THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank, solicitor, accountant or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended, "FSMA") if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your AO World Plc ("**Company**") ordinary shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you sell or have sold or otherwise transferred only part of your holding of ordinary shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this document to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action. The distribution of this document and any accompanying document into jurisdictions other than the United Kingdom may be restricted by law. Any person not in the United Kingdom into whose possession this document and any accompanying document come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.

AO WORLD PLC

(Incorporated and registered in England and Wales with registered number 05525751)

Proposed Acquisition of MOBILE PHONES DIRECT LIMITED

and

Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the risk factors set out in Part 2 (Risk Factors) of this document and to the letter from the Chairman which is set out in Part 1 (Letter from the Chairman) of this document and which recommends you vote in favour of the resolution to be proposed at the General Meeting referred to below.

Notice of General Meeting of the Company to be held at 1pm on 29 November 2018 at Jefferies International Limited, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ, is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon to the Company's registrar, Link Asset Services, at the address printed on the back of the Form of Proxy or, if preferred, in an envelope to FREEPOST PXS, 34 Beckenham Road, BR3 9ZA (please note delivery using this service can take up to five business days) as soon as possible but in any event must arrive not later than 1pm on 27 November 2018. You may wish to take advantage of our registrar's secure online voting service (using the identification numbers stated on the enclosed Form of Proxy) which is available at www.aoshareportal.com. CREST members may utilise the CREST electronic proxy appointment service. Registering your vote, either electronically or by returning a completed From of Proxy, does not prevent you from attending and voting in person at the General Meeting should you decide to do so.

Capitalised terms have the meanings ascribed to them in Part 7 (Definitions) of this document.

This document is a circular relating to the Acquisition which has been prepared in accordance with the Listing Rules made under section 73A of FSMA and has been approved by the FCA. This document is not a prospectus and it is not intended to and does not constitute an offer, or the solicitation of an offer, to purchase, acquire, subscribe for, sell, dispose of or issue any security in any jurisdiction. The contents of this document should not be construed as legal, financial or tax advice. Each Shareholder should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice respectively.

No person has been authorised to give any information or make any representation other than those contained in the document and, if given or made, such information or representations must not be relied on as having been authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

Jefferies International Limited ("**Jefferies**"), which is authorised and regulated by the FCA in the United Kingdom, is acting for the Company and no-one else in connection with the Acquisition and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Jefferies or for providing advice in relation to the Acquisition.

Apart from the responsibilities and liabilities, if any, which may be imposed on Jefferies by FSMA or the regulatory regime established thereunder, Jefferies accepts no responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification, or any statement made or purported to be made by, or on behalf of, the Company. Jefferies accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

This document is dated 9 November 2018.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of Acquisition	9 November 2018
Publication of this document	9 November 2018
Latest time and date for receipt of Forms of Proxy	1pm on 27 November 2018
General Meeting	1pm on 29 November 2018
Expected date of Completion of the Acquisition	By 31 March 2019

All references to time in this document are, unless otherwise stated, references to time in London, United Kingdom. The times and dates in the table above, and where used elsewhere in this document, are given on the basis of the Directors' current expectations and are subject to change. If any of these times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement through a regulatory information service and will be available on http://ao-world.com.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Geoffrey (Geoff) Cooper	Non-Executive Chairman
	John Roberts	Founder, Director
	Stephen (Steve) Caunce	Chief Executive Officer
	Jonathan (Mark) Higgins	Chief Financial Officer
	Brian McBride	Senior Independent Director
	Christopher (Chris) Hopkinson	Non-Executive Director
	Maria Luisa (Marisa) Cassoni	Independent Non-Executive Director
	Jacqueline de Rojas CBE	Independent Non-Executive Director
	Shaun McCabe	Independent Non-Executive Director
Company Secretary	Julie Finnemore	
Registered Office	5A The Parklands Lostock Bolton BL6 4SD	
Sponsor and financial adviser	Jefferies International Limited Vintners Place 68 Upper Thames Street London EC4V 3BJ	
Legal adviser to the Company	Gibson, Dunn & Crutcher UK LLP Telephone House 2-4 Temple Avenue London EC4Y 0HB	
Legal adviser to the Sponsor	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG	
Reporting accountant and auditor to the Company	KPMG LLP 1 St Peter's Square Manchester M2 3AE	
Reporting accountant to the Company in relation to the Target	BDO LLP 55 Baker Street London W1U 7EU	
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

GENERAL INFORMATION

Presentation of financial information

Unless otherwise stated:

(a) financial information relating to the Company has been extracted without material adjustment from the audited consolidated financial statements of the Company; and

(b) financial information relating to the Target has been extracted without material adjustment from the financial information set out in Part 3 (Historical Financial Information relating to MPD) of this document.

Non-IFRS financial measures

This document contains references to certain measures such as the EBITDA of MPD and the EBITDA and Adjusted EBITDA of the Group that are not measures of financial performance under IFRS or other generally accepted accounting principles and therefore may not be directly comparable with similarly titled measures used by other companies. Non-IFRS measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The Group calculates Adjusted EBITDA by adding back to EBITDA certain items of income and expense which, because of the nature and expected infrequency of events giving rise to them, merit separate presentation to allow shareholders to better understand the financial performance of the Group. The adjustments in the financial year ended 31 March 2018 were as follows:

- Long Term Incentive Plan ("**LTIP**") awards were made to a number of senior staff under the Employee Reward Plan ("**ERP**") in July 2016. The Board considers that the magnitude and timing of these awards are exceptional in nature and so add-back any charge in arriving at Adjusted EBITDA.
- Europe set-up costs are costs incurred in connection with our European expansion strategy and our continuing research into other further countries along with strategic post "go-live" costs.
- During the 2018 financial year, and following the appointment of Steve Caunce as Group CEO, the Group has undertaken a restructure of its executive team. The cost of this restructure, including the impact of the acceleration of certain share option charges, is considered to be one-off in nature due to its size and timing, and has therefore been added back in arriving at Adjusted EBITDA.

Forward looking statements

This document contains forward-looking statements regarding the financial condition, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies, budgets, capital and other expenditures, competitive positions, growth opportunities, plans and objectives of management and other matters relating to the Group. Statements in this document that are not historical facts are hereby identified as "forward-looking statements". In some instances, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "projects", "forecasts", "anticipates", "expects", "believes", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. Such forward-looking statements are necessarily based on assumptions reflecting the views of the Company, involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements and speak only as at the respective dates on which they are made. Important factors which may cause actual results to differ include, but are not limited to, those described in Part 2 (Risk Factors) of this document. Save as required by the Listing Rules, Disclosure Guidance and Transparency Rules, Market Abuse Regulation or Prospectus Rules, the Company undertakes no obligation to release publicly the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document. Nothing in this paragraph should be taken as limiting the working capital statement in paragraph 10 of Part 6 (Additional Information) of this document.

No offer of securities

This document is not an offer of securities for sale in the United States or any other jurisdiction and there will be no public offer of securities in the United States or any other jurisdiction. The securities discussed in this document have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or under any securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States, except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The securities discussed in this document have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of these securities or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

No forecasts or estimates

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per ordinary share for the current or future financial years would necessarily match or exceed the historical published earnings per ordinary share.

Currencies

References to "£", "GBP", "pounds", "pounds sterling", "sterling", "p", "penny" and "pence" are to the lawful currency of the United Kingdom.

Roundings

Certain data in this document, including financial, statistical and operating information has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. In certain instances, the sum of the numbers in a column or row in tables contained in this document may not conform exactly to the total figure given for that column or row. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

Websites

Neither the contents of the Company's or the Target's websites nor of any website accessible via hyperlinks from the Company's or the Target's websites are incorporated into, or form part of, this document.

PART 1

LETTER FROM THE CHAIRMAN

AO World Plc

(Incorporated and registered in England and Wales with registered number 05525751)

9 November 2018

Registered Office:	*Directors:*
5A The Parklands	Geoff Cooper
Lostock	John Roberts
Bolton BL6 4SD	Steve Caunce
	Mark Higgins
	Brian McBride
	Chris Hopkinson
	Marisa Cassoni
	Jacqueline de Rojas CBE
	Shaun McCabe

To the holders of AO Shares

Dear Shareholder

Acquisition of Mobile Phones Direct Limited and Notice of General Meeting

1. Introduction

On 9 November 2018, the Board announced the proposed acquisition by AO Limited, a wholly owned subsidiary of AO World Plc ("**AO**" or "**Company**"), of the entire issued share capital of Mobile Phones Direct Limited ("**MPD**" or "**Target**") from the Sellers ("**Acquisition**"), subject to certain conditions. MPD is a leading online-only retailer of mobile phones in the United Kingdom.

The total consideration for the Acquisition, which is based on a cash-free, debt-free enterprise value of £32.5 million, is approximately £38.1 million, plus Interest. The total consideration is to be satisfied by a payment in cash to the Sellers (in aggregate) of approximately £20.9 million plus Cash Interest and the issue to the Sellers (in aggregate) of approximately £17.8 million of Loan Notes (representing consideration of approximately £17.2 million plus Loan Notes Interest of approximately £0.6 million). The Loan Notes are to be exchanged on Completion for 13,095,104 Consideration Shares (in aggregate). The cash element of the consideration for the Acquisition will be funded exclusively from a new Term Loan Facility. Capitalised terms are defined in Part 7 (Definitions) of this document. Further details of the Acquisition are set out in Part 5 (Summary of the Principal Terms and Conditions of the Sale and Purchase Agreement) of this document.

Due to the size of the Acquisition, pursuant to the Listing Rules, Completion is required to be conditional upon Shareholder approval. Completion is also conditional upon approval being given by the FCA to the change of control of MPD, the CMA not issuing an order preventing Completion, and if the CMA commences an investigation into the Acquisition prior to Completion, the Buyer having received confirmation that the CMA does not intend to make a phase 2 reference, and approval being given at a listing hearing of the FCA for admission of the Consideration Shares to listing on the Official List of the FCA, which are described in more detail in Part 5 (Summary of the Principal Terms and Conditions of the Sale and Purchase Agreement) of this document. Shareholder approval will therefore be sought at a General Meeting to be held on 29 November 2018. The notice convening the General Meeting is set out at the end of this document. The Acquisition will not proceed if the Conditions are not satisfied or waived (if applicable).

The purpose of this document is to give you further details of the Acquisition, including the background to and reasons for it, and to explain the reasons why the Directors unanimously recommend that you vote in favour of the Resolution at the General Meeting, as they intend to do in respect of their own beneficial holdings which amount, in aggregate, to 184,697,670 Shares representing approximately 40.26 per cent. of the existing issued ordinary share capital (excluding Treasury Shares) of the Company as at 8 November 2018, the latest practicable date prior to the date of this document (“**Latest Practicable Date**”).

Please complete and return the Form of Proxy which accompanies this document, whether or not you intend to attend the General Meeting.

2. Background to and benefits of the Acquisition

AO’s strategy is to create shareholder value through three strategic objectives:

1) Consolidate a leading position in its core UK markets through continuing to grow its market share in white goods and developing and adding further complementary categories to its offering (the “Customer” strategic objective);
2) Leverage its competencies in the UK to extract further value from its supply chain and develop new business streams (the “Competencies” strategic objective); and
3) Establish a profitable business in Europe (the “Countries” strategic objective).

These strategic objectives are underpinned by AO’s culture and brand, and help AO strive towards achieving its purpose, which is “to have the happiest customers by relentlessly striving for a better way”.

As a result of this strategy, AO’s dependence on white goods and other major domestic appliances (“**MDA**”) has been reducing in recent periods as new categories are launched. AO is now live with six categories in the UK: MDA, Small Domestic Appliances, Audio Visual and Computing and, since late 2017, Mobile and Gaming.

AO believes that new categories have the potential to attract new customers, increase average order value and basket size, and increase the opportunity for repeat business from existing customers. In addition, launching new categories gives the AO brand exposure outside of MDA.

Benefits of the Acquisition

The Board believes that the Acquisition will benefit AO for the following reasons:

1. Further develop AO’s Customer strategic objective by transforming its Mobile offering.

The acquisition of MPD will be a further milestone in developing AO’s Customer strategic objective, by offering a more complete customer proposition in its Mobile category. MPD’s value proposition has been developed over many years by combining strategic relationships with key mobile network operators and mobile phone distributors with proprietary technology to deliver a comprehensive ecommerce offering covering major handsets and networks, and will transform AO’s Mobile category offering which currently comprises the sale of a limited range of mobile phones without any associated network contract.

2. Entry into a large and important market.

AO believes that the value of mobile phone handset sales in the UK was approximately £6.5 billion in 2017, and that retail customer mobile network connections in the UK generated revenues of approximately £15 billion in 2017. AO believes that mobile phone usage in the UK is linked to the level of smartphone penetration (smartphones are used by 78% of the UK adult population according to the Ofcom Nations & Regions Technology Tracker – H1 2018) and increasing data usage driven by, amongst other things, use of apps and social media. In addition, the market for mobile phones with associated network contracts has moved increasingly online in recent years. AO believes that online sales represented approximately 35% of new smartphone contract sales in the UK in the first quarter of 2018 compared to approximately 26% in 2015.

MPD has a consumer base of approximately 1.25 million, had approximately 13.6 million website visitors in 2017 and, in relation to its mobilephonesdirect.co.uk website, currently has over 28,000 reviews and a 5 star Trustpilot rating. MPD has relationships with the four UK mobile network operators (EE, O2, Three and Vodafone; the other UK mobile network operators being MVNOs) and is able to offer mobile phones with a related network service contract for each of these networks. AO believes that MPD has approximately a 12.5% share of the UK online mobile phone contract acquisition market.

3. Experienced management team and well-established e-commerce proposition, underpinned by relationships with UK mobile network operators and handset distributors.

MPD's senior management team, led by Richard Baxendale, Chief Executive Officer, has significant experience in the mobile phone market. MPD has developed proprietary technology tailored to the sale of mobile phones with an associated mobile network operator contract, and operates only online, with no physical retail operations. AO believes that MPD is currently the sole online-only mobile phone retailer in the UK to have contractual relationships with the four UK mobile network operators. MPD's most recent relationship is with O2, which commenced when it entered into a contract with O2 in October 2017. MPD also has relationships with certain suppliers of products and services in the market, including distributors of Apple and Samsung mobile phones.

4. Complementary online business models focused on customer service.

Both AO and MPD are online retailers with similar strategies, philosophies and cultures.

- AO's purpose is to have the happiest customers by relentlessly striving for a better way. Since the business was established in 2000 it has focussed on achieving success by doing things right for the customer, and has grown to become a leading UK online electrical retailer.
- MPD's mission is to be the UK's leading online destination for mobile by making it easy for customers to compare and buy the best deals on all the latest smartphones. MPD is a leading online-only retailer of mobile phones in the UK.

Each of AO and MPD's focus on customer service is reflected in their Trustpilot 5 star ratings.

5. Cash generative business.

MPD had revenues of £121.7 million and EBITDA of £5.5 million in its financial year ended 31 March 2018. MPD receives commissions from mobile network operators primarily over the fixed term period of the relevant customer contract, which varies by network but typically is for a period of 18 to 24 months. The key components of MPD's commission revenues vary by network operator but will typically include a share of the contracted monthly amount billed to the customer, up-front payments and volume bonuses. MPD generated Free Cash Flow of £6.7 million in the financial year ended 31 March 2018, which is 122% of EBITDA for that period.

6. Opportunities for growth and synergies.

AO believes that MPD is well positioned to benefit from current market trends and potential developments:

- a continuing shift by consumers to purchasing mobile phones, and choosing a mobile network operator contract, online;
- changes to regulations that apply to mobile network operators and take effect on 1 July 2019 which are designed to make it easier for customers to switch mobile network operators;
- the introduction of 5G in the UK, the commercial deployment of which is currently anticipated to occur from 2019 or 2020.

In addition, AO believes that there are a number of potential growth opportunities available to MPD, including:

- the prospect of increasing revenue from SIM only contracts and from the upgrades market;
- further developing MPD's ancillary services, including trade-in, insurance and finance; and

- the sale of mobile phone accessories.

Given the similarity in operating models, AO believes that there is the potential for mutual sharing of best practice for the benefit of the Enlarged Group including enhancing MPD's customer relationship management activities. AO also believes that there may be scope for cross selling across the Enlarged Group and for cost synergies as a result of greater purchasing power and bringing certain outsourced services in house.

AO currently expects that MPD will continue to be based in Thatcham and will operate on a standalone basis in the short term, with integration opportunities being considered following Completion.

3. Information on MPD

MPD is a leading online-only retailer of mobile phones in the United Kingdom, and is based in Thatcham, near Reading. MPD operates through two online brands, Mobile Phones Direct (www.mobilephonesdirect.co.uk) and Smart Phone Company (www.smartphonecompany.co.uk) and offers the following products and services:

- Pay Monthly – the sale of a mobile phone with an associated fixed period pay monthly network contract;
- Upgrades – customers who are nearing the end of a fixed period pay monthly network contract can upgrade to a new mobile phone and associated fixed period pay monthly network contract;
- SIM-only – the provision of a mobile network SIM with an associated fixed period pay monthly network contract with no accompanying mobile phone;
- Handset only – the sale of a mobile phone without any associated network contract;
- Insurance – arranging insurance on mobile phones sold by MPD which is underwritten by UK General Insurance Limited on behalf of Great Lakes Insurance SE; and
- Trade-in – a service whereby customers can trade-in their existing mobile phone and utilise the trade-in value of that mobile phone against purchases of other products and services from MPD.

MPD's websites had approximately 13.6 million visitors in 2017, up from approximately 11.6 million in 2016.

MPD's mission is to be the UK's leading online destination for mobile by making it easy for customers to compare and buy the best deals on all the latest smartphones. MPD's primary brand is Mobile Phones Direct and its supplementary brand, Smart Phone Company, is used to deploy different pricing strategies and propositions.

MPD's customer acquisitions come from the following principal sources: affiliate traffic, paid online advertising (including paid listings on search engines), customers being directed to MPD's websites by the natural search results of search engines, direct to site traffic and customer relationship management activities (such as social media and email campaigns).

MPD is focussed on delivering excellent customer service and has a dedicated customer experience team and a call centre open 7 days a week. MPD has a Trustpilot 5 star rating and has received numerous awards within the mobile phone retail industry including being named 'The Best Online Retailer of the Year' at the Mobile News Awards in 2015, 2016, 2017 and 2018.

MPD has agreements with each of the four UK mobile network operators, being EE, O2, Three and Vodafone (the other UK mobile network operators being MVNOs), pursuant to which it is authorised to market and sell their consumer propositions. Almost all of MPD's revenue is received from mobile network operators for delivering new customers and upgrades and is generally based on the ultimate value of the customer the network operator acquires, commonly involving a share of customer revenues.

MPD purchases the majority of the mobile phones it sells from mobile phone distributors. It outsources many services including warehousing, logistics and distribution, with its third party logistics partner being based in Slough.

For the year ended 31 March 2018, MPD had a monthly average of 103 full time equivalent employees. MPD's senior management team is led by Richard Baxendale, Chief Executive Officer. AO has entered into an employment contract with Mr Baxendale, conditional on Completion, for an indefinite term, which contains a 12 month notice period and restrictive covenants for a period of 6 months following cessation of employment (subject in each case to certain exceptions).

Summary financial information regarding MPD is set out below, and further financial information is contained in Part 3 (Historical Financial Information relating to MPD) of this document.

4. Summary financial information on MPD

The revenue, operating profit, EBITDA and profit before taxation of MPD for the three years ended 31 March 2018, which have been extracted without adjustment from the financial information in Part 3 (Historical Financial Information relating to MPD) of this document, are summarised below. Shareholders should read the whole of this document and not just rely on the summarised financial information set out below.

Mobile Phones Direct Limited

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Revenue	79,253	90,311	121,736
Gross profit	9,958	10,413	9,527
Operating profit	6,368	6,567	5,280
EBITDA	6,526	6,766	5,489
Profit before taxation	6,376	6,566	5,682

As at 31 March 2018, MPD had gross assets of £67.7 million and net assets of £17.1 million.

MPD's revenue increased from £90.3 million in the financial year ended 31 March 2017 ("**FY17**") to £121.7 million in the financial year ended 31 March 2018 ("**FY18**"), due primarily to an increase in the volume of sales of mobile phones with network contracts (in particular since entering into a contract with O2 in October 2017) as well as an increase in revenue per connection. MPD's gross profit was £10.4 million in FY17 and £9.5 million in FY18, representing gross margin of 11.5% in FY17 and 7.8% in FY18, respectively. The decrease in gross margin in FY18 was attributable to an increase in cost of sales and pricing strategies designed to grow volume. The increase in cost of sales was due primarily to an increase in handset costs, in particular as a result of the growth in sales of "super premium" smartphones, as well as increases in marketing and promotional costs. Administrative expenses were £3.8 million in FY17 and £4.2 million in FY18, and administrative expenses as a percentage of revenue declined from 4.3% in FY17 to 3.5% in FY18.

Further financial information on MPD is contained in Part 3 (Historical Financial Information relating to MPD) of this document.

5. Principal terms and conditions of the Acquisition

Under the terms of the Sale and Purchase Agreement, which is dated 9 November 2018, the Sellers have conditionally agreed to sell MPD to AO Limited, a wholly owned subsidiary of the Company. The total consideration for the Acquisition, which is based on a cash-free, debt-free enterprise value of £32.5 million, is approximately £38.1 million, plus Interest. The total consideration is to be satisfied by a payment in cash to the Sellers (in aggregate) of approximately £20.9 million plus Cash Interest and the issue to the Sellers (in aggregate) of approximately £17.8 million of Loan Notes (representing consideration of approximately £17.2 million plus Loan Notes Interest of approximately £0.6 million). The Loan Notes are to be exchanged on Completion for 13,095,104 Consideration Shares. The number of Consideration Shares to be issued has been based upon the average middle market quotation of a Share derived from the Daily Official List of the London Stock Exchange for the five dealing days preceding the date of the announcement of the Acquisition. The cash element of the consideration for the Acquisition will be funded exclusively from the Term Loan Facility.

Assuming that no Shares are issued from the date of this document until Completion, immediately following Completion the Sellers are expected to own approximately 2.78 per cent. of the Company (excluding Treasury Shares). The Sellers have agreed, subject to certain exceptions, not to dispose of 6,547,552 Consideration Shares (in aggregate) for a period of 12 months from Completion without the prior written consent of the Company. The Sellers have also agreed to certain orderly marketing provisions in relation to the Consideration Shares.

Further details of the Acquisition and a summary of the principal terms of the Sale and Purchase Agreement are set out in Part 5 (Summary of the Principal Terms and Conditions of the Sale and Purchase Agreement) of this document.

Due to the size of the Acquisition, pursuant to the Listing Rules, Completion is required to be conditional upon Shareholder approval. Completion is also conditional upon approval being given by the FCA to the change of control of MPD, the CMA not issuing an order preventing Completion, and if the CMA commences an investigation into the Acquisition prior to Completion, the Buyer having received confirmation that the CMA does not intend to make a phase 2 reference, and approval being given at a listing hearing of the FCA for admission of the Consideration Shares to listing on the Official List of the FCA, which are described in more detail in Part 5 (Summary of the Principal Terms and Conditions of the Sale and Purchase Agreement) of this document. Shareholder approval will therefore be sought at a General Meeting to be held on 29 November 2018. The notice convening the General Meeting is set out at the end of this document. The Acquisition will not proceed if the Conditions are not satisfied or waived (if applicable).

The Company anticipates that Completion will occur prior to the end of its current financial year.

6. Financial effects of the Acquisition

The Acquisition is expected to be enhancing to the Group's Adjusted EBITDA in the first full financial year following Completion.

Part 4 (Unaudited Pro Forma Financial Information for the Enlarged Group) of this document sets out:

(a) an unaudited pro forma statement of operating income for the year ended 31 March 2018, illustrating the effect that the Acquisition might have had on the consolidated operating loss of the Group had the Acquisition been completed on 1 April 2017; and

(b) an unaudited pro forma statement of net assets as at 31 March 2018, illustrating the effect that the Acquisition might have had on the consolidated net assets of the Group had the Acquisition been completed on that date.

The cash element of the consideration for the Acquisition being approximately £20.9 million plus Cash Interest, will be funded exclusively from the Term Loan Facility. Further details of the Term Loan Facility are set out in paragraph 6(a)(iii) of Part 6 (Additional Information) of this document.

7. Current trading and prospects

7.1 AO

AO continues to be on track with its strategic plan as it delivers against its purpose to "have the happiest customers by relentlessly striving for a better way".

Unaudited revenue growth for the first half of the Company's financial year is as follows:

	6 months to 30 September 2017	*6 months to 30 September 2018*	*% change*
UK Revenue £m	316.8	334.8	5.7%
EU Revenue €m	58.1	78.4	35.0%
EU Revenue £m	51.2	69.4	35.5%
Group Revenue £m	368.0	404.2	9.9%

In the UK, against the backdrop of a declining MDA market, AO is performing well and at least maintaining share in the MDA category with UK revenue growth coming mainly from new categories. The business is ready to deliver through its peak trading period across all categories.

On a constant currency basis, growth in Europe for the 6 month period was 35.0%. The growth rate in the second quarter was less than the growth rate in recent periods, partly due to a challenging MDA market in Germany and also as a change in the driver operating model meant that delivery capacities were limited to some extent through August and September, and AO expects the growth rate to return to targeted growth levels.

Despite the weaker trading environment, AO remains on track with its strategic plan and is well placed to capitalise on the forthcoming peak trading period. Customer satisfaction levels remain exceptional and an increase in brand awareness resulting from the new brand campaign is encouraging. Consequently, the Board believes full year results will fall within the range of its expectations, albeit more second half weighted than previously anticipated.

7.2 MPD

MPD is trading well to date in the financial year ending 31 March 2019 and has continued to deliver strong revenue growth. For the 6 months ended 30 September 2018, MPD generated unaudited revenues of around £64 million, an unaudited increase of approximately 25% compared to the same period in the prior year. This was due primarily to an increase in the volume of sales of mobile phones with network contracts, as well as an increase in revenue per connection. MPD's ability to sell products and services from each of the four UK mobile network operators has been a key factor in delivering this growth. In order to achieve and support this volume growth, MPD has continued to have in place pricing strategies designed to grow volumes and cost of sales has increased, including handset costs, in particular as a result of the growth in sales of ''super premium'' smartphones, as well as increases in marketing and promotional costs. This is a continuation of the trends experienced in FY18. MPD is well prepared as it enters into its peak trading period.

8. Risk factors

The Acquisition may give rise to certain risks which, if they occur, may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group, MPD and, following Completion, the Enlarged Group. Accordingly, the factors set out in Part 2 (Risk Factors) of this document should be given careful consideration when deciding whether or not to vote in favour of the Acquisition.

9. Consideration Shares

The Consideration Shares will be issued and credited as fully paid up and will rank *pari passu* in all respects with the Shares then in issue, including the right to receive in full all dividends and other distributions (if any) declared, made or paid by reference to a record date after their issue.

Under the terms of the Sale and Purchase Agreement, the Sellers have agreed, subject to certain exceptions, not to dispose of 6,547,552 Consideration Shares (in aggregate) for a period of 12 months from Completion without the prior written consent of the Company. The Sellers have also agreed to certain orderly marketing provisions in relation to the Consideration Shares. Further details are set out in Part 5 (Summary of the Principal Terms and Conditions of the Sale and Purchase Agreement) of this document.

An application will be made to the FCA for the Consideration Shares to be admitted to listing on the Official List. An application will also be made to the London Stock Exchange for the Consideration Shares to be admitted to trading on the London Stock Exchange's Main Market.

The Company expects the Consideration Shares to be issued and admitted to the Official List and to trading on the London Stock Exchange on Completion. The Company anticipates that Completion will occur prior to the end of its current financial year.

Further details are set out in Part 5 (Summary of the Principal Terms and Conditions of the Sale and Purchase Agreement) of this document.

10. General Meeting

The Acquisition is conditional on, amongst other things, Shareholders approving the Acquisition. Set out at the end of this document is a notice convening a General Meeting of the Company which is to be held at 1pm on 29 November 2018 at Jefferies International Limited, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ, at which the Resolution to approve the Acquisition will be proposed. The full text of the Resolution, which will be proposed as an ordinary resolution, is set out in the notice convening the General Meeting. The Company is seeking the approval of Shareholders as, due to the size of the Acquisition, it constitutes a Class 1 transaction under the Listing Rules. At the Company's annual general meeting, Shareholders approved 14 days as the minimum notice period for all general meetings other than annual general meetings. The Board considers that it is appropriate to utilise the flexibility offered by the shorter notice period in the present circumstances and that it is in the best interests of the Company and Shareholders taken as a whole that the General Meeting occurs as soon as practicable.

11. Action to be taken

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether you intend to be present at the General Meeting or not, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to the Company's registrar, Link Asset Services at the address printed on the back of the Form of Proxy or, if preferred, in an envelope to FREEPOST PXS, 34 Beckenham Road, BR3 9ZA (please note delivery using this service can take up to five business days), as soon as possible and, in any event, so as to arrive not later than 1pm on 27 November 2018. You may wish to take advantage of our registrar's secure online voting service (using the identification numbers stated on the enclosed Form of Proxy) which is available at www.aoshareportal.com. CREST members may utilise the CREST electronic proxy appointment service. Registering your vote, either electronically or by returning a completed From of Proxy, does not prevent you from attending and voting in person at the General Meeting should you decide to do so.

12. Further information

Your attention is drawn to the additional information set out in Parts 2 to 6 of this document and to the Notice of General Meeting set out at the end of this document. You are advised to read the whole document and not merely rely on the key or summarised information in this letter.

13. Recommendation

The Board, which has been advised by Jefferies, considers the Acquisition is in the best interests of the Company and its Shareholders as a whole. In giving its advice, Jefferies has taken into account the Board's commercial assessment of the Acquisition.

The Board unanimously recommends that you vote in favour of the Resolution to be proposed at the General Meeting, as each Director intends to do in respect of his or her own beneficial holdings which amount, in aggregate, to 184,697,670 Shares, representing approximately 40.26 per cent. of the existing issued ordinary share capital of the Company (excluding Treasury Shares) as at the Latest Practicable Date.

Yours sincerely

Geoff Cooper

Geoff Cooper
Chairman

PART 2

RISK FACTORS

The following risk factors should be considered carefully, in conjunction with all other information contained in this document, when deciding whether or not to vote in favour of the Resolution to be proposed at the General Meeting. The following risk factors are those which the Company and the Directors believe are the material risk factors relating to the Acquisition, material new risk factors to the Group as a result of the Acquisition and existing material risk factors to the Group which will be impacted by the Acquisition. If any or a combination of these risks materialises, the business, financial condition, results of operations and prospects of the Group, the Target and, following Completion, the Enlarged Group as appropriate could be materially and adversely affected. The following is not exhaustive and does not purport to be a complete explanation of all the risks and uncertainties involved. Additional risks and uncertainties not presently known to the Company or the Directors, or which the Company or the Directors currently consider to be immaterial, may also have a material adverse effect on the Acquisition and on the Enlarged Group. If any of the risks or uncertainties materialise, the market price of the Company's Shares could decline and Shareholders may lose all or part of their investment.

Risks Relating to the Acquisition

The Acquisition is subject to conditions which, if not satisfied, could result in the Acquisition not completing.

Completion of the Acquisition is subject to the following conditions:

- approval of AO's shareholders at the General Meeting;
- regulatory approval of the Financial Conduct Authority;
- the CMA not having issued an order preventing Completion, and if the CMA commences an investigation into the Acquisition prior to Completion, the Buyer having received confirmation that the CMA does not intend to make a phase 2 reference; and
- approval being given at a listing hearing of the FCA for admission of the Consideration Shares to listing on the Official List of the FCA.

There is no guarantee that these conditions will be satisfied (or waived, if applicable). The failure of any of the conditions to be satisfied (or waived, if applicable) or the exercise of any of the termination rights included in the Sale and Purchase Agreement will result in the Acquisition not being completed.

Third parties including mobile network operators and suppliers, may alter or cancel existing contracts with MPD as a result of, or following, the Acquisition.

MPD has contracts with certain third parties, including mobile network operators and suppliers, which contain "change of control" or similar clauses allowing the counterparty to terminate or change the terms of the contract upon completion of the Acquisition. MPD and AO have sought, and obtained, consents or waivers from certain, but not all, of these counterparties. If third party consents or waivers are not obtained, or are obtained on unfavourable terms or such terms have negative commercial implications, it may have a material adverse effect on the business, results of operations, financial condition and prospects of MPD and, following completion of the Acquisition, the Enlarged Group.

AO's Acquisition and integration costs may be greater than anticipated.

AO expects to incur a number of costs in relation to the Acquisition, including transaction, integration and post-Completion costs in order to successfully combine the operations of AO and MPD. AO will incur legal, accounting, sponsor, financial adviser and transaction fees and costs relating to the Acquisition, some of which are payable whether or not the Acquisition reaches Completion. The actual costs of the integration process may exceed those estimated and there may be additional and unforeseen expenses incurred, or liabilities encountered, in connection with the Acquisition. Although AO's Directors believe that the Acquisition and integration costs and liabilities will be more than offset by the realisation of the benefits resulting from the Acquisition, this net benefit may not be achieved in the short-term or at all, particularly if the Acquisition is delayed or does not complete. These costs and liabilities could materially and adversely affect the business, financial condition, results of operations and prospects of AO and, following Completion, the Enlarged Group.

The Enlarged Group may not realise, or it may take the Enlarged Group longer to realise, the expected benefits of the Acquisition.

Acquisitions are inherently risky, and no assurance can be given that the Acquisition will be successful. The Enlarged Group may fail to achieve certain or all of the anticipated benefits that AO expects to realise as a result of the Acquisition, or it may take longer than expected to realise those benefits. If the anticipated benefits are not achieved, or take longer than expected to be realised, this could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations and prospects.

The Enlarged Group may experience operational difficulties in integrating the businesses of AO and MPD.

AO and MPD currently operate as two separate and independent businesses. The Acquisition will lead to the integration of MPD into AO and the success of the Enlarged Group will depend, in part, on the ability of the Enlarged Group to integrate successfully the respective operations of the businesses. The integration process is likely to present administrative, managerial, financial and IT challenges, some of which may not be known until after the process begins. Unforeseen difficulties, costs, liabilities or losses could materially and adversely affect the business, financial condition, results of operations and prospects of the Enlarged Group following the Acquisition.

Potential difficulties of integrating the business of MPD include the following:

- difficulties in consolidating financial, corporate, administrative and technology infrastructures, which could lead to disruption to the ongoing businesses of AO and MPD;
- difficulties arising in connection with the Acquisition, and subsequent management and integration, of MPD consuming the attention and resources of AO's and MPD's management and other employees; and
- difficulties coordinating geographically separate organisations.

The failure of, or any delays or difficulties encountered in connection with, the integration of MPD into the Enlarged Group could also lead to reputational damage to AO, MPD or, following the Acquisition, the Enlarged Group.

The failure to retain key management and staff of MPD following completion could adversely impact the success of the Acquisition.

MPD's senior management team is led by Richard Baxendale, Chief Executive Officer, and is responsible for leading and managing the operations of MPD. AO has entered into an employment contract with Mr Baxendale, conditional on Completion, for an indefinite term, which contains a 12 month notice period and restrictive covenants for a period of 6 months following cessation of employment (subject in each case to certain exceptions). However, this contract will not prevent Mr Baxendale from leaving the Enlarged Group and the failure to retain key management and staff could adversely impact the success of the Acquisition and materially and adversely affect the business, financial condition, results of operations and prospects of the Enlarged Group following the Acquisition.

There are risks inherent in the method of funding the Acquisition.

The Acquisition will be funded by the issue of the Consideration Shares and funds from the Term Loan Facility. The Group also has in place a Revolving Credit Facility which is maintained in order to meet short-term financial requirements. The ongoing availability of funds under the Term Loan Facility and Revolving Credit Facility is subject to compliance with certain covenants which are customary in nature (further details of which are set out in paragraph 6(a)(iii) of Part 6 (Additional Information) of this document). AO's additional debt obligations as a result of the Acquisition could impact its ability, or the terms on which it is able, to raise further debt finance which could materially and adversely affect its ability to react effectively to changes in consumer demand, increased competition or other adverse events in the longer term.

In addition, as the Acquisition will be funded in part by issuing the Consideration Shares, the Company's existing shareholders will be diluted.

MPD may not perform in line with expectations which may result in a write-down or impairment.

Upon Completion, a significant portion of the difference between the consideration paid for the Acquisition, MPD's net assets at that date and the allocation of costs of the Acquisition to the assets acquired and the liabilities assumed, will be recorded as goodwill. In addition, other intangible assets will be recorded as a result of the allocation of the consideration. Whilst the Company believes that the Acquisition is strategically and financially compelling, economic, regulatory, competitive, contractual or other factors may result in MPD and the Enlarged Group facing unexpected difficulties. Furthermore, MPD's business may not develop as expected. If any of these factors result in the value of MPD proving to be less than the consideration paid, accounting rules would require that the Enlarged Group reduces the carrying value and recognises an impairment charge, which would reduce the Enlarged Group's reported assets and statutory earnings in the year that the impairment charge is recognised.

Material New Risks Factors to the Group as a result of the Acquisition and Existing Material Risk Factors to the Group which will be Impacted by the Acquisition.

MPD is, and following Completion the Enlarged Group will be, dependent on relationships with network operators, which are generally terminable on short notice, and will be exposed to the distribution strategies and other actions of network operators.

MPD is reliant upon mobile network operators with almost all of its revenues in the financial year ended 31 March 2018 generated from network operators. The network operators, generally, are able to terminate their contractual relationship with MPD on short notice, whether due to a change in the distribution strategy of an individual network operator or otherwise. The contractual terms and tariffs available from network operators may also become materially less favourable or less competitive. The loss of a relationship with a network operator also could adversely affect the utility and desirability of MPD to consumers, as consumers would cease to have access to, and to be able to compare the terms offered by, the four UK mobile network operators on MPD's website. In addition, the loss of a relationship with one mobile network operator may cause one or more other mobile network operators to consider whether they wish to maintain a relationship with MPD. A loss of, or worsening of terms with, one or more network operators or any of the factors above may materially and adversely affect the business, financial condition, results of operations and prospects of MPD and, following Completion, the Enlarged Group.

Almost all of MPD's revenues are based on the level of customer spend with mobile network operators.

MPD generates almost all of its revenues in the form of commissions from mobile network operators. The key components of MPD's commission revenues vary by network operator, but typically include a share of the contracted monthly amount billed to the customer, up-front payments and volume bonuses. Any change in the average revenue generated per customer contract or in revenue sharing arrangements with mobile network operators, as a result of competition, new market entrants, changes in network operator strategies, consumer behaviour or otherwise, may adversely affect MPD's revenues. In addition, volume bonuses and other amounts paid by mobile network operators may fluctuate from period to period. These factors may, therefore, have a material adverse effect on the revenues generated by MPD and, following Completion, the Enlarged Group, and could materially and adversely affect their businesses, financial condition, results of operations and prospects.

The success of the Enlarged Group depends in part on the market for mobile phones and the market for network contracts.

Almost all of MPD's revenues are from commission payments made by mobile network operators. Any general decline in the sales of mobile phones could cause MPD's revenues to decline, thereby adversely impacting the Enlarged Group's results of operations. Such a decline in sales could be caused by a variety of factors, including an increase in pricing (or reduction in affordability) of mobile phones or associated network charges, longer mobile phone life cycles including as a result of consumers concluding that the technological advances in new mobile phone models do not warrant purchasing a new mobile phone, or a general reduction in consumer confidence or spending. Factors such as these, which can cause consumers to purchase new mobile phones less frequently, can also reduce the sales of mobile phones with network contracts. Longer mobile phone life cycles and consumer preferences for shorter (or no) contracts could also lead to an increase in the demand for SIM only sales (being the provision of a mobile network SIM with no accompanying mobile phone), which is not currently a material part of MPD's business.

In order to grow and remain competitive, the Enlarged Group will need to adapt to changes in consumer preferences by enhancing existing offerings and introducing new offerings. The Enlarged Group may not be successful in doing so and this could result in unexpected or increased costs, customer dissatisfaction, and other issues that could materially and adversely affect the business, financial condition and results of operations and prospects of the Enlarged Group.

There is the threat of new participants entering the online marketplace for the sale of mobile phones or the provision of network services, or competitive behaviour from existing participants, including mobile network operators and manufacturers.

The market in which MPD operates is highly competitive and there are few barriers to entry preventing new competition from entering an already competitive market. Each of the mobile network operators, manufacturers and certain other competitors have brands that are more widely recognised by consumers throughout the United Kingdom than MPD's brand. In addition, certain competitors, including the mobile network operators, have significant retail store networks in addition to online presences, and financial resources substantially greater than those of the Enlarged Group. The entrance of a new competitor or competitors or factors such as the behaviour of an existing competitor, could further intensify the competition for customers based on device offerings, price, quality and customer service. In addition, price comparison websites are a significant source of website visitors and sales of mobile phones with associated network contracts for MPD, and any change in MPD's relative positioning on such websites could impact demand for MPD's products and services. Furthermore, mobile network operators, mobile virtual network operators, or manufacturers may more aggressively pursue direct sales of mobile phones with network contracts as opposed to indirect sales through third parties such as MPD, or otherwise change their distribution strategies in a manner which is adverse to MPD and the Enlarged Group.

Competitive pressures from one or more competitors or the Enlarged Group's inability to adapt effectively and quickly to a changing competitive landscape could materially and adversely affect the product and tariff offerings available from network operators and the prices, margins and demand for the Enlarged Group's products and related services, which may have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Changes to current regulatory requirements or practices including in relation to the sale of mobile phones with network contracts, and the renewal and handset upgrade processes could adversely affect the Enlarged Group's business, financial condition, results of operations and prospects.

Any changes to current regulatory requirements or practices, including in relation to the way in which the sale of mobile phones with network contracts, contract renewals and handset upgrades are structured or presented to customers, could adversely impact the network operators and lead to changes in their pricing models, strategy or practices, and to additional regulatory or other requirements applying to MPD and, following Completion, the Enlarged Group. This could in turn result in MPD's financial arrangements with the network operators being less remunerative and in reduced revenues or increased costs for MPD, and, following Completion, the Enlarged Group. For example, certain changes to the regulations that apply to mobile network operators take effect on 1 July 2019 and are designed to make it easier for consumers to switch network operators Ofcom is also consulting on proposals requiring network operators to send end, and out, of contract notifications to customers, as well as on proposals that could include mandating further transparency measures and what tariffs may apply at the end of the minimum contract period. Ofcom is also seeking stakeholder views on mandating split contracts, whereby a consumer enters into separate contracts in relation to the purchase of a mobile phone and network services. The introduction of these changes and any such proposals may lead to an increase in consumer churn levels and could have the other impacts noted above.

Economic conditions and other factors outside of the Enlarged Group's control may adversely affect consumer confidence and/or consumer spending decisions.

Consumer confidence is an important influence on the level of spending on MPD's, and to an extent AO's, products and services, the purchase of which can be viewed as being discretionary in nature. Economic and other factors such as sovereign debt levels, unemployment levels, interest rates, inflation rates, wage growth rates, consumer debt levels, availability of credit, the costs of food, fuel and energy and taxation can affect consumer confidence and spending decisions as well as the businesses and economic condition and prospects of MPD's and AO's respective counterparties, customers, suppliers or creditors. House moves and home improvements, which are influenced by the economic environment, impact on consumer spending on domestic appliances. In addition, the effects of the United Kingdom exiting the European Union ("Brexit") are unclear and it could lead to legal uncertainty and potentially divergent national laws and regulations, and could also adversely affect economic conditions in the United Kingdom and Europe. Adverse economic conditions or sustained uncertainty in the markets in which AO and MPD operate, could adversely affect consumer confidence and spending, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

If the Enlarged Group does not anticipate and respond quickly enough to capitalise on changing technology, content, service delivery, or consumer preferences, or fails to manage inventory levels effectively, its results of operations could be materially and adversely affected.

The Enlarged Group's success will depend in part on its ability to anticipate and introduce new products, content, services and technologies to consumers, as well as on the frequency of such introductions, the level of consumer acceptance in relation to them, and the related impact on the demand for existing products, content, services and technologies (including mobile phones and airtime). Mobile phones and certain other products sold by MPD and AO are subject to rapid technological change, which shortens their life cycle and may negatively impact sales of existing stock as consumers may elect to purchase newer products or defer their decision to purchase once technological changes have been announced or are anticipated. In addition, MPD has in recent periods experienced growth in sales of higher cost, "super premium" smartphones without a commensurate increase in commissions from mobile network operators. The increasing speed of technological innovation also makes it more challenging to forecast demand. The Enlarged Group may not successfully anticipate technological changes and consumer demands in the future, may not be able to obtain adequate supplies of popular new products or may purchase more stock than it is able to sell, which could lead to a write-off or write-down of stock. Failure to adequately manage stock levels or predict accurately the constant changing of technology, consumer tastes, preferences, spending patterns and other lifestyle decisions could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

MPD is, and following Completion the Enlarged Group will be, dependent on relationships with certain third-party suppliers.

MPD purchases and utilises products and services from a variety of third party suppliers. It purchases the majority of the mobile phones it sells from two mobile phone distributors and outsources a significant number of key services including warehousing, logistics and distribution. As a result, following Completion, the Enlarged Group's operations will depend on third parties to a greater extent than is currently the case. Any reduction in the availability or level of service offered by these third-party suppliers could restrict the ability of the Enlarged Group to conduct its business or adversely affect the Enlarged Group's reputation, and thereby materially and adversely affect its business, financial condition, results of operations and prospects. For example, MPD sub-contracts the delivery of its products to a third party delivery service and in many cases the delivery service may be the only personal interaction a customer has in connection with their purchase. If customers are dissatisfied with the level of service provided by the delivery service this could adversely affect the Enlarged Group's reputation, and thereby materially and adversely affect its business, financial condition, results of operations and prospects. Any material change in the strategy, financial position or ownership structure of third-party suppliers could negatively affect the ability to maintain contracts and relationships on existing commercial terms or at all. The loss of a third-party supplier or material changes in the commercial terms, could materially and adversely affect the Enlarged Group's business, financial condition, results of operations and prospects.

In addition, interruptions in the availability or flow of stock from third party suppliers (and delays in obtaining the latest products) could have a material adverse effect on the Enlarged Group's operations. Relationships with MPD's suppliers are not necessarily based on long-term supply contracts and, in some instances, are not set out in a written agreement. As a consequence, relationships may be varied or terminated with little or no notice. Operations may be adversely affected by the interruption or restriction of the supply of stock whether through supplier choice, or external factors (e.g. natural disasters), significant changes in terms imposed by these suppliers (e.g. credit terms) or the termination of any key product supplier arrangement. In addition, volatility in foreign exchange rates or a material depreciation in sterling may adversely impact the prices that the Enlarged Group pays for products and services (which it may not be able to pass on by way of increased prices for consumers) or adversely impact the broader supply chain. Any breakdown or change in relationships with product suppliers, or any of the other factors mentioned, could materially and adversely affect the Enlarged Group's business, financial condition, results of operations and prospects.

AO's management has limited experience in the sale of mobile phones with network contracts, and the success of the Enlarged Group is dependent on maintaining relationships with mobile network operators.

Although AO has been selling mobile phones since September 2017, these sales have only been of SIM-free mobile phones. Mobile phone sales remain a very small part of AO's business. The sale and distribution of mobile phones with network contracts is more complex and is heavily dependent upon the contracts and relationships held with mobile network operators, which AO does not have at present. AO believes that MPD has good relationships with EE, O2, Three and Vodafone, and the success of the Acquisition is dependent on maintaining successful relationships with these network operators. The negotiation of contracts with mobile network operators, management of these network relationships, and the associated customer and regulatory implications are complex, and are not areas in which AO currently has significant expertise.

If the assumptions underlying the calculation of certain amounts prove to be incorrect there could be a material adverse effect on MPD's and, following Completion of the Acquisition, the Enlarged Group's financial position and results of operations.

MPD recognises revenue in respect of new mobile phone contracts at the point of connection. Revenue is recognised in respect of up-front payments from the mobile network operators, in respect of monthly recurring payments, typically for a period of 18 to 24 months following the point of connection, as well as in respect of other revenue related to the mobile phone contracts, including volume bonuses. As a result, a portion of the revenue reported by MPD in any reporting period is derived from the recognition of deferred revenue relating to new mobile phone contracts where payment is expected to be received during one or more future periods. In addition, MPD records, as a current asset, accrued income in respect of new mobile phone contracts, and as of 31 March 2018 MPD had £36.9 million of accrued income fallling due within one year. The amount of revenue recognised in respect of new mobile phone contracts in any reporting period as well as the amount recorded as accrued income and prepayments is subject to a series of assumptions about the underlying mobile phone contracts, including the expected duration of and value of payments under the contracts, and the amount can be subject to adjustment or clawback by the networks, including in the case of mid-contract disconnections or customer fraud. If the assumptions underlying the calculations of these amounts prove to be incorrect, or if customer behaviour results in higher levels of mid-contract disconnection or fraud than anticipated, the amount of revenue reported may decline or the value of the accrued income and prepayment may be reduced, which could have a material adverse effect on MPD's and, following Completion of the Acquisition, the Enlarged Group's business, financial position, results of operations and prospects.

***Dependence on the quality of the products and services provided by manufacturers and network operators may have an impact on the Enlarged Group's brands*.**

The Enlarged Group must provide customers with quality products and reliable services for its mobile phone operations to be successful. The Enlarged Group will rely upon the products, systems and networks of manufacturers, suppliers and mobile network operators to provide and support its mobile phone operations. Failure of the products, systems or networks of these third parties may expose the Enlarged Group to costs and liability and result in customer dissatisfaction with the Enlarged Group's mobile phone operations, and this dissatisfaction could extend to other areas of the Enlarged Group's business. Examples of these risks relating to the Enlarged Group's mobile phone operations include:

- defective mobile phones;
- network system failures or outages; and
- unauthorised access to and use of customer information.

Any of these risks could cause the Enlarged Group to lose customers, lose revenue, incur expenses and suffer reputational damage.

The Enlarged Group is subject to risks relating to data protection.

Each of MPD and the Group processes personal data, some of which may be sensitive, as part of its business, and may be subject to investigative or enforcement action by the Information Commissioner's Office in the UK or similar regulatory authorities in other countries, legal claims and reputational damage if it acts or is perceived to be acting inconsistently with the terms of its privacy policy, consumer expectations or the law. In addition, the General Data Protection Regulation ((EU) 2016/679) (the "**GDPR**") has been directly applicable in European Union member states since 25 May 2018. The GDPR introduced substantial changes to the EU data protection regime and imposes a substantially higher compliance burden on each of MPD and the Group, and following Completion, the Enlarged Group, and it may increase their data protection costs and restrict their ability to use personal data. The GDPR also increases the maximum level of administrative fines for the most serious compliance failures to the greater of EUR 20 million or 4% of total worldwide annual turnover of the preceding financial year. From time to time, concerns may be expressed about whether the Enlarged Group's products and services or marketing practices compromise the privacy of consumers using the Enlarged Group's websites. Concerns about the collection, use or sharing of personal information or other privacy-related matters, even if unfounded, could damage the Enlarged Group's reputation. In addition, there can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the processes used by the Enlarged Group to protect consumer transaction data. Such personal data could become public if there was a security breach in respect of such data. If a security breach was to occur or data was otherwise to become public, or if the Enlarged Group is found to have breached the GDPR or other applicable laws or regulations, the Enlarged Group could face liability under data protection laws and lose the goodwill of its consumers, which may have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group may fail to maintain its culture.

The Directors believe that the Group has a strong culture and that its culture has helped the Group to attract high-quality personnel, maintain a high retention rate of key staff and create a work force that is dedicated to delivering high-quality services. Following the Acquisition, the growth in the Enlarged Group's operations in size, scope and complexity, including as MPD becomes fully integrated into the Enlarged Group, may make the maintenance of the current culture more difficult. If the Enlarged Group fails to maintain the current culture, the quality of its services may deteriorate and its brands, customer loyalty and reputation may be materially and adversely affected, which could materially and adversely affect the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group will be reliant on its information technology systems and the internet.

As is the case with MPD and the Group, the Enlarged Group will rely to a significant degree on the efficient and uninterrupted operation of its computer and communications systems and those of third parties, including the internet generally. Consumer access to the Enlarged Group's websites and the speed with which a consumer is able to navigate and make purchases on the websites will affect the sales of the Enlarged Group and the attractiveness of its services. Any failure of the internet generally, or any failure of existing or future computer or communication systems or software systems, could impair the value of orders, the processing and storage of data and the day-to-day management of the Enlarged Group's business. While each of MPD and the Group has disaster recovery and business continuity contingency plans, if a serious disaster occurred that affected the Enlarged Group's business, systems or operations, such plans may not be sufficient to enable the Enlarged Group to continue or recommence trading without loss of business.

Furthermore, each of MPD and the Group has, from time to time, experienced operational failures in its systems and technologies which have resulted in order errors such as incorrect items and delays in deliveries. The Company expects operational issues to continue to occur in relation to the Enlarged Group from time to time due to a combination of one or more of the following: equipment failures, computer server or system failures, network outages, software performance problems, human error and power failures. As at the date of this document, the operational issues that each of MPD and the Group have experienced have not had a material impact on their respective financial condition or results of operations and each of them attempts to deploy systems and technologies in a quality controlled manner with the aim of reducing the occurrence of such operational issues. The Enlarged Group may experience an increase in the frequency or severity of such operational issues in the future, including as a result of the Acquisition and any integration of MPD's systems with those of the Group.

The efficient operation of the Enlarged Group's business systems and information technology systems will be critical to attracting and retaining customers and such systems may become more prone to inefficiency, interruption or operational failures following Completion of the Acquisition as a result of the Enlarged Group's systems becoming interdependent or more complex. If the Enlarged Group is unable to meet consumer demand or service expectations due to the occurrence of one or more of the aforementioned issues, the Enlarged Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Enlarged Group may face online security breaches and service disruptions.

MPD and the Group each rely on third-party encryption and authentication technology to provide the security necessary to effect the secure transmission of information from its customers, such as credit or debit card numbers. The Enlarged Group may experience unauthorised attempts to access its IT systems, including malicious third-party applications that may interfere with or exploit security flaws in its products and services. Viruses, worms and other malicious software programmes, and user error could, amongst other things, jeopardise the security of information stored in a user's computer or in the Enlarged Group's computer systems or attempt to change the internet experience of users by interfering with the Enlarged Group's ability to connect with its users. Groups of hackers may also act in a coordinated manner to launch denial of service attacks or other coordinated attacks that may cause the Enlarged Group's websites or other systems to experience service outages or other interruptions. The Enlarged Group's systems could be more susceptible to such attempts or threats following Completion of the Acquisition as a result of the Enlarged Group's systems becoming interdependent or more complex. If any compromise in the Enlarged Group's security measures were to occur, or if the Enlarged Group's websites or other systems were to experience service outages or other interruptions, the Enlarged Group's reputation may be harmed and its business, financial condition, results of operations and prospects may be materially and adversely affected.

The Enlarged Group is subject to regulatory risk.

Each of MPD and the Group is, and following Completion the Enlarged Group will be, subject to extensive and changing law and regulation including in the areas of consumer protection, data protection, distance selling, employment, financial services, health and safety and taxation. Certain additional requirements will apply to the Enlarged Group following Completion with which the Group is not currently required to comply and with which it is therefore less familiar. The requirements of such law and regulation may be open to conflicting interpretation and can be subject to change. Any failure by the Enlarged Group to comply with all applicable laws and regulations may make it subject to reputational damage, fines, legal claims, or regulatory or government action any of which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

PART 3

HISTORICAL FINANCIAL INFORMATION RELATING TO MPD

Introduction

This Part 3 (Historical Financial Information relating to MPD) contains:

- in Section A, an accountant's report prepared by BDO on the historical financial information relating to MPD for the three years ended 31 March 2016, 2017 and 2018; and
- in Section B, historical financial information relating to MPD for the three years ended 31 March 2016, 2017 and 2018 prepared in a manner consistent with the accounting policies adopted by AO in preparing its audited consolidated accounts for the year ended 31 March 2018.

SECTION A: Accountant's report on the historical financial information relating to MPD

BDO

BDO LLP
55 Baker Street
London
W1U 7EU

9 November 2018

The Directors
AO World plc
AO Park
5A The Parklands
Lostock
Bolton
BL6 4SD

Jefferies International Limited
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Ladies and Gentlemen

AO World plc (the "Company") and its subsidiary undertakings (together, the "Group")

Mobile Phones Direct Limited (the "Target")

Introduction

We report on the financial information on the Target set out in Section B of Part III of the Circular (the "Target Financial Information"). This financial information has been prepared for inclusion in the circular dated 9 November 2018 of the Company (the "Circular") on the basis of the accounting policies set out in note 2 to the Target Financial Information. This report is required by item 13.5.21R of the Listing Rules made by the Financial Conduct Authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "Listing Rules") and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with the accounting policies adopted by the Company in its audited financial statements for the year ended 31 March 2018.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board and any other professional guidance applicable in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Target Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Target Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Target Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Target Financial Information gives, for the purposes of the Circular, a true and fair view of the state of affairs of the Target as at 31 March 2016, 2017 and 2018 and of its results, cash flows and changes in equity for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union and has been prepared in a form consistent with the accounting policies adopted by the Company in its audited financial statements for the year ended 31 March 2018.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

SECTION B: Historical financial information relating to MPD

Statements of comprehensive income

	Note	*31 March 2016 £'000*	*31 March 2017 £'000*	*31 March 2018 £'000*
Revenue	4	**79,253**	**90,311**	**121,736**
Cost of sales		(69,295)	(79,898)	(112,209)
Gross profit		**9,958**	**10,413**	**9,527**
Administrative expenses		(3,590)	(3,846)	(4,247)
Operating profit	6	**6,368**	**6,567**	**5,280**
EBITDA		***6,526***	***6,766***	***5,489***
Depreciation		(40)	*(52)*	*(61)*
Amortisation		(119)	*(148)*	*(148)*
Finance income	7	408	506	826
Finance costs	7	(400)	(507)	(424)
Profit before taxation		**6,376**	**6,566**	**5,682**
Taxation	9	(1,269)	(1,311)	(1,109)
Profit for the year		**5,107**	**5,255**	**4,573**
Other comprehensive income				
Total other comprehensive income		—	—	—
Total comprehensive profit for the year		**5,107**	**5,255**	**4,573**
Profit per share attributable to the ordinary equity holders of the company				
Basic and diluted earnings per share	18	£2,837	£2,919	£2,541

Statements of financial position

	Note	*31 March 2016 £'000*	*31 March 2017 £'000*	*31 March 2018 £'000*
ASSETS				
Current assets				
Inventories	12	3,284	2,672	4,115
Trade and other receivables	13	20,279	24,629	37,719
Cash and cash equivalents	14	2,770	7,451	12,690
Total current assets		26,333	34,752	54,524
Non-current assets				
Intangible assets	10	302	309	347
Property, plant and equipment	11	143	109	234
Prepayments and accrued income	13	8,369	9,793	12,583
Total non-current assets		8,814	10,211	13,164
Total assets		**35,147**	**44,963**	**67,688**
EQUITY AND LIABILITIES				
Equity				
Share capital	18	2	2	2
Retained earnings	19	9,906	13,689	17,104
Total equity		9,908	13,691	17,106
Current liabilities				
Trade and other payables	15	21,739	25,973	42,243
Total current liabilities		21,739	25,973	42,243
Non-current liabilities				
Payments on account	15	1,944	3,100	4,807
Provisions	16	1,502	2,148	3,504
Deferred tax	17	54	51	28
Total non-current liabilities		3,500	5,299	8,339
Total equity and liabilities		**35,147**	**44,963**	**67,688**

Statements of changes in equity

	*Rounding** *£'000*	*Share capital* *£'000*	*Retained Earnings* *£'000*	*Total* *£'000*
Balance at 1 April 2015	**—**	**2**	**6,990**	**6,992**
Comprehensive Income				
Profit for the year	(1)	—	5,107	5,106
Transactions with owners				
Dividends paid		—	(2,190)	(2,190)
Balance at 31 March 2016	**(1)**	**2**	**9,907**	**9,908**
Balance at 1 April 2016	**(1)**	**2**	**9,907**	**9,908**
Comprehensive Income				
Profit for the year		—	5,255	5,255
Transactions with owners				
Dividends paid		—	(1,472)	(1,472)
Balance at 31 March 2017	**(1)**	**2**	**13,690**	**13,691**
Balance at 1 April 2017	**(1)**	**2**	**13,690**	**13,691**
Comprehensive Income				
Profit for the year	1	—	4,573	4,574
Transactions with owners				
Dividends paid		—	(1,159)	**(1,159)**
Balance at 31 March 2018	**—**	**2**	**17,104**	**17,106**

The historical financial information presented is in thousands of pounds ("£'000") rounded to the nearest thousand pound. Previously the company prepared its financial statements in pounds singular. Consequently, there are rounding differences as noted above.

Retained earnings for the three years include a capital contribution of £542,430 which is not distributable.

Statements of cash flows

	Note	*31 March 2016 £'000*	*31 March 2017 £'000*	*31 March 2018 £'000*
Cash flows from operating activities				
Profit before taxation		6,376	6,566	5,682
Adjustments for non-cash/non-operating items:				
Depreciation of property, plant and equipment	11	40	52	61
Amortisation of intangible assets	10	119	148	148
Finance income	7	(408)	(506)	(826)
Finance expense	7	400	507	424
		6,527	6,767	5,489
Changes in working capital:				
Increase in trade and other receivables	13	(7,109)	(5,774)	(15,077)
Increase/(decrease) in inventories	12	(1,349)	612	(1,443)
Increase in trade and other payables	15	6,330	5,150	17,755
Increase/(decrease) in provisions	16	(698)	646	1,356
Cash from/ (used in) operations		3,701	7,401	8,080
Taxation		(1,719)	(1,074)	(1,334)
Net cash from/ (used in) operating activities		**1,982**	**6,327**	**6,746**
Cash flows from investing activities				
Purchase of intangible assets	10	(147)	(155)	(186)
Purchase of property, plant and equipment	11	(83)	(18)	(186)
Interest received	7	8	6	24
Net cash (used in)/from investing activities		**(222)**	**(167)**	**(348)**
Cash flows from financing activities				
Dividends paid	18	(2,190)	(1,472)	(1,159)
Interest paid	7	—	(7)	—
Net cash (used in)/from financing activities		**(2,190)**	**(1,479)**	**(1,159)**
Net increase/(decrease) in cash and cash equivalents		(430)	4,681	5,239
Cash and cash equivalents beginning of period	14	3,200	2,770	7,451
Cash and cash equivalents at end of period	14	**2,770**	**7,451**	**12,690**

Notes to the historical financial information

1. General Information

Mobile Phones Direct Limited is a company limited by shares incorporated in England and Wales under the Companies Act 2006. Its registered office is The Courtyard Business Centre, Farmhouse Mews, Thatcham, Berkshire, RG18 4NW.

The principal activity of the company is the retail of mobile phones and network airtime contracts.

The company's historical financial information is presented for the years ended 31 March 2016, 31 March 2017 and 31 March 2018.

The principal accounting policies adopted by the company are set out in note 2.

2. Accounting policies

(a) Basis of preparation

The historical financial information presents the financial track record of the company for the three years ended 31 March 2016, 31 March 2017 and 31 March 2018. This financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS and in accordance with the accounting policies adopted by the Company in its audited financial statements for the year ended 31 March 2018.

This historical financial information is prepared in accordance with IFRS under the historical cost convention. The historical financial information is presented in thousands of pounds sterling ("£'000") except where unless otherwise indicated. Due to rounding, variations / differences may occur.

The historical financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The company's statutory financial statements for the years ended 31 March 2016, 31 March 2017 and 31 March 2018 were prepared in accordance with FRS 102. The financial statements for these periods have been delivered to the Registrar of Companies. The auditors' reports on these financial statements were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The company has applied IFRS for the first time from 1 April 2015. The principles and requirements for first time adoption of IFRS are set out in IFRS 1.

The principal accounting policies adopted in the preparation of the historical financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Going concern

This historical financial information relating to the company has been prepared on the going concern basis.

After making appropriate enquires, the directors of the company (the "Directors") have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of this historical financial information. For these reasons, they continue to adopt the going concern basis in preparing the company's historical financial information.

(c) New standards, amendments and interpretations

None of the standards, interpretations and amendments effective for the first time from 1 January 2018, including IFRS 9 and IFRS 15, which have been adopted from the conversion date of 1 April 2015, have had a material effect on the historical financial information.

IFRS 9

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The company has retrospectively applied IFRS 9, but the provision of comparative information is not compulsory.

(a) Classification and measurement

There are no changes in the classification and measurement requirements of IFRS 9 as the company early adopted these requirements in prior periods, when adopting FRS 102 in the company's 31 March 2016 financial statements.

(b) Impairment

IFRS 9 requires the company to record expected credit losses (ECLs) on its financial assets (trade receivables and accrued income), either on a 12-month or lifetime basis. Under the new standard, the loss allowance for a financial instrument will be calculated at an amount equal to 12-month expected credit losses, or lifetime expected credit losses if there has been a significant increase in the credit risk on the instrument. The company has applied the simplified approach (measuring the loss allowance at an amount equal to lifetime expected credit losses) for its accounts receivable and accrued income relating to contracts with Mobile Network Operators (MNOs). The company has determined there is no material impact of ECLs on the financial statements based on the fact that the majority of invoices are issued and settled on the same day for trade receivables and that the accrued income related to large profitable MNO's.

(c) Hedge accounting

The company has not applied hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations, and establishes a five-step model to account for all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The five-step model under IFRS 15 is outlined below:

i. The company has transferred the significant risks and rewards of ownership to the buyer;

ii. The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

iii. The amount of revenue can be measured reliably;

iv. It is probable that the company will receive the consideration due under the transaction; and

v. The costs incurred and the costs to complete the transaction can be measured reliably.

The transition to IFRS 15 did not have a material effect on the company.

IFRS 16 Leases

This is effective for year ended 31 March 2020. The company is assessing the impact of IFRS 16 which, based upon leases presently held by the company, is likely to have an immaterial impact.

IFRIC 23

This interpretation covers how the company accounts for taxation, where there is some uncertainty over whether treatments in the tax return will be accepted by HMRC or the relevant overseas jurisdictions. Each uncertain treatment (or combination of treatments) is considered for whether it will be accepted, and if probable taxable profits/losses, tax bases, unused tax losses, unused tax credits and tax rates are accounted for consistently with the tax return. Otherwise the company accounts for each treatment using whichever of the two allowed measurement methods is expected to best predict the final outcome – the single most likely outcome or a probability weighted-average value of a range of possible outcomes. The new standard allows for two different transition approaches, fully retrospective and modified retrospective. The company has not yet concluded on a transition method and as such it is not possible to fully quantify the impact of IFRIC 23 at this stage, though it is not expected to be material.

(d) EBITDA

EBITDA is not a measure recognised under IFRS. Management consider that this measure may be helpful to potential investors and so it is shown. EBITDA is earnings before interest, tax, depreciation and amortisation.

(e) Segmental reporting

The company has one single business segment which is wholly undertaken within the UK. This is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance, has been identified as the management team comprising the Executive Directors who make strategic decisions.

(f) Revenue recognition

Revenue comprises sales of goods and services excluding sales taxes. The following accounting policies are applied to the principal revenue generating activities in which the company is engaged:

– network commission revenue is recognised when the company has fulfilled all its obligations with reference to individual contract with the MNO (further details in the Network commissions paragraph below)

– revenue from the sale of goods is recognised at the point of sale or, where later, upon delivery to the customer and is stated net of returns

– Insurance commission revenue relates to the sale of third-party insurance products and is recognised in the month earned

Network commissions

The company operates under contracts with a number of Mobile Network Operators ('MNO'). Over the life of these contracts the service provided by the company to the MNO is the procurement of connections to the MNO's network.

The individual consumer enters into a contract with the MNO and the MNO is obligated to supply the ongoing airtime over the contract period.

The company earns a commission for the service provided to each MNO ('network commission').

A key judgement associated with this recognition is the unit of account used in recognition. The company has determined that the number and value of consumers provided to the MNO in any given month represents the best output measure of stage of completion of each contract.

The level of network commission earned is based on a share of the monthly payments made by the consumer to the MNO. The total consideration receivable is determined by both fixed (monthly line rental) and variable elements (being out of bundle and out of contract revenue share).

The company recognises all of the fixed revenue share expected over a consumer's contract when a consumer is connected to the MNO. The company has fulfilled its obligations once the consumer is connected to the MNO. The timing of the recognition gives rise to accrued income being recognised, which is collected over the consumers contract (typically 24 months). Supplier funding amounts that have been recognised and not invoiced are shown within accrued income on the balance sheet.

Estimating in advance variable elements of revenue is subject to significant judgements and is dependent on consumer behaviour after the point of recognition. The company does consider that the amount of out of bundle and out of contract revenue can be measured reliably in advance for certain MNO's, and therefore these revenues are recognised when a consumer is connected to the MNO. For certain MNO's, where they are not considered reliably measurable they are recognised in the month received.

The method of measuring the fair value of the revenue and associated receivables 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 company 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.

Payment terms with the MNO are based on a mix of cash received upon connection and future payments as the MNO receives monthly instalments from end consumers over the life of the consumer contract. The gross commission receivable in any month is settled for certain MNOs over the life of consumer contracts. Payments on account received in advance from the MNO are recognised within creditors as payments on account, there is no right of offset against the accrued income, and these are repaid in line with the MNO contract.

Changes to revenue may be made, where for example, more recent information becomes available enabling the recognition of previously unrecognised commission or there are significant changes in consumer behaviour. Any such changes are recognised in the income statement. In addition to the above, the company may also receive marketing support and volume incentives from the MNO, which are recognised when the income becomes highly probable.

(g) Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to statement of comprehensive income during the period in which they are incurred.

Depreciation is charged as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

– Leasehold improvement – 5 per cent. per annum
– Fixtures and fittings – 20 per cent. – 65 per cent. per annum
– Office equipment – 25 per cent. – 50 per cent. per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

(h) Intangible assets

Website development costs

Where the company's website is expected to generate future revenues in excess of the costs of developing those websites and all other capitalisation criteria are met, expenditure on the functionality of the website is capitalised and treated as an intangible fixed asset. Expenditure incurred on maintaining websites and expenditure incurred on developing websites used only for advertising and promotional purposes are written off as incurred. Development costs that are capitalised in accordance with the requirements of IFRS are not treated, for dividend purposes, as a realised loss.

Intangible assets are amortised between 3 and 5 years on a straight-line basis and charged to the statement of comprehensive income, under administrative expenses, from the date the asset is available for its intended use.

The useful lives of intangible assets have been chosen at the above rates as this reflects the period in which assets will stop receiving economic benefit.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition less any attributable discounts and bonuses received from suppliers in respect of that inventory. Net realisable value is based on estimated selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow moving or defective items where appropriate. At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

(j) Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

(k) Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

(l) Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts and short term highly liquid deposits which are subject to an insignificant risk of changes in value.

(n) Employee benefits: Pension obligations

The company operates a defined contribution plan. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(o) Financial assets

Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the asset. The company's financial assets comprise cash and cash equivalents and receivables which involve a contractual right to receive cash from external parties. Financial assets do not comprise prepayments.

Accrued Income

The company recognises the revenue share expected over a consumer's contract when a consumer is connected to the MNO. This gives rise to accrued income being recognised, which is collected over the consumers contract. The accrued income amounts are discounted on initial recognition with the difference between the present value of the accrued income and the absolute accrued income to be collected over time being recorded against turnover. Payment terms with the MNO are based on a mix of cash received upon connection (Payments on account) and future payments (Accrued income) as the MNO receives monthly instalments from end consumers over the life of the consumer contract. The company has applied the simplified approach (measuring the loss allowance at an amount equal to lifetime expected credit losses) for its accounts receivable and accrued income relating to contracts with Mobile Network Operators (MNOs). Management continues to take a haircut based on historical data, and their best estimate, for the number of consumers that may default. This amount is debited against the revenue line in month one. When applying IFRS 9, the company has determined there is no material impact of ECLs on the financial statements based on the fact that the accrued income relates to large profitable MNO's.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently held at amortised cost, less provision or impairment. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been considered for each significant customer (MNO). The company currently has not recorded an ECL for trade receivables. This decision is based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(p) Financial liabilities

Financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date. Financial liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Payments on account

Payments on account represent payments by networks to the entity which are repayable in instalments over a number of months in accordance with the contract terms. These have been recognised within accounts payable as ‘‘payment on account’. The payments on account amounts are discounted on initial recognition with the difference between the present value of the payments on account and the absolute payments on account to be paid over time being recorded against revenue. Following initial recognition interest payable is recognised and is recorded to increase the payments on account amounts to the absolute payments on account balance which is payable over time.

(q) Provisions

Provisions are recognised when a legal or constructive obligation exists as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where the time value of money is considered to be material. All provisions are assessed by reference to the best available information at the balance sheet date.

Revenue related provisions

Revenue related provisions relate to ‘cash back’ promotions. The anticipated costs of these items are assessed by reference to historical trends and any other information that is considered relevant. The revenue related provisions amounts are discounted on initial recognition with the difference between the present value of the revenue related provisions and the absolute revenue related provisions to be paid over time being recorded against cost of goods sold. Following initial recognition interest payable is recognised and is recorded to increase the revenue related provisions amounts to the absolute revenue related provisions balance which is payable over time.

(r) Share capital

Ordinary shares are classified as equity. There is one class of ordinary share in issue.

(s) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The costs associated with operating leases are taken to the income statement on an accruals basis over the period of the lease.

(t) Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

(u) Income tax

Income tax for the years presented comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

The following temporary differences are not recognised if they arise from

i. the initial recognition of goodwill, and

ii. for the initial recognition of other assets or liabilities in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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 balance sheet date.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Significant accounting estimates and judgements

Critical accounting judgements and estimates used in the preparation of the financial statements are continually reviewed and revised as necessary.

Whilst every effort is made to ensure that such judgements and estimates are reasonable, by their nature they are uncertain, and as such changes may have a material impact.

Key judgement and sources of estimation uncertainty

Revenue recognition – network commissions

For certain transactions with the MNOs, commission receivable on mobile phone connections depends on consumer behaviour after the point of sale. Further details of the judgement involved can be found within the accounting policies.

The company considers the following with regards to revenue recognition:

- revenue share percentage – the percentage of the consumers spend (to MNO's) to which the company is entitled;
- minimum contract period – the length of contract entered into by the consumer;
- consumer default rate – rate at which consumers disconnect from MNO's;
- out-of-bundle spend – additional spend by the consumer measured as a percentage of total spend (which currently the company consider can be measured reliably in advance for certain MNO's);
- spend beyond the initial contract period – period of time the consumer remains connected to MNO's after the initial contract term (which currently the company consider can be measured reliably in advance for certain MNO's).

Under certain arrangements with the MNO, the commission receivable for the monthly consumer connections to the MNOs depends on consumer behaviour after the point of connection. A discounted cash flow methodology is used to measure the fair value of the revenue and associated receivables in the month of connection, by estimating all future cash flows that will be received from the MNO and discounting these based on their timing of receipt. Subsequently network commission receivables are measured at the present value of the estimated future cash flows discounted using the effective interest rate determined in the month of connection. A discount rate between 1 – 3 per cent. is used.

Provisions

Revenue related provisions relate to 'cash back' promotions. The anticipated costs of these items are assessed by reference to historical information (settled claims), trends and any other information that is available to management at the balance sheet dates. Judgement is required to assess the likelihood of success of any claims made against the company and if any liability will arise and / or the expected costs associated with other activities. Significant assumptions are used in estimating the ultimate cost to the company including the nature, timing and cost of any such cashback claims. The future costs assumed are inevitably only estimates, which may differ from those ultimately incurred.

Key assumptions include:

Measuring the time value of money for asset and liability recognition

When the effect of the time value of money is material, amount of asset or liability recognised shall be at its present value required to settle the asset or liability. The discount rate used for this calculation is a pre-tax rate which reflects management's estimate of the current market assessment of the time value of money and risks specific to the asset or liability in question. A discount rate between 1 – 3 per cent. is used. The company's provisions are based on the best information available to management at the balance sheet.

4. Revenue

During the three years ended 31 March 2018, the revenue from services predominantly comprises those relating to commissions from MNOs and insurance. All revenue arose within the United Kingdom.

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Revenue from services	73,455	84,669	118,475
Sale of goods	5,798	5,642	3,261
	79,253	90,311	121,736

In accordance with IFRS 8 an entity is required to disclose customers who make up more than 10 per cent of revenue. The following customers make up more than 10 per cent of the company's revenue:

– EE
– O2
– Three
– Vodafone

5. Employee and directors

(a) Staff costs for the company during each year:

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Wages and salaries	2,486	2,723	2,802
Social security costs	231	264	246
Other pension costs	—	5	35
	2,717	2,992	3,083

Average monthly number of people (including executive directors) employed by activity:

	31 March 2016 No	*31 March 2017 No*	*31 March 2018 No*
Directors	1	1	1
Management and administration	95	102	102
	96	103	103

(b) Directors' emoluments

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Salaries and fees	10	12	6
	10	12	6

None of the company's directors were in the company's defined contribution pension scheme since the year ended 31 March 2017. The company did not operate a defined contribution pension scheme during the year ended 31 March 2016.

(c) Key management compensation

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Salaries and fees	571	768	664
	571	768	664

Key management personnel include senior management and all directors who together have authority and responsibility for planning, directing, and controlling the activities of the company.

(d) Pensions

The amount recognised in the statement of comprehensive income as an expense in relation to the company's defined contribution scheme are included in the table below.

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Pension contributions	—	5	35

There were no amounts owing at the end of any of the years presented.

6. Operating Profit

Operating profit is stated after charging:

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Operating lease costs	147	147	147
Auditor remuneration (note 8)	32	36	39
Cost of inventory recognised as an expense	59,774	69,387	99,744
Depreciation of property, plant & equipment	40	52	61
Amortisation of intangibles	119	148	148

7. Finance income and finance costs

	31 March 2016 £,000	*31 March 2017 £,000*	*31 March 2018 £,000*
Interest receivable on accrued income	400	500	802
Bank interest receivable	8	6	24
Total finance income	408	506	826
Interest payable on payments on accounts at amortised costs	(400)	(500)	(424)
Other interest payable	—	(7)	—
Total finance costs	(400)	(507)	402

8. Auditor's remuneration

The company obtained the following services from the company's auditors at costs as detailed below:

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Fee payable to company's auditor and its associates for the audit of financial statements	24	29	31
Fees payable to company's auditor and its associates for tax services:	4	4	4
Fees payable to company's auditor and its associates for other services:	4	3	4
	32	**36**	**39**

9. Taxation

Analysis of charge in year	*31 March 2016 £'000*	*31 March 2017 £'000*	*31 March 2018 £'000*
UK tax for the current financial year	1,255	1,314	1,154
Adjustments in respect of previous years	2	—	(22)
Total UK tax charge/(credit)	1,257	1,314	1,132
Deferred tax	12	(3)	(23)
Tax charge per statement of comprehensive income	1,269	1,311	1,109

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20 per cent. for the years ended 31 March 2016, 31 March 2017 and 31 March 2018. The differences are explained below:

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Profit on ordinary activities before tax	6,376	6,566	5,682
Tax using the company's domestic tax rates	1,275	1,313	1,080
Effects of:			
Items attracting no tax relief or liability	(2)	1	12
Adjustments to tax credit in respect of prior years	2	—	(1)
Movement in unprovided deferred tax	(6)	(3)	18
Total taxation charge	1,269	1,311	1,109

10. Intangible assets

	Website development costs £'000	*Total £'000*
Cost		
At 1 April 2015	567	567
Additions	147	147
At 31 March 2016	714	714
Amortisation		
At 1 April 2015	293	293
Charge for the year	119	119
At 31 March 2016	412	412
Net book amount		
At 31 March 2016	302	302
Cost		
At 1 April 2016	714	714
Additions	155	155
At 31 March 2017	869	869
Amortisation		
At 1 April 2016	412	412
Charge for the period	148	148
At 31 March 2017	560	560
Net book amount		
At 31 March 2017	309	309
Cost		
At 1 April 2017	869	869
Additions	186	186
Disposals	(361)	(361)
At 31 March 2018	694	694
Amortisation		
At 1 April 2017	560	560
Charge for the period	148	148
Disposals	(361)	(361)
At 31 March 2018	347	347
Net book amount		
At 31 March 2018	347	347

11. Property, plant and equipment

	Fixtures and fittings £'000	*Land and buildings £'000*	*Leasehold Improvements £'000*	*Total £'000*
Cost				
At 1 April 2015	65	170	—	235
Additions	31	52	—	83
Disposals	—	—	—	—
At 31 March 2016	96	222	—	318
Depreciation				
At 1 April 2015	40	95	—	135
Charge for the year	10	30	—	40
Disposals	—	—	—	—
At 31 March 2016	50	125	—	175
Net book amount				
At 31 March 2016	46	97	—	143
Cost				
At 1 April 2016	96	222	—	318
Additions	4	14	—	18
Disposals	—	—	—	—
At 31 March 2017	100	236	—	336
Depreciation				
At 1 April 2016	50	125	—	175
Charge for the period	13	39	—	52
Disposals	—	—	—	—
At 31 March 2017	63	164	—	227
Net book amount				
At 31 March 2017	37	72	—	109
Cost				
At 1 April 2017	100	236	—	336
Additions	1	26	159	186
Disposals	(37)	(76)	—	(113)
At 31 March 2018	64	186	159	410
Depreciation				
At 1 April 2017	63	164	—	227
Charge for the period	12	44	5	61
Disposals	(37)	(76)	—	(113)
At 31 March 2018	38	132	5	174
Net book amount				
At 31 March 2018	26	54	154	234

12. Inventories

	31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000
Finished goods – cost	3,284	2,672	4,115
	3,284	2,672	4,115

13. Trade and other receivables

	31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000
Amounts falling due within one year:			
Trade receivables	490	325	474
Prepayments	224	121	291
Accrued income	19,566	24,183	36,954
	20,280	24,629	37,719

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. The majority of trade and other receivables are non-interest bearing. Non-current receivables mainly comprise commission receivable on sales. Where the effect is material, trade and other receivables are discounted using discount rates which reflect the relevant costs of financing. The carrying amount of trade and other receivables approximates fair value.

The company's receivables ageing period is as follows:

	< 30 Days £000's	31-60 Days £000's	61-90 Days £000's	> 90 Days £000's	**Total £000's**
31 March 2018	151	95	223	5	474
31 March 2017	259	10	36	20	325
31 March 2016	395	25	70	—	490

It is the company's policy to assess receivables for recoverability on an individual basis and to make provision where it is considered necessary. In assessing recoverability, the company considers any indicators of impairment up to the reporting date. Historically, the need for bad debt provisions has been minimal and as such management believe that a provision for doubtful debts is not required. Refer to '*Note 22. Financial instruments – risk management*' for further details.

	31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000
Amounts falling due after one year:			
Accrued income	8,369	9,793	12,583
	8,369	**9,793**	**12,583**

14. Cash and cash equivalents

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Cash at bank and in hand	2,770	7,451	12,690
	2,770	**7,451**	**12,690**

All bank balances are denominated in Sterling.

15. Trade and other payables

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Amounts falling due within one year:			
Corporation tax	615	895	735
Other current tax liabilities	2,409	3,660	4,221
Other payables	1	2	8
Accruals	700	1,106	1,489
Trade payables	7,923	9,583	18,831
Payments on account	10,091	10,727	16,959
	21,739	**25,973**	**42,243**

Trade and other payables comprise amounts outstanding for trade purchases and on-going costs. All balances are denominated in Sterling. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Amounts falling due after one year:			
Payments on account	1,944	3,100	4,807
	1,944	**3,100**	**4,807**

16. Provisions

	Sales Provision £000's
Opening balance 1 April 2015	2,200
Charged to the SOCI	(698)
Closing balance 31 March 2016	**1,502**
Opening balance 1 April 2016	1,502
Charged to the SOCI	2,403
Utilised in year	(1,757)
Closing balance 31 March 2017	**2,148**
Opening balance 1 April 2017	2,148
Charged to the SOCI	3,839
Utilised in year	(2,483)
Closing balance 31 March 2018	**3,504**

Sales provisions relate to 'cash-back' promotions. The anticipated costs of these items are assessed by reference to historical trends and any other information that is considered to be relevant. Payments are expected to be made up to 19 months from the year end against this provision.

17. Provision for deferred tax

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Opening balance	42	54	51
Recognised in profit or loss account	12	(3)	(23)
Closing balance	54	51	28

The deferred tax balances for each of the years presented relate to accelerated capital allowances.

18. Share capital

	31 March 2016 No	*31 March 2017 No*	*31 March 2018 No*
Allotted, called up and fully paid			
Ordinary shares of £1.00 each	1,800	1,800	1,800

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Allotted, called up and fully paid			
Ordinary shares of £1.00 each	2	2	2
	2	2	2

Dividends

The holders of ordinary shares are entitled to dividends out of the profits of the company available for distribution. Amounts recognised as distributions to equity shareholders in the period

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Interim dividend for the year ended			
Interim dividend	2,190	1,472	1,159
Dividend per share			
Per share	1.217	0.818	0.644

Earnings per share

The earnings per share has been calculated using the profit for the year and the weighted average number of ordinary shares outstanding during the year, as follows:

Earnings per share	*31 March 2016 Shares*	*31 March 2017 Shares*	*31 March 2018 Shares*
Ordinary shares (shares)	1,800	1,800	1,800

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Profit for the period	5,107	5,255	4,573
Earnings per share	2.837	2.919	2.541

There are no options over ordinary shares which have a dilutive effect.

19. Reserves

Retained earnings

Includes all retained profits and unrealised gains or losses.

20. Commitments and contingences

(a) Capital commitments

There were no capital commitments at 31 March 2016, 31 March 2017 and 31 March 2018.

(b) Operating lease commitments

The company has one leased property and one leased piece of equipment under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Within 1 year	147	147	147
Later than 1 year and less than 5 years	587	587	440
After 5 years	147	—	—
	881	734	587

The operating lease commitments for the rental of the property and equipment is calculated on a straight-line basis over the respective lengths of the leases.

21. Financial instruments – classification and measurement

Financial assets

Financial assets measured at amortised cost comprise other receivables, accrued income and cash, as follows:

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Trade receivables	490	325	474
Accrued income	27,934	33,976	49,537
Cash and cash equivalents	2,770	7,451	12,690
	31,194	41,752	62,701

Financial liabilities

Financial liabilities measured at amortised cost comprise other creditors and accruals, as follows:

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Payment on account	12,035	13,827	21,766
Trade payables	7,923	9,583	18,831
Other payables	1	3	8
Accruals	700	1,106	1,489
	20,659	24,519	42,094

22. Financial instruments – risk management

Financial risk management

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company manages its exposure to liquidity risk by reviewing regularly the long term and short-term cash flow projections for the business against the resources available to it. Historically the company has no external borrowings.

The company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The company has consistently maintained a positive net current assets, net assets and bank balance position as outlined in the table below:

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Net current assets	4,954	8,779	12,281
Net assets	9,908	13,691	17,106
Cash balance	2,770	7,451	12,690

Credit risk

The majority of the company's trade receivables are balances due from MNOs, which are generally major multi-national enterprises with whom the company has well-established relationships and are consequently not considered to add significantly to the company's credit risk exposure. Typically the company invoices and collects the balances due from the MNO's on the last day of the month.

In addition, credit risk is also inherently associated with the MNO end consumers. Exposure to credit risk associated with the MNO consumer is managed through an extensive consumer credit checking process prior to connection with the network. The large volume of MNO consumers reduces the company's exposure to concentration of credit risk.

Network commission receivables consumer behaviour risk

Under certain arrangements with MNOs, the commission receivable for the monthly consumer connections to the MNOs depends on consumer behaviour after the point of connection. A discounted cash flow methodology is used to measure the fair value of the revenue and associated receivables in the month of connection, by estimating all future cash flows that will be received from the MNO and discounting these based on their timing of receipt. Subsequently network commission receivables are measured at the present value of the estimated future cash flows discounted using the effective interest rate determined in the month of connection. The key inputs to the model are:

– ***Out-of-bundle spend:*** additional spend by the consumer measured as a percentage of total spend. The higher the spend, the higher the carrying value
– *Customer default (**new subscribers default rate**):* rate at which new consumers disconnect from the MNO. The higher the default rate, the lower the carrying value
– *Customer default (**upgrade subscribers default rate**):* rate at which upgraded consumers disconnect from the MNO. The higher the default rate, the lower the carrying value
– ***Spend after the initial contract term**:* Period of time the consumer remains connected to the MNO after the initial contract term. The higher the spend, the higher the carrying value
– ***Upgrade propensity:*** The percentage of consumers initially connected by the company estimated to be subsequently upgraded by an MNO. The higher the propensity, the higher the carrying value

Certain inputs mentioned above are estimated based on extensive historical evidence obtained from the networks, and adjustment is made for the risk of potential changes in consumer behaviour. Reliance on historical data assumes that current and future experience will follow past trends, there is therefore a risk that changes in consumer behaviour reduce or increase the total cash flows ultimately realised over the forecast period. Key management make assessments of this data to ensure it continues to reflect the best estimate of expected future trends.

Changes in range of assumptions

Management did not deem it beneficial to provide a sensitivity analysis for the five inputs mentioned above as the variable element to revenue is approximately between 4 – 5 per cent. of the overall revenue balance. There would need to be an extreme change in the five inputs above to have a material impact on the financial statements. Management are continuously monitoring the historical data available to it and update the key inputs based on trends observed. An example of this is reducing the OOB spend assumption based on abolishment of EU roaming charges.

Capital

The company manages its capital to ensure that it will be able to continue as a going concern. The capital structure consists of cash and cash equivalents and equity attributable to equity holders of the company, comprising issued capital, reserves and accumulated profits. The company is not subject to any externally imposed capital requirements. The company monitors its capital structure on an ongoing basis, including assessing the risks associated with each class of capital.

23. Related party transactions

During the three years presented, the business leased a property owned by K.E. Borges. The ultimate controlling party of the entity is K.E. Borges as he owns 100 per cent. of the company. The rent payable and amounts outstanding for each year are included in the table below.

	31 March 2016 £'000	*31 March 2017 £'000*	*31 March 2018 £'000*
Rent for the year	147	147	147
Amounts outstanding at year end	44	44	44

24. Transition to IFRS

The company's effective IFRS transition date for the purposes of this historical financial information was 1 April 2015. In accordance with IFRS 1 – *First-time adoption of international financial reporting standard*, an entity shall explain how the transition from previous GAAP (FRS 102) to IFRS affected its reported financial position, financial performance and cash flows. Management believes that there was not a material impact from the transition from FRS 102 to IFRS. The opening balance sheet as at the date of transition is included below.

Opening statement of financial position

	1 April 2015 £'000
ASSETS	
Current assets	
Inventories	1,935
Trade and other receivables	15,310
Cash and cash equivalents	3,200
Total current assets	20,445
Non-current assets	
Intangible assets	274
Property, plant and equipment	99
Prepayments and accrued income	6,229
Total non-current assets	6,602
Total assets	**27,047**
EQUITY AND LIABILITIES	
Equity	
Share capital	2
Retained earnings	6,990
Total equity	6,992
Current liabilities	
Trade and other payables	16,034
Borrowings	—
Deferred tax liability	—
Total current liabilities	16,034
Non-current liabilities	
Deferred income	1,779
Provisions	2,200
Deferred tax	42
Total non-current liabilities	4,021
Total equity and liabilities	**27,047**

PART 4

UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE ENLARGED GROUP

Introduction

This Part 4 (Unaudited Pro Forma Financial Information for the Enlarged Group) contains:

- in Section A, unaudited *pro forma* financial information for the Enlarged Group prepared by AO; and
- in Section B, an accountant's report prepared by KPMG on the unaudited *pro forma* financial information of the Enlarged Group.

Section A: Unaudited *pro forma* financial information

The unaudited *pro forma* financial information for the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") set out in Section A in this Part 4 (Unaudited Pro Forma Financial Information of the Enlarged Group) of this document has been prepared for illustrative purposes only, and by its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results.

The unaudited *pro forma* statement of operating income for the year ended 31 March 2018 and the unaudited *pro forma* statement of net assets as at 31 March 2018 have been prepared to illustrate the effect of the Acquisition on: (i) the consolidated operating loss of the Group as if the Acquisition had taken place on 1 April 2017; and (ii) the consolidated net assets of the Group as if the Acquisition had taken place on 31 March 2018. The Unaudited Pro Forma Financial Information has been compiled on the basis of, and should be read in conjunction with, the notes set out below.

The unaudited *pro forma* statement of operating income of the Enlarged Group is based on AO's audited consolidated income statement for the year ended 31 March 2018 and on MPD's income statement for the year ended 31 March 2018 as set out in Part 3 (Historical Financial Information relating to MPD) of this document and has been prepared: (i) on the basis that the Acquisition had taken place on 1 April 2017; and (ii) in a manner consistent with the accounting policies adopted by AO in preparing its audited consolidated financial statements for the year ended 31 March 2018.

The unaudited *pro forma* statement of net assets of the Enlarged Group is based on AO's consolidated audited statement of financial position as at 31 March 2018 and on MPD's statement of financial position as at 31 March 2018 as set out in Part 3 (Historical Financial Information relating to MPD) of this document and has been prepared: (i) on the basis that the Acquisition had taken place on 31 March 2018; and (ii) in a manner consistent with the accounting policies adopted by AO in preparing its audited consolidated financial statements for the year ended 31 March 2018.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part 4 (Unaudited Pro Forma Financial Information for the Enlarged Group).

The Unaudited Pro Forma Financial Information does not purport to represent what the Enlarged Group's financial position and results of operations actually would have been if the Acquisition had been completed on the dates indicated, nor does it purport to represent the results of operations for any future period or the financial condition at any future date.

Part 1: Unaudited Pro forma statement of Operating Income

The following unaudited *pro forma* statement of operating income of the Enlarged Group has been prepared on the basis set out in the notes below to illustrate the effect of the Acquisition on the consolidated operating loss of the Group as if the Acquisition had taken place on 1 April 2017.

		Adjustments		
Continuing operations	*AO for the year ended 31 March 2018 £m (Note 1)*	*MPD for the year ended 31 March 2018 £m (Note 2)*	*Acquisition adjustments £m (Note 3)*	*Unaudited pro forma of the Enlarged Group for the year ended 31 March 2018 £m*
Revenue	796.8	121.7	—	918.5
Operating expenses	(813.0)	(116.4)	(3.1)	(932.5)
Operating (loss) / profit	(16.2)	5.3	(3.1)	(14.0)
Depreciation and amortisation	7.6	0.2	—	7.8
Profit on disposal of non-current assets	(0.1)	—	—	(0.1)
Exceptional share based payment charges	3.5	—	—	3.5
European set up costs	0.3	—	—	0.3
Executive restructuring costs	1.5	—	—	1.5
Transaction costs	—	—	3.1	3.1
Adjusted EBITDA	(3.4)	5.5	—	2.1

Notes

1. The financial information of AO for the year ended 31 March 2018 has been extracted without material adjustment from its audited consolidated financial statements for the year ended 31 March 2018. Operating expenses comprise cost of sales, administrative expenses and other operating income.
2. The financial information of MPD for the year ended 31 March 2018 has been extracted without material adjustment from the historical financial information for the year ended 31 March 2018 included in Part 3 (Historical Financial Information relating to MPD) of this document. Operating expenses comprise cost of sales and administrative expenses.
3. The adjustment to operating expenses is in respect of £3.1 million of estimated transaction costs. Such costs consist of adviser fees wholly attributable to the Acquisition and are non-recurring.
4. The *pro forma* statement of net assets does not give effect to fair value adjustments to net assets arising from the purchase price being greater than the book value of the net assets acquired. The *pro forma* purchase price premium has been attributed to goodwill and no *pro forma* amortisation nor impairment charge has been applied to the goodwill balance in the period presented. The fair value adjustments, when finalised post completion of the Acquisition, may be material.
5. No account has been taken of any trading of AO or MPD after 31 March 2018.

Part 2: Unaudited Pro Forma Statement of Net Assets

The following unaudited *pro forma* statement of net assets of the Enlarged Group has been prepared on the basis set out in the notes below to illustrate the effect of the Acquisition on the consolidated statement of net assets of the Group as if the Acquisition had taken place on 31 March 2018.

			Adjustments		
	AO as at 31 March 2018 £m (Note 1)	*MPD as at 31 March 2018 £m (Note 2)*	*Transaction funding £m (Note 3)*	*Acquisition adjustments £m (Note 4)*	*Unaudited pro forma of the Enlarged Group as at 31 March 2018 £m*
Non current assets					
Goodwill	13.5	0.0	—	21.0	34.5
Other intangible assets	1.2	0.3	—	—	1.5
Property, plant and equipment	28.0	0.2	—	—	28.2
Trade and other receivables	47.9	12.6	—	—	60.5
Derivative financial asset	2.2	0.0	—	—	2.2
Deferred tax asset	1.7	0.0	—	—	1.7
	94.5	13.2	0.0	21.0	128.7
Current assets					
Inventories	53.2	4.1	—	—	57.3
Trade and other receivables	54.8	37.7	0.2	—	92.7
Derivative financial asset	0.2	0.0	—	—	0.2
Corporation tax receivable	0.2	0.0	—	—	0.2
Cash and cash equivalents	56.0	12.7	23.8	(20.9)	71.6
	164.4	54.5	24.0	(20.9)	222.0
Total assets	258.9	67.7	24.0	0.1	350.7
Current liabilities					
Bank overdraft	(3.1)	0.0	—	—	(3.1)
Trade and other payables	(156.0)	(41.5)	—	(3.1)	(200.6)
Corporation tax payable	0.0	(0.7)	—	—	(0.7)
Borrowings	(4.2)	0.0	—	—	(4.2)
Derivative financial liability	(0.4)	0.0	—	—	(0.4)
	(163.7)	(42.2)	0.0	(3.1)	(209.0)
Non current liabilities					
Borrowings	(10.4)	0.0	(24.0)	—	(34.4)
Trade and other payables	0.0	(4.8)	—	—	(4.8)
Deferred tax liability	0.0	(0.0)	—	—	(0.0)
Derivative financial liability	(3.4)	0.0	—	—	(3.4)
Provisions	(1.8)	(3.5)	—	—	(5.3)
	(15.6)	(8.3)	(24.0)	0.0	(47.9)
Total liabilities	(179.3)	(50.6)	(24.0)	(3.1)	(256.9)
Net assets	79.6	17.1	(—)	(3.0)	93.7

Notes

1. The financial information of AO as at 31 March 2018 has been extracted without adjustment from its audited consolidated financial statements for the year ended 31 March 2018.
2. The financial information of MPD as at 31 March 2018 has been extracted without material adjustment from the historical financial information as at 31 March 2018 included in Part 3 (Historical Financial Information relating to MPD) of this document.

3. The adjustment in Note 3 reflects the draw down on the Term Loan Facility which will part finance the Acquisition:

	£m
Drawdown on Term Loan Facility	24.0
Cost of raising debt	(0.2)
Net increase in cash held	23.8

Costs of raising the new finance have been included as a prepayment within Trade and Other receivables and will be amortised over the life of the Term Loan Facility

4. The total consideration payable for the Acquisition (excluding transaction costs) is £38.1 million, comprising £20.9 million funded by a draw down on the Term Loan Facility as set out in Note 3 and £17.2 million funded by the issue of new shares in AO. The final consideration will include Interest as further described in Part 5 (Summary of the Principal Terms and Conditions of the Sale and Purchase Agreement) of this document and therefore the total consideration payable will increase dependent on the final completion date.

	£m
Cash consideration	20.9
Issue of shares in AO	17.2
Total consideration (excluding transaction costs)	38.1

The Acquisition has been accounted for using the acquisition method of accounting. Any excess consideration above the book value of the net assets acquired has been reflected as goodwill. A fair value exercise will be completed post Acquisition, therefore no account has been taken of any fair value adjustments that may arise on the Acquisition and no intangible assets and tax consequences have been valued at this stage. The adjustment to goodwill has been calculated as follows:

	£m
Acquisition cash paid	20.9
Consideration in new shares	17.2
Less: Book value of net assets acquired	(17.1)
Pro forma goodwill adjustment	21.0

An adjustment has been made to trade and other payables to reflect a payable for the transaction costs. Transaction costs are estimated as being £3.1 million. £2.2 million of the estimated transaction costs will be funded by a draw down on the Term Loan Facility, with the remaining £0.9 million to be funded through existing cash resources.

5. In preparing the unaudited statement of net assets of the Enlarged Group, no account has been taken of the trading activity or other transactions of AO or MPD since 31 March 2018.

6. The table below sets out the effect of the Acquisition on the net debt of the Group as if the Acquisition had occurred on 31 March 2018:

			Adjustments			
	AO as at 31 March 2018 £m	*MPD as at 31 March 2018 £m*	*Cash consideration £m*	*Cash raised for Acquisition £m*	*New debt £m*	*Unaudited pro forma of the Enlarged Group as at 31 March 2018 £m*
Cash and cash equivalents	56.0	12.7	(20.9)	23.8	—	71.6
Bank overdraft	(3.1)	—	—	—	—	(3.1)
Borrowings (current liabilities)	(4.2)	—	—	—	—	(4.2)
Borrowings (non-current liabilities)	(10.4)	—	—	—	(24.0)	(34.4)
Net cash / (debt)	38.3	12.7	(20.9)	23.8	(24.0)	29.9

The financial information of AO has been extracted without material adjustment from its audited consolidated financial statements for the year ended 31 March 2018.

The financial information of MPD has been extracted without material adjustment from the historical financial information for the year ended 31 March 2018 included in Part 3 (Historical Financial Information Relating to MPD) of this document.

Section B: Accountant's report on the unaudited *pro forma* financial information for the Enlarged Group

KPMG

The Directors
AO World Plc
5A The Parklands
Lostock
Bolton
BL6 4SD

9 November 2018

Ladies and Gentlemen

AO World Plc

We report on the *pro forma* statement of operating income and statement of net assets (the 'Pro forma financial information') set out in Section A of Part 4 of the Class 1 circular dated 9 November 2018, which has been prepared on the basis described in Section A of Part 4, for illustrative purposes only, to provide information about how the acquisition of Mobile Phones Direct Limited might have affected the financial information presented on the basis of the accounting policies adopted by AO World Plc in preparing the financial statements for the period ended 31 March 2018. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of AO World Plc to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have as a result of the inclusion of this report in the Class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Class 1 circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of AO World Plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of AO World Plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of AO World Plc.

Yours faithfully

KPMG LLP

PART 5

SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE SALE AND PURCHASE AGREEMENT

The following is a summary of the principal terms of the Acquisition.

1. Overview of the Acquisition

Please refer to the Chairman's letter in Part 1 (Letter from the Chairman) of this document for an overview of the Acquisition.

Under the terms of the Sale and Purchase Agreement, the Buyer has conditionally agreed to purchase the entire issued share capital of MPD from the Sellers.

2. Summary of the principal terms of the Sale and Purchase Agreement

The Sale and Purchase Agreement is dated 9 November 2018 and is made between the Sellers, the Company and the Buyer.

Conditions

Completion of the Acquisition under the Sale and Purchase Agreement is conditional upon:

- the FCA providing notice that it has approved (or is treated as having approved) the acquisition of control of MPD by the Buyer and the Company;
- the Resolution being passed by Shareholders at the General Meeting;
- the CMA not having issued an order preventing Completion, and if the CMA commences an investigation into the Acquisition prior to Completion, the Buyer having received confirmation that the CMA does not intend to make a phase 2 reference; and
- approval being given at a listing hearing of the FCA for admission of the Consideration Shares to listing on the Official List of the FCA.

The Sale and Purchase Agreement will terminate with immediate effect in the event that the conditions are not satisfied (or waived if applicable) or, they become impossible to satisfy, in each case, by the Longstop Date.

Consideration

The total consideration for the Acquisition, which is based on a cash-free, debt-free enterprise value of £32.5 million, is approximately £38.1 million, plus Interest. The total consideration is to be satisfied by a payment in cash by the Buyer to the Sellers (in aggregate) of approximately £20.9 million plus Cash Interest and the issue by the Buyer to the Sellers (in aggregate) of approximately £17.8 million of Loan Notes (representing consideration of approximately £17.2 million plus Loan Notes Interest of approximately £0.6 million). On Completion, the Loan Notes are to be transferred by the Sellers to the Company in exchange for the issue to the Sellers of 13,095,104 Consideration Shares.

The cash element of the consideration for the Acquisition will be funded exclusively from the Term Loan Facility.

The Consideration Shares are expected to be issued on Completion and will be issued and credited as fully paid and will rank *pari passu* in all respects with the Shares then in issue, including the right to receive in full all dividends and other distributions (if any) declared, made or paid by reference to a record date after their issue.

Lock-Up

Under the terms of the Sale and Purchase Agreement, the Sellers have agreed, subject to certain exceptions, not to dispose of 6,547,552 Consideration Shares (in aggregate), for a period of 12 months from Completion without the prior written consent of the Company.

The Sellers have also agreed they will not seek to dispose of any Consideration Shares other than in transactions with one of the Company's corporate brokers, in compliance with applicable laws and in a manner designed to ensure an orderly market.

Representations and warranties

The Sellers have each made certain representations and warranties regarding MPD.

The aggregate liability of the Sellers in respect of any claims arising in connection with the warranties provided under the Sale and Purchase Agreement is limited in time and amount.

The Buyer and the Company have also made certain warranties which are customary for a transaction of this kind.

Termination

The Sale and Purchase Agreement provides that the Buyer may terminate the Sale and Purchase Agreement with immediate effect at any time prior to Completion in the event of: (a) certain breaches of the warranties given by the Sellers (which in the case of certain warranties, if capable of remedy, have not been remedied within a specified period); (b) a material breach by any Seller of the provisions of the Sale and Purchase Agreement (which, if capable of remedy, has not been remedied within a specified period); or (c) certain material adverse changes in relation to MPD.

Conduct of MPD prior to Completion

The Sellers have undertaken, pursuant to the terms of the Sale and Purchase Agreement, that during the period prior to Completion, they will carry on the business of MPD in the usual course and will not take certain specific actions without the prior written consent of the Buyer.

Restrictive covenants

The Sellers have covenanted that, subject to certain exceptions, for a period of two years from Completion they will not be directly or indirectly engaged in a business which competes with MPD and neither will they seek to solicit any customer, supplier, employee or consultant of MPD, in each case without the prior written consent of the Buyer.

PART 6

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors, whose names appear in paragraph 2 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. DIRECTORS AND REGISTERED OFFICE

The Directors and their functions are as follows:

Geoffrey (Geoff) Cooper	Non-Executive Chairman
John Roberts	Founder, Director
Stephen (Steve) Caunce	Chief Executive Officer
Jonathan (Mark) Higgins	Chief Financial Officer
Brian McBride	Senior Independent Director
Christopher (Chris) Hopkinson	Non-Executive Director
Maria Luisa (Marisa) Cassoni	Independent Non-Executive Director
Jacqueline de Rojas CBE	Independent Non-Executive Director
Shaun McCabe	Independent Non-Executive Director

The registered office of the Company is at 5A The Parklands, Lostock, Bolton BL6 4SD and the telephone number is +44 1204 672 400.

The Company was incorporated in England and Wales under the Companies Act 1985 on 2 August 2005 with registered number 05525751 as a private company limited by shares with the name DRL Holdings Limited. The Company was re-registered as a public company on 17 February 2014 and changed its name to AO World Plc. The principal legislation under which the Company operates is the Companies Act 2006.

3. DIRECTOR'S INTERESTS

The interests of the Directors and persons connected with them (within the meaning of sections 252 to 255 of the Companies Act) which would if such connected persons were directors of the Company be required to be disclosed or notified under sections 252 to 255 of the Companies Act as at the Latest Practicable Date, are as follows:

(i) Directors' shareholdings:

Name of Director	*Number of AO Shares*	*Percentage of issued share capital*	*Number of AO Shares following issue of Consideration Shares[1]*	*Percentage of issued share capital following issue of Consideration Shares[1]*
Geoff Cooper	128,573	0.03%	128,573	0.03%
John Roberts	109,504,019*	23.87%	109,504,019*	23.21%
Steve Caunce	51,975,815*	11.33%	51,975,815*	11.01%
Mark Higgins	27,701	0.01%	27,701	0.01%
Brian McBride	52,628	0.01%	52,628	0.01%
Chris Hopkinson	22,956,306	5.00%	22,956,306	4.86%
Marisa Casoni	52,628	0.01%	52,628	0.01%
Jacqueline de Rojas	—	—	—	—
Shaun McCabe	—	—	—	—

1 This assumes that from the Latest Practicable Date until the issue of the Consideration Shares, no AO Shares are acquired or disposed of by the Directors and there is no change in the issued ordinary share capital of the Company other than the issue of the Consideration Shares.

* Crystalcraft Limited is a person connected with both John Roberts and Steve Caunce, and holds 6,348 AO Shares. These 6,348 AO Shares are included in the interests of John Roberts but not in the interests of Steve Caunce in the table above in order to avoid double counting.

The Directors' shareholdings shown above are all beneficial interests and include the interests of their spouses, civil partners and infant children or step-children. No Director held a non-beneficial interest in any AO Shares as at the Latest Practicable Date.

(ii) Directors' interests under the AO Sharesave Scheme and the AO Performance Share Plan ("**PSP**"):

Director	*Date of grant*	*Consideration for grant*	*Period during which exercisable*	*Number of AO Shares under option*	*Option price (p)*
John Roberts					
AO Sharesave Scheme	25/01/2018	Nil	01/03/2021 to 30/08/2021	20,224	89 pence
PSP (2016 Scheme Award)	21/07/2016	Nil	21/07/19 to 21/07/26	502,232	Nil
Steve Caunce					
AO Sharesave Scheme	25/01/2018	Nil	01/03/2021 to 31/08/2021	20,224	89 pence
PSP (2016 Scheme Award)	21/07/2016	Nil	21/09/2019 to 21/07/2026	435,268	Nil
PSP (2017 Scheme Award)	21/07/2017	Nil	21/07/2020 to 21/07/2027	567,227	Nil
Mark Higgins					
AO Sharesave Scheme	25/01/2018	Nil	01/03/2021 to 31/08/2021	20,224	89 pence
PSP (2016 Scheme Award)	21/07/2016	Nil	21/09/2019 to 21/07/2026	669,643	Nil
PSP (2017 Scheme Award)	21/07/2017	Nil	21/07/2020 to 21/07/2027	857,143	Nil

Other than the Directors, there are no other individuals comprising members of the Group's administrative, management or supervisory bodies or any senior managers of the Group who are relevant to establishing that the Company has the appropriate expertise and experience for the management of the Group's business.

4. DIRECTORS' SERVICE AGREEMENTS

Information about the provisions of the Directors' service contracts and letters of appointment relating to benefits upon termination of employment are set out in the sections "Service contracts and loss of office payments", "Incentives on termination" and "Chairman and Non-Executive Directors' letters of appointment" in the Directors' remuneration report in the Company's 2018 annual report and accounts.

5. SUBSTANTIAL SHAREHOLDINGS

As at the Latest Practicable Date, insofar as it is known to the Directors as a result of notifications made to the Company pursuant to Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules sourcebook, in addition to the interests of certain directors noted at paragraph 3 of this Part 6 (Additional Information) the following persons are interested directly or indirectly in 3% or more of the voting rights in respect of the issued ordinary share capital of the Company:

Name	*Number of AO Shares*	*Percentage of issued share capital (exclusive of Treasury Shares)*	*Number of AO Shares following issue of Consideration Shares*[1]	*Percentage of issued share capital following issue of Consideration Shares*[1]
Odey Asset Management LLP	41,064,849[2]	8.95%	41,064,849[2]	8.70%
Barker Partnership L.P.	28,289,519	6.17%	28,289,519	6.00%
FMR LLC	22,974,806	5.01%	22,974,806	4.87%
First Pacific Advisors, LLC	22,690,957	4.95%	22,690,957	4.81%

1 This assumes that from the Latest Practicable Date until the issue of the Consideration Shares, no interests are acquired or disposed of by the persons named and there is no change in the issued ordinary share capital of Company other than the issue of the Consideration Shares.

2 Includes an interest in 10,288,000 AO Shares through financial instruments.

6. MATERIAL CONTRACTS

(a) AO

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by a member of the Group within the two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by a member of the Group and contain an obligation or entitlement which is material to the Group as at the date of this document:

(i) the Sale and Purchase Agreement, which is summarised in Part 5 (Summary of the Principal Terms and Condition of the Sale and Purchase Agreement) of this document;

(ii) Leases

(A) Lease of Alpha Building, Weston Road, Crewe

Expert Logistics Limited, a subsidiary of the Company, entered into a lease for its national distribution centre and warehouse ("**NDC**") in Crewe (the "**NDC Lease**") on 2 December 2011 for an initial term of 15 years to expire on 30 November 2026. The Company guarantees certain of the obligations of Expert Logistics as tenant under the NDC Lease. Pursuant to the terms of the NDC Lease, the first rent review took place on 1 December 2016 and the current monthly rent is £139,604.16 (exclusive of VAT). The lease provides for a further rent review on 1 December 2021. From the date of each rent review, the rent shall be whichever is the higher of the annual rent payable immediately before that rent review or the open market rent for the property on the relevant review date. The terms of the NDC Lease permit Expert Logistics to make internal non-structural alterations or additions to the NDC, including but not limited to the installation of a mezzanine floor and racking provided that they do not affect the structure of the property. The property that is subject to the NDC Lease is categorised as being for storage and distribution. The NDC Lease permits Expert Logistics to assign, underlet, charge and part with possession of the leases, subject to certain conditions which are set out in the NDC Lease. The NDC Lease does not contain any break rights in favour of either the landlord or Expert Logistics. Expert Logistics does not have a reversion right or a contractual right to renew the lease or to acquire another lease of the NDC.

(B) Lease of Omega Building, Weston Road, Crewe

Expert Logistics Limited, a subsidiary of the Company, entered into a lease for a second national distribution centre and warehouse ("**Second NDC**") in Crewe (the "**Second NDC Lease**") on 6 May 2016 for a term of 10 years and 6 months commencing on 9 May 3016 and ending on 30 November 2026. The Company guarantees certain of the obligations of Expert Logistics as tenant under the NDC Lease. Pursuant to the terms of the Second NDC Lease, Expert Logistics will pay, in equal quarterly payments in advance, an annual rent of £1,972,440 (exclusive of VAT). The first rent review will take place on 8 May 2021 and every fifth year thereafter during the term of the Second NDC Lease. From the date of each rent review, the rent shall be whichever is the higher of the annual rent payable immediately before that rent review or the open market rent for the property on the relevant review date. The terms of the Second NDC Lease permit Expert Logistics to make internal non-structural alterations or additions to the property, including but not limited to the installation of a mezzanine floor and racking provided that they do not affect the structure of the property. The property that is subject to the Second NDC Lease is categorised as being for storage and distribution. The Second NDC Lease permits Expert Logistics to assign, underlet, charge and part with possession of the leases, subject to certain conditions which are set out in the Second NDC Lease. The Second NDC Lease does not contain any break rights in favour of either the landlord or Expert Logistics. Expert Logistics does not have a reversion right or a contractual right to renew the lease or to acquire another lease of the NDC.

(C) Lease of AO European Distribution Facility, Ben, Cammarata-Straße, Bergheim

AO Deutschland Limited, a subsidiary of the Company, entered into a conditional lease for offices, a distribution centre and warehouse ("**EUHQ**") in Bergheim (the "**EUHQ Lease**") on 30 June 2015 (subject to the design and build of the facility by the landlord

Pro-Logis Sarl XXIV B.V.). The lease is stated to run for 10 years from "Office Handover" which occurred on 1 September 2016 and will therefore expire on 31 August 2026. The EUHQ serves as the head office and distribution facility for the Group's German and Dutch operations. The Company guarantees certain of the obligations of AO Deutschland Limited as tenant under the EUHQ Lease. Pursuant to the terms of the EUHQ Lease, AO Deutschland pays a current monthly rent of €165.672,95 (exclusive of VAT). The rent payable under the EUHQ Lease shall be reviewed annually and shall increase in proportion to 80% of the change in the Consumer Price Index for Germany. The property that is subject to the EUHQ Lease is categorised as being for office, service, storage and distribution. The EUHQ Lease permits AO Deutschland Limited to sublet the property (in whole or part) subject to certain conditions which are set out in the EUHQ Lease. The EUHQ Lease does not contain any break rights in favour of either the landlord or AO Deutschland Limited. AO Deutschland Limited does not have a reversion right or a contractual right to renew the lease or to acquire another lease of the EUHQ.

(iii) Banking Facilities

Pursuant to the terms of a term and revolving facilities agreement originally dated 3 June 2016, as amended and restated by an amendment and restatement agreement dated 16 November 2017 and as further amended and restated by an amendment and restatement agreement dated 9 November 2018 between, amongst others: (1) AO Limited, AO Retail Limited, Expert Logistics Ltd and the Company; and (2) Barclays Bank PLC, Lloyds Bank PLC and HSBC UK Bank PLC (the "**Facilities Agreement**"), AO Limited and AO Retail Limited have had made available to them a £60 million revolving credit facility for general corporate purposes (the **"Revolving Credit Facility"**) and a £24 million term loan facility for the purposes of funding the Acquisition (the **"Term Loan Facility"**). The rate of interest payable on the Revolving Credit Facility is the aggregate of the applicable margin (being 1.5%) and LIBOR. The rate of interest payable on the Term Loan Facility is the aggregate of the applicable margin (being 2%) and LIBOR. The Term Loan Facility is repayable in instalments of £1 million per quarter with the initial repayment instalment due on 1 April 2019. The balance of the Term Loan Facility is repayable on expiry of the Facilities Agreement. Commitment, arrangement, agency, security agency, utilisation and non-utilisation fees are also payable under the terms of the Facilities Agreement. The Facilities Agreement contains certain customary representations, undertakings and events of default and guarantees have been granted by the Company, AO Limited, AO Retail Limited and Expert Logistics Ltd and upon Completion, will be granted by the Target. The Facilities Agreement also contains customary covenants in relation to interest cover and leverage. The Facilities Agreement is due to expire on 3 June 2021.

(b) MPD

The following contract (not being a contract entered into in the ordinary course of business) has been entered into by MPD within the two years immediately preceding the date of this document and is, or may be, material or has been entered into at any time and contains an obligation or entitlement which is material to MPD as at the date of this document:

Head Office Lease of MPD at Harts Hill Farm Barns, Thatcham, UK (the "MPD Premises")

MPD is the tenant under a lease of office premises known as Harts Hill Farm Barns, Thatcham, UK (the "**MPD Lease**"). The MPD Lease was entered into on 25 October 2007 and is for a term expiring on 24 October 2022. The landlord of the MPD Premises is one of the Sellers. The Premises serve as the head office for MPD's operations. Pursuant to the terms of the MPD Lease, MPD pays an annual rent of £146,750 (exclusive of VAT). MPD has underlet part of the Premises for a term expiring on 30 September 2019.

7. LITIGATION

(a) AO

There are no governmental, legal or arbitral proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the period of twelve months preceding the date of this document, a significant effect on the financial position or profitability of the Company or the Group.

(b) MPD

There are no governmental, legal or arbitral proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the period of twelve months preceding the date of this document, a significant effect on the financial position or profitability of MPD.

8. SIGNIFICANT CHANGES

(a) There has been no significant change in the financial or trading position of the Group since 31 March 2018, the date to which the Company's last audited financial statements have been drawn up.

(b) There has been no significant change in the financial or trading position of MPD since 31 March 2018, the date to which MPD's financial statements in Part 3 (Historical Financial Information relating to MPD) of this document have been drawn up.

9. RELATED PARTY TRANSACTIONS

Details of the related party transactions (which for these purposes are those set out in the standards adopted according to Regulation (EC) No 1606/2002) the Company has entered into:

(a) during the financial year ended 31 March 2016 are disclosed in Note 36 on page 102 of the Company's 2016 annual report and accounts;

(b) during the financial year ended 31 March 2017 are disclosed in Note 36 on page 111 of the Company's 2017 annual report and accounts; and

(c) during the financial year ended 31 March 2018 are disclosed in Note 35 on page 125 of the Company's 2018 annual report and accounts.

In the period from 1 April 2018 to the Latest Practicable Date there are no related party transactions which the Company has entered into that require disclosure in accordance with Regulation (EC) No 1606/2002 other than ordinary course payments to directors in accordance with the Company's remuneration policy.

10. WORKING CAPITAL

The Company is of the opinion that, taking into account bank and other facilities available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.

11. CONSENTS

(a) Jefferies has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.

(b) BDO has given and has not withdrawn its written consent to the inclusion in this document of its letter, set out in Part 3 (Historical Financial Information relating to MPD) of this document, in the form and context in which it is included.

(c) KPMG has given and has not withdrawn its written consent to the inclusion in this document of its letter, set out in Part 4 (Unaudited Pro Forma Financial Information of the Enlarged Group) of this document, in the form and context in which it is included.

12. INFORMATION INCORPORATED BY REFERENCE

Information from the following documents (or parts of documents) is incorporated by reference in, and form part of, this document:

Information incorporated by reference	*Document reference*	*Page number in reference document*
The sections "Service contracts and loss of office payments", "Incentives on termination" and "Chairman and Non-Executive Directors' letters of appointment" in the Directors' remuneration report	2018 Annual report and accounts of the Company	Pages 84 and 85
Note 35 to the Notes to the consolidated financial statements	2018 Annual report and accounts of the Company	Note 35 on page 125
Note 36 to the Notes to the consolidated financial statements	2017 Annual report and accounts of the Company	Note 36 on page 111
Note 36 to the Notes to the consolidated financial statements	2016 Annual report and accounts of the Company	Note 36 on page 102

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company from the date of this document up to and including the date of the General Meeting and for the duration of the General Meeting:

(a) the Sale and Purchase Agreement;

(b) the memorandum and articles of association of the Company;

(c) the accounts of MPD for the three financial years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the accountant's report in respect thereof;

(d) the unaudited pro forma financial information for the Enlarged Group and accountant's report in respect thereof;

(e) the written consents referred to in paragraph 11 above; and

(f) this document.

PART 7

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Acquisition"	the proposed acquisition by AO Limited, a wholly owned subsidiary of the Company, of the entire issued share capital of Mobile Phones Direct Limited from the Sellers
"AO" or **"Company"**	AO World Plc
"AO Shares" or **"Shares"**	ordinary shares of 0.25 pence each in the capital of the Company
"BDO"	BDO LLP of 55 Baker Street, London W1U 7EU
"Board" or **"Directors"**	the directors of the Company
"Buyer"	AO Limited, a wholly-owned subsidiary of the Company, with registered number 06861978 and whose registered address is at Unit 5a The Parklands, Lostock, Bolton, BL6 4SD
"CMA"	the United Kingdom Competition and Markets Authority
"Cash Interest"	(a) 50% of the Interest from and including 1 July 2018 until and including 29 November 2018; plus (b) the Interest from and including 30 November 2018 until and including the date of Completion
"Completion"	completion of the Acquisition pursuant to the Sale and Purchase Agreement
"Consideration Shares"	the Shares to be issued to the Sellers pursuant to the Sale and Purchase Agreement
"Disclosure Guidance and Transparency Rules"	the disclosure guidance and transparency rules as defined in the Listing Rules
"Enlarged Group"	the enlarged Group following Completion
"FCA"	the United Kingdom Financial Conduct Authority
"Form of Proxy"	the form of proxy accompanying this document for use by Shareholders in connection with the General Meeting
"Free Cash Flow"	net cash from operating activities
"General Meeting"	the general meeting to be held at 1pm on 29 November 2018, or any adjournment thereof
"Group"	the Company and its subsidiary undertakings
"Interest"	interest of 7.5% per annum on the Interest Reference Amount from and including 1 July 2018 until and including the date of Completion
"Interest Reference Amount"	approximately £41.2 million
"Jefferies"	Jefferies International Limited of Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ
"KPMG"	KPMG LLP of 1 St Peter's Square, Manchester M2 3AE
"Latest Practicable Date"	8 November 2018, being the latest practicable date prior to the date of this document
"Listing Rules"	the listing rules made under Part 6 of the Financial Services and Markets Act 2000
"Loan Notes"	fixed rate unsecured loan notes to be issued by AO Limited as part consideration for the Acquisition
"Loan Notes Interest"	50% of the Interest from and including 1 July 2018 until and including 29 November 2018
"Longstop Date"	31 March 2019

"Market Abuse Regulation"	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
"MPD" or **"Target"**	Mobile Phones Direct Limited
"MVNO"	a mobile virtual network operator, being an operator that does not own the mobile network over which it provides services to consumers
"Ofcom"	Office of Communications
"Prospectus Rules"	the prospectus rules made under Part 6 of the Financial Services and Markets Act 2000
"Resolution"	the ordinary resolution to approve the Acquisition to be proposed at the General Meeting, the full text of which is set out in the Notice of General Meeting at the end of this document
"Revolving Credit Facility"	the revolving credit facility which is further described in paragraph 6(a)(iii) of Part 6 (Additional Information) of this document
"Sale and Purchase Agreement"	the agreement described in Part 5 (Summary of the Principal Terms and Conditions of the Sale and Purchase Agreement) of this document
"Sellers"	Karl Borges and Susan Borges
"Shareholder"	a holder of AO Shares
"Term Loan Facility"	the term loan facility which is further described in paragraph 6(a)(iii) of Part 6 (Additional Information) of this document
"Treasury Shares"	shares held as treasury shares as defined in section 724(5) of the Companies Act 2006.

AO World Plc

(the ''Company'')

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at 1pm on 29 November 2018 at Jefferies International Limited, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ, to consider and, if thought fit, pass the following Resolution as an ordinary resolution:

ORDINARY RESOLUTION

THAT the proposed acquisition by AO Limited of the entire issued share capital of Mobile Phones Direct Limited pursuant to a sale and purchase agreement dated 9 November 2018 between the Company, AO Limited, Karl Borges and Susan Borges (''**Sale and Purchase Agreement**''), in the manner and on the terms and conditions of the Sale and Purchase Agreement, be and is hereby approved and that the directors of the Company be and are hereby authorised to take all such steps as may be necessary or desirable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (providing such modifications, variations, revisions or amendments are not of a material nature) as they shall deem necessary or desirable.

By order of the Board
Julie Finnemore
Company Secretary
9 November 2018

Registered Office
5A The Parklands
Lostock
Bolton BL6 4SD

Registered in England and Wales No. 05525751

General Notes

Proxies

1. A member entitled to attend and vote at the General Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the General Meeting. A member can appoint more than one proxy in relation to the General Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Your proxy could be the Chairman, another Director or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the General Meeting for your vote to be counted. Appointing a proxy does not preclude you from attending the General Meeting and voting in person.
3. A proxy form which may be used to make this appointment and give proxy instructions accompanies this document. Details of how to appoint a proxy are set out in the notes to the proxy form. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Link Asset Services:
   - by telephone on 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales; or
   - in writing: Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

   As an alternative to completing a hard copy proxy form, proxies may be appointed electronically in accordance with note 4 below.
4. In order to be valid an appointment of proxy must be returned (together with any authority under which it is executed or a copy of the authority certified) by one of the following methods:
   - in hard copy form by post, by courier or by hand to the Company's Registrar, Link Asset Services, at the address printed on the back of the Form of Proxy or, if preferred, in an envelope to FREEPOST PXS, 34 Beckenham Road, BR3 9ZA (please note delivery using this service can take up to five business days);
   - by completing it online at https://www.aoshareportal.com/ by following the on-screen instructions to submit it – you will need to identify yourself with your personal investor code (which is set out on your personalised form of proxy which accompanies this document); or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 8 below;

   and in each case the appointment of proxy must be received by the Company not less than 48 hours before the time of the General Meeting (excluding non-working days).
5. To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Link Asset Services:
   - by telephone: 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales; or
   - in writing: Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

   The deadline for receipt of proxy appointments (see note 4) also applies in relation to amended instructions. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
6. A copy of this document has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "**Nominated Person**"). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the General Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
7. To be entitled to attend and vote, whether in person or by proxy, at the General Meeting, members must be registered in the Register of Members of the Company at close of business on 27 November 2018 or, if the General Meeting is adjourned, at close of business on the date which is two days prior to the adjourned meeting. Changes to entries on the Register of Members after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the General Meeting or adjourned meeting.
8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to

procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

10. Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgement of an electronic proxy form, that is found to contain any virus will not be accepted.

Corporate representatives

11. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the General Meeting. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.

Voting at the General Meeting

12. Voting on each substantive resolution will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as member votes are to be counted according to the number of shares held. Members and proxies will be asked to complete a poll card to indicate how they wish to cast their votes. These cards will be collected at the end of the meeting. As soon as practicable following the General Meeting, the results of the voting at the General Meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each resolution will be announced via a Regulatory Information Service and also placed on the Company's website: ao-world.com.

Questions

13. The Company must cause to be answered at the General Meeting any question relating to the business being dealt with at the General Meeting which is put by a member attending the General Meeting, except (i) if to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information, (ii) if the answer has already been given on a website in the form of an answer to a question, or (iii) if it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

Total Voting Rights

14. As at 8 November 2018 (being the latest practicable date prior to the publication of this document), the Company's issued share capital consists of 458,788,480 ordinary shares, carrying one vote each. The Company holds no ordinary shares in treasury. Therefore the total voting rights in the Company are 458,788,480.
15. The contents of this document, details of the total number of shares in respect of which members are entitled to exercise voting rights at the General Meeting, details of the totals of the voting rights that members are entitled to exercise at the General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this document will be available on the Company's website: ao-world.com.

Electronic address

16. You may not use any electronic address provided in this document to communicate with the Company for any purposes other than those expressly stated.

This document is for information purposes only and does not constitute legal advice. Specific advice should be sought on your specific circumstances before taking any action (or deciding not to take any action) in reliance on the contents of this document.