.6

33. Financial instruments continued

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	15.3	–	15.3
Past due 0–30 days	1.4	–	1.4
Past due 31 – 120 days	0.7	(0.2)	0.5
More than 120 days	0.8	(0.4)	0.4
At 31 March 2024	**18.3**	**(0.6)**	**17.7**
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

The current year includes an impairment charge of £0.6m (2023: £0.6m) to trade receivables. Contract assets are also assessed for credit risk. Total contract assets at 31 March 2024 were £159.6m (2023: £174.4m). 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	210.2	210.2	207.7	2.5	–
Bank loans	2.1	3.0	0.4	1.4	1.2
Lease liabilities	68.7	80.1	20.6	44.5	15.0
At 31 March 2024	**281.1**	**293.3**	**228.7**	**48.3**	**16.2**

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.

33. Financial instruments continued

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:

	2024 £m	2023 £m
Fixed and variable rate instruments		
Fixed rate	**3.6**	5.5
Variable rate	**2.1**	10.0
	5.7	15.5

If interest rates increased by 1% there would be an impact on the finance cost of approximately £0.1m.

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 2027.

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.

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:

	2024 £m	2023 £m
Short-term employee benefits	**3.7**	3.6
Share-based payments	**2.6**	2.3
Post-employment benefits	**–**	–

Short-term employee benefits relate to cash remuneration paid to the directors of the Company, and its subsidiaries, during the year and include social security costs.

Share based payments in the table above relate to the maximum potential share award granted to directors under the AO Incentive Plan for the performance period of FY24. Following partial attainment of the performance conditions, 98.7% of the award has vested (2023: 79.3% of the AO Incentive Plan for the performance period of FY23) and is payable in the form of a deferred share award. The deferred share award will be released in July 2027 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 FY21 AOIP Award which had a deferral period spanning FY22 to FY24 inclusive. The Remuneration Committee has deemed that the performance underpin has been met in full and accordingly 1,004,697 shares will be issued to the directors in July 2024. Based on the three-month average share price to 31 March 2024 of 90.26p these have a total value of £0.9m. (2023: 867,231 shares issued in July 2023 pursuant to the FY20 AOIP Award with a value of £0.5m based on a share price of 63.26p).

There were no termination or other long-term benefits paid to key management personnel during the year ended 31 March 2024 (2023: nil).

Further information about the remuneration of individual Board Directors is provided in the audited part of the Directors' Remuneration Report on pages 108 to 114.

35. Discontinued operations

Following the closure of the Groups German business in the previous period, the business has been treated and presented as a discontinued operation in the year ended 31 March 2024. The tables below show the results of the German operation for the relevant reporting periods:

	2024 £m	2023 £m
Revenue	**0.2**	36.2
Cost of sales	–	(40.4)
Gross profit / (loss)	**0.2**	(4.2)
Administrative expenses and other operating income	**(0.2)**	(13.5)
Operating loss	–	(17.7)
Finance income	–	6.4
Loss before tax	–	(11.3)
Taxation charge	–	(0.1)
Loss after tax	–	(11.4)
Gain on remeasurement of assets	–	2.6
Loss after tax of discontinued operations	–	(8.8)

Basic loss per share from discontinued operations is 0.00p (2023: 1.61p loss per share). Diluted loss per share from discontinued operations is 0.00p (2023: 1.56p loss per share).

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

	2024 £m	2023 £m
Net cash flows from operating activities	**(0.5)**	(8.8)
Net cash flows from investing activities	–	9.8
Net cash flows from financing activities	**(0.1)**	(8.6)

Company statement of financial position

As at 31 March 2024

	Note	2024 £m	2023 £m
Non-current assets			
Intangible assets	4	**0.1**	0.5
Property, plant and equipment	5	**1.5**	1.9
Right of use assets	5	**6.0**	7.0
Investment in subsidiaries	3	**46.2**	42.7
Trade and other receivables	8	**63.7**	17.1
Deferred tax asset	7	**1.4**	1.1
		119.0	70.4
Current assets			
Corporation tax receivable		**–**	0.4
Trade and other receivables	8	**2.6**	2.7
Cash at bank and in hand		**0.3**	1.2
		2.9	4.3
Total assets		**121.9**	74.7
Current liabilities			
Trade and other payables	9	**(67.4)**	(61.8)
Lease liabilities	10	**(1.2)**	(1.2)
Provisions	11	**(0.3)**	(0.8)
		(68.9)	(63.8)
Net current liabilities		**(66.0)**	(59.5)
Non-current liabilities			
Lease liabilities	10	**(5.9)**	(7.2)
Provisions	11	**(0.6)**	(0.7)
		(6.5)	(7.9)
Total liabilities		**(75.4)**	(71.7)
Net assets		**46.5**	3.0
Equity			
Share capital	12	**1.4**	1.4
Share premium	12	**108.5**	108.2
Merger reserve	12	**59.2**	59.2
Capital redemption reserve		**0.5**	0.5
Share-based payments reserve		**20.3**	15.4
Other reserves		**0.4**	0.4
Retained losses		**(143.8)**	(182.1)
Total equity		**46.5**	3.0

AO World PLC reported a profit after tax for the year ended 31 March 2024 of £36.2m (2023: £37.4m loss) which includes dividends received from subsidiaries of £50.0m (2023: £17.0m).

The financial statements of AO World PLC, registered number 05525751, were approved by the Board of Directors and authorised for issue on 25 June 2024. 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 2024

	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 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
Profit for the year	–	–	–	–	–	–	36.2	36.2
Share-based payments charge (net of tax)	–	–	–	–	7.0	–	–	7.0
Issue of shares (net of expenses)	–	0.3	–	–	–	–	–	0.3
Movement between reserves	–	–	–	–	(2.1)	–	2.1	–
Balance at 31 March 2024	**1.4**	**108.5**	**59.2**	**0.5**	**20.3**	**0.4**	**(143.8)**	**46.5**

Notes to the Company financial statements
For the year ended 31 March 2024

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 150.

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

	2024 £m	2023 £m
Cost		
At 31 March 2023	**43.3**	88.4
Additions	**–**	39.7
Disposals	**–**	(87.3)
Group share-based payments	**3.5**	2.5
At 31 March 2024	**46.8**	43.3
Impairment		
At 31 March 2024 / 2023	**0.6**	0.6
Carrying amount		
At 31 March 2024 / 2023	**46.2**	42.7

The Company has made capital contributions to its subsidiaries of £3.5m (2023: £2.5m) in relation to the allocation of share-based payment charges.

4. Intangible assets

	Domain names £m	Software £m	Total £m
Cost			
At 31 March 2023	1.0	3.4	4.4
Disposals	(0.3)	-	(0.3)
At 31 March 2024	**0.7**	**3.4**	**4.1**
Amortisation			
At 31 March 2023	1.0	2.9	3.9
Charge for the year	–	0.4	0.4
Disposals	(0.3)	-	(0.3)
At 31 March 2024	**0.7**	**3.3**	**4.0**
Carrying amount			
At 31 March 2024	**–**	**0.1**	**0.1**
At 31 March 2023	–	0.5	0.5

Amortisation is charged to administrative expenses 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 2023	4.6	3.8	8.4	13.3
Additions	0.3	–	0.3	0.8
Disposals	(0.1)	(2.4)	(2.5)	(5.6)
At 31 March 2024	**4.8**	**1.4**	**6.2**	**8.5**
Accumulated depreciation				
At 31 March 2023	3.6	2.8	6.4	6.3
Charge for the year	0.5	0.3	0.8	1.2
Disposals	(0.1)	(2.4)	(2.5)	(5.0)
At 31 March 2024	**4.0**	**0.7**	**4.7**	**2.5**
Carrying amount				
At 31 March 2024	**0.8**	**0.7**	**1.5**	**6.0**
At 31 March 2023	1.0	1.0	1.9	7.0

The carrying value of right of use assets is analysed as follows:

Right of use assets	2024 £m	2023 £m
Land and buildings	**5.1**	6.5
Motor vehicles	**0.7**	0.5
IT equipment	**0.2**	–
	6.0	7.0

6. Subsidiaries

Details of the Company's subsidiaries at 31 March 2024 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
Elekdirect Limited	United Kingdom	Ordinary	100%	Retail
Electrical Appliance Outlet Limited	United Kingdom	Ordinary	100%	Retail
Affordable Mobiles Limited	United Kingdom	Ordinary	100%†	Retail
Expert Logistics Ltd	United Kingdom	Ordinary	100%†	Logistics and transport
AO Recycling Limited	United Kingdom	Ordinary	100%	WEEE recycling
Worry Free Limited	United Kingdom	Ordinary	100%	Holding company
Appliances Online Ltd	United Kingdom	Ordinary	100%	Holding company
AO Ltd	United Kingdom	Ordinary	100%	Holding company
AO Deutschland Limited	Germany	Ordinary	100%‡	Non trading (see note 35)
AO.BE SA	Belgium	Ordinary	99.99%*	Dormant
WEEE Collect It Limited	United Kingdom	Ordinary	100%**	Dormant
WEEE Re-use It Limited	United Kingdom	Ordinary	100%**	Dormant
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

* 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 187 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 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
(Debit)/ Credit to income statement	0.5	(0.3)	(0.1)	–	–
Credit to reserves	0.2	–	–	–	0.2
Deferred tax asset at 31 March 2024	**1.2**	**–**	**0.1**	**0.1**	**1.4**

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.

8. Trade and other receivables

	2024 £m	2023 £m
Amounts owed by Group undertakings	**63.7**	17.1
Prepayments	**2.1**	2.2
Other receivables	**0.5**	0.5
	66.3	19.8

The Trade and other receivables are classified as:

	2024 £m	2023 £m
Non-current assets – Amounts owed by Group undertakings	**63.7**	17.1
Current assets	**2.6**	2.7
	66.3	19.8

Amounts owed by Group undertakings are repayable on demand and bear no interest. All other trade and other receivables are receivable in less than one year.

9. Trade and other payables

	2024 £m	2023 £m
Trade payables	**0.2**	1.4
Accruals	**6.3**	4.5
Other payables	**0.9**	0.6
Amounts owed to Group undertakings	**60.0**	55.3
	67.4	61.8

The carrying amount of trade payables approximates to their fair value.

Amounts owed to Group undertakings are repayable on demand and carry no interest.

10. Lease Liabilities

	2024 £m	2023 £m
Secured borrowing at amortised cost		
Lease liabilities	**7.2**	8.4
Amounts payable under lease liabilities		
Within one year	**1.2**	1.2
Within one to two years	**1.2**	1.1
Within two to three years	**1.0**	1.0
Within three to four years	**0.9**	1.0
Within four to five years	**0.8**	1.1
Greater than five years	**2.1**	3.0
	7.2	8.4

Movements in the year were as follows:

	Leases £m
At 1 April 2023	8.4
Changes from financing cash flows	
Repayment of lease liabilities	(1.3)
Payment of interest	(0.4)
Total changes from financing cash flows	(1.7)
Other changes	
New lease liabilities	0.8
Reassessment of lease term	(0.7)
Interest charge	0.4
Total other changes	0.5
At 31 March 2024	**7.2**

11. Provisions

Provisions are classified as:

	2024 £m	2023 £m
Current liabilities	**0.3**	0.8
Non-current liabilities	**0.6**	0.7
	0.9	1.5

The movement in the year is shown below:

	Dilapidations provision £m	Restructuring provision £m	Total £m
At 31 March 2023	0.7	0.8	1.5
Provisions created in the year	0.2	–	0.2
Utilised in the year	(0.5)	(0.3)	(0.8)
At 31 March 2024	**0.4**	**0.5**	**0.9**

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 prior year which included the early termination of existing contracts.

12. Share capital and share premium

	Number of shares m	Share capital £m	Share premium £m	Merger reserve £m
At 31 March 2023	576.9	1.4	108.2	59.2
Share issue	1.6	–	0.3	–
At 31 March 2024	**578.5**	**1.4**	**108.5**	**59.2**

On 5 July 2023, the Company issued 1,443,526 shares to satisfy options granted in July 2019 under the AO 2018 Incentive Plan (see Note 31 of the consolidated financial statements).

Also on 5 July 2023, the Company issued 205,933 shares to satisfy the exercise of shares under the SAYE scheme (see Note 31 of the consolidated financial statements).

13. Share-based payments

The Company recognised total expenses of £3.3m (2023: £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 PBT means Profit/(loss) before tax, adjusted for any non-recurring items as defined by the Board.

Adjusting items means the items as set out on page 156.

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

ENPS means Employee Net Promoter Score

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

FY21, FY22, FY23 and FY24 mean the financial year of the Company ended 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024 respectively and FY25 means the current financial year ending 31 March 2025

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
affordablemobiles.co.uk
buymobiles.net

Corporate
ao-world.com

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