

Aerial Direct Limited

Annual Report and Financial Statements

Year Ended

30 September 2018

Company Number 08043921

SATURDAY



A858STJF

A08

11/05/2019

#10

COMPANIES HOUSE

Aerial Direct Limited

Company Information

Directors	D Kilby D Ainslie
Registered number	08043921
Registered office	1 Barnes Wallis Road Fareham Hampshire PO15 5UA
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Aerial Direct Limited

Contents

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditors' Report	6 - 8
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	13 - 29

Aerial Direct Limited

Strategic Report For the Year Ended 30 September 2018

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 30 September 2018.

Business review

The company operates in the telecommunications sector and resells telecommunications services including the sale, installation and maintenance of fixed line services, and handset financing for over 100,000 customers across the UK. Aerial Direct, together with Aerial Telephones, is the largest O2 direct business partner in the UK.

2018 saw Aerial build on the foundations of the previous year with some significant achievements, most notably:

The company continued to invest significantly in the following areas:

- Moved to a new £4.5m headquarters in Fareham. This was a significant investment in bringing the two operating companies of Aerial Telephones Limited and Aerial Direct Limited into one location.
- Completion of management buy out ("MBO") – On 5th October 2018 Aerial completed an MBO which brought all of the Aerial businesses (Aerial Telephones Limited, Aerial Direct Limited and Beebu Limited) into one group under the holding company of Aerial Group Limited and reduced the shareholding to David Ainslie and David Kilby.
- Continued research and development of our bespoke IT systems, achieving real time integration with key suppliers and other business stakeholders reducing manual input required to run our business operation.
- Invested in the management team expanding the Marketing function to help build the brand and drive the organic growth of the business.

Aerial's continued commitment to excellent service has enabled Aerial to win the Best B2B Dealer (over 50 employees) at the mobile news awards 2018, the O2 Customer Excellence Award 2018 for the third year in a row, O2 Digital Award and the Comms National Awards for the best customer service (above £5m turnover). Aerial's Trustpilot score continues to be one of the highest for the Telecommunications sector at 9.5.

Aerial Direct Limited

Strategic Report (continued) For the Year Ended 30 September 2018

Principal risks and uncertainties

The principal risks for the business are considered to be the following:

1) Continued diversification

The business has been building its fixed line telephony offering to complement its core activity of Mobile Telecommunications. Furthermore, the business is looking to offer other business services into its client base.

2) General economic activity

The business operates largely in the SME space, the directors look to manage economic reliance on any single source of supplier or customers and within a particular sector.

3) Liquidity and cash flow

The business maintains strong cash generation, it is a key KPI and target for the business to maximise the monthly cashflow from the operation. At the end of the year, the company had cash in hand of £3.4m. The company has a policy of maintaining debt at an appropriate level to ensure that the company is able to adequately manage debt servicing cash flows. Forecast cashflows for the year are regularly reviewed by management.

4) Brexit

Aerial Direct is fortunate with regard to BREXIT as it operates solely within the UK. Aerial Direct understands that any BREXIT risk can impact business however given their group and offering they are content this should not have a significant impact.

Financial key performance indicators

The results for the year are set out within the profit and loss account. This shows an increase in profitability for the year.

The EBITDA performance of the business is summarised below :

	2018	2017
Revenue	£21.6m	£20.1m
EBITDA	£6.9m	£5.8m
EBITDA %	31.9%	28.9%

The consolidated EBITDA of Aerial Direct and Aerial Telephones which we combined into Aerial Group post year end are summarised below:

	2018	2017
Revenue	£26.9m	£26.1m
EBITDA	£7.8m	£6.4m
EBITDA %	29.0%	24.5%

Aerial Direct Limited

Strategic Report (continued) For the Year Ended 30 September 2018

Future developments

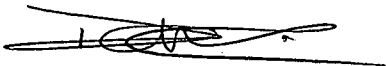
2019 promises to be an exciting year to further develop our proposition, and grow the business. Since the balance sheet date we have completed on the following transactions:

- Completion of management buy out ("MBO") – On 5th October 2018 Aerial completed an MBO which brought all of the Aerial businesses (Aerial Telephones Limited, Aerial Direct Limited and Beebu Limited) into one group under the holding company of Aerial Group Limited and reduced the shareholding to David Ainslie and David Kilby.
- Aerial Group completed its first acquisition, IP Cortex, on 15th March 2019, as part of the group strategy to expand our fixed line telephony offering. IP Cortex is a VoIP telephone system provider that will continue its channel-only route to market and existing partners will continue to benefit from being able to offer customers truly differentiated, feature-rich communications solutions, be that hosted, on-premise or virtual.

Key areas of activity to grow:

- Further consolidate our position as the leading O2 business partner through investment in our sales channels and through acquisition.
- Continue to develop our in-house Customer Relationship Management ("CRM") platform and look to supplement that with investment in best of breed technologies to enable the further expansion of the business.
- Target further acquisitions to develop our proposition and build a path to deliver on our goal of being one of the largest unified communications companies in the UK.

This report was approved by the board on 30 April 2019 and signed on its behalf.



D Kilby
Director

Aerial Direct Limited

Directors' Report For the Year Ended 30 September 2018

The Directors present their report and the financial statements for the year ended 30 September 2018.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £5,404,750 (2017 - £4,516,464).

A final dividend of £Nil (2017: £3,450,000) was declared and paid during the year.

Director

The Director who served during the year was:

D Kilby

Future developments

Details of future developments are included in the Strategic Report.

Aerial Direct Limited

Directors' Report (continued) For the Year Ended 30 September 2018

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

In October 2018 Aerial Direct Limited, Aerial Telephones Group Limited and Aerial Telephones Limited were acquired by Aerial Group Limited. As part of this transaction all bank facilities within Aerial Direct Limited were refinanced, which as at 30 September 2018 totalled £2.1m, and a new bank loan was drawn by Aerial Group Limited, totalling £14m which is repayable over 5 years.

In October 2018 an exclusive O2 partner agreement was novated from Aerial Telephones Group Limited, from which Aerial Telephones Limited previously traded, to Aerial Direct Limited. From this date Aerial Direct Limited traded directly with O2, which previously was through Aerial Telephones Limited.

As part of this transaction the ultimate controlling party became D Kilby.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 30 April 2019 and signed on its behalf.



D Kilby
Director

Aerial Direct Limited

Independent Auditors' Report to the Members of Aerial Direct Limited

Opinion

We have audited the financial statements of Aerial Direct Limited ("the company") for the year ended 30 September 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Aerial Direct Limited

Independent Auditors' Report to the Members of Aerial Direct Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Aerial Direct Limited

Independent Auditors' Report to the Members of Aerial Direct Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



James Newman (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

30 April 2019

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

Aerial Direct Limited

Statement of Comprehensive Income For the Year Ended 30 September 2018

	Note	2018 £	2017 £
Turnover		21,571,781	20,116,364
Cost of sales		(11,214,350)	(11,103,767)
Gross profit		10,357,431	9,012,597
Administrative expenses		(3,740,836)	(3,345,535)
Operating profit	5	6,616,595	5,667,062
Interest receivable and similar income	7	481,176	442,532
Interest payable and expenses	8	(434,892)	(420,194)
Profit before tax		6,662,879	5,689,400
Tax on profit	9	(1,258,129)	(1,172,936)
Profit for the financial year		5,404,750	4,516,464

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 13 to 29 form part of these financial statements.

Aerial Direct Limited

Registered number: 08043921

Balance Sheet As at 30 September 2018

	Note	2018 £	2018 £	Restated 2017 £	Restated 2017 £
Fixed assets					
Tangible assets	11		4,718,685		302,884
			<u>4,718,685</u>		<u>302,884</u>
Current assets					
Stocks	12	116,647		297,263	
Debtors: amounts falling due after more than one year	13	7,230,351		5,809,161	
Debtors: amounts falling due within one year	13	13,651,821		14,099,526	
Cash at bank and in hand		3,382,547		522,740	
		<u>24,381,366</u>		<u>20,728,690</u>	
Creditors: amounts falling due within one year	14	(14,850,218)		(13,088,285)	
Net current assets			<u>9,531,148</u>		<u>7,640,405</u>
Total assets less current liabilities			<u>14,249,833</u>		<u>7,943,289</u>
Creditors: amounts falling due after more than one year	15		(3,694,851)		(2,769,030)
Provisions for liabilities					
Deferred tax	17	(16,844)		(40,871)	
			<u>(16,844)</u>		<u>(40,871)</u>
Net assets			<u><u>10,538,138</u></u>		<u><u>5,133,388</u></u>
Capital and reserves					
Called up share capital	18		120		120
Profit and loss account	19		10,538,018		5,133,268
			<u><u>10,538,138</u></u>		<u><u>5,133,388</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 April 2019.



D Kilby
Director

The notes on pages 13 to 29 form part of these financial statements.

Aerial Direct Limited

Statement of Changes in Equity For the Year Ended 30 September 2018

	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2016	120	4,066,804	4,066,924
Comprehensive income for the year			
Profit for the year	-	4,516,464	4,516,464
Total comprehensive income for the year	-	4,516,464	4,516,464
Dividends: Equity capital	-	(3,450,000)	(3,450,000)
Total transactions with owners	-	(3,450,000)	(3,450,000)
At 1 October 2017	120	5,133,268	5,133,388
Comprehensive income for the year			
Profit for the year	-	5,404,750	5,404,750
Total comprehensive income for the year	-	5,404,750	5,404,750
At 30 September 2018	120	10,538,018	10,538,138

The notes on pages 13 to 29 form part of these financial statements.

Aerial Direct Limited

Statement of Cash Flows For the Year Ended 30 September 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	5,404,750	4,516,464
Adjustments for:		
Amortisation of intangible assets	-	68,886
Depreciation of tangible assets	133,388	100,961
Loss on disposal of tangible assets	192,657	-
Interest payable	434,892	420,194
Interest receivable	(481,176)	(442,532)
Taxation charge	1,258,129	1,172,936
Decrease/(increase) in stocks	180,616	(291,839)
(Increase) in debtors	(973,485)	(2,339,373)
Increase/(decrease) in creditors	1,043,385	(7,693)
Corporation tax (paid)	(1,640,661)	(754,683)
Net cash generated from operating activities	5,552,495	2,443,321
Cash flows from investing activities		
Purchase of tangible fixed assets	(4,741,846)	(71,288)
Interest paid	(34,694)	(11,917)
Net cash from investing activities	(4,776,540)	(83,205)
Cash flows from financing activities		
New bank loans	2,100,000	-
Bank loans repaid	(16,148)	-
Dividends paid	-	(3,450,000)
Net cash used in financing activities	2,083,852	(3,450,000)
Net increase/(decrease) in cash and cash equivalents	2,859,807	(1,089,884)
Cash and cash equivalents at beginning of year	522,740	1,612,624
Cash and cash equivalents at the end of year	3,382,547	522,740
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,382,547	522,740
	3,382,547	522,740

The notes on pages 13 to 29 form part of these financial statements.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

1. General information

Aerial Direct Limited is a company limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities is disclosed in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- network commissions revenue is recognised with reference to the stage of completion of the service under the individual contract with the Mobile Network Operator ('MNO'), as outlined in network commissions section;
- 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;
- revenue earned from the ongoing performance obligation to provide customer support is recognised over the term of the contracts when the company delivers the performance of its contractual obligations. At year end deferred income predominantly relates to deferred customer support revenues.
- revenue generated from the provision of fixed and mobile network services is recognised as it is earned over the lives of the relevant customer contracts.

Network commissions

The company operates under contracts with a 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 for the MNO to supply the ongoing airtime over that contract period.

The company earns a commission for the service provided to each MNO ('network commission'). Revenue is recognised with reference to the stage of completion of the service under the individual contract with the MNO.

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.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

2. Accounting policies (continued)

2.2 Revenue (continued)

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 consumers contract when a consumer is connected to the MNO. This gives rise to accrued income being recognised, which is collected over the consumers contract.

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 not consider that the amount of out of bundle and out of contract revenue can be measured reliably in advance, and therefore these revenues are recognised in the month they are 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. An element of revenue is then deferred regarding the ongoing performance obligation to provide customer support to consumers and this is recognised over the term of the consumer contracts.

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 installments from end consumers over the life of the consumer contract. The gross commission receivable in any month is settled for certain MNO 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 over 16 months.

2.3 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.4 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.

2.5 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

2. Accounting policies (continued)

2.6 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations; when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.8 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.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Long-term leasehold property	-	4% per annum
Fixtures and fittings	-	25% per annum
Office equipment	-	25% 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.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet 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 profit or loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

2. Accounting policies (continued)

2.13 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

2.14 Leased assets

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease, or up to the first break clause.

2.15 Accrued income

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 collect over time being recorded against turnover. Following initial recognition interest receivable is recognised and recorded to increase the accrued income amounts to the absolute accrued income balance which is collectable over time.

2.16 Cashback liability

A liability is recognised for cashback offered to customers at the date of connection, that the company is contractually obliged to repay over a period of time. The liability is settled on a monthly basis, paid back over the life of the customer contract.

The cashback liability is discounted on initial recognition with the difference between the present value of the cashbacks and the absolute cashbacks to be paid over time being recorded against cost of sales. Following initial recognition interest payable is recognised and is recorded to increase the cashback amounts to the absolute cashback balance which is payable over time.

2.17 Payments on account

Payments on account represent payments by networks to the entity which are repayable in installments over a number of months in accordance with the contract terms. These have been recognised within creditors as "payments 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 cost of sales. 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.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

2. Accounting policies (continued)

2.18 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.

2.19 Prior year reclassification

In the prior year the aging of payments on account and other creditors has been restated.

This resulted in £1,417,093 being reclassified to payments on account less than one year instead of greater than one year. Payments on account greater than one year are now shown as £270,272, previously shown as £1,687,365. This adjustment has not affected profit.

This resulted in £411,552 being reclassified to other creditors less than one year instead of greater than one year. Other creditors greater than one year are now shown as £865,032, previously shown as £1,276,584. This adjustment has not affected profit.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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 sources of estimation uncertainty

Revenue

Revenue recognition - network commissions

For certain transactions with the MNO, 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, and further details of estimates used to value commission receivable and carrying amounts at the balance sheet date can be found within the accounting policies.

The company consider the following with regards to revenue recognition:

- revenue share percentage - the percentage of the consumer's spend (to the MNO) 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 the MNO;
- out-of-bundle spend - additional spend by the consumer measured as a % of total spend (which currently the company consider can not be measured reliably in advance); and
- spend beyond the initial contract period - period of time the consumer remains connected to the MNO after the initial contract term (which currently the company consider can not be measured reliably in advance).

Under certain arrangements with the MNO, the commission receivable for the monthly consumer connections to the MNO 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 of 2.5% is used.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Revenue recognition - customer support agreements

As set out in within the accounting policies, revenue relating to customer support agreements is recognised by reference to the stage of completion of the contractual terms at the balance sheet date. The stage of completion is estimated with reference to the proportion of the expected costs of fulfilling the company's total obligations under the agreements.

The estimation techniques used for the customer support, where there is an on going performance obligation, revenue and profit recognition is based on the costs incurred to deliver the on going service.

Discount rates applied in managements assessment of the present value of accrued income

The discount rate of 2.5% is a pre-tax adjusted discount rate and reflects management's estimate of the company's weighted average cost of capital.

Time value of money applied in managements assessment of the present value of liabilities

When the effect of the time value of money is material, the amount of the liability recognised shall be at its present value required to settle the 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 liability in question. A discount rate of 2.5% has been applied.

4. Turnover

Revenue predominantly comprises those revenue relating to commissions from the MNO, customer support agreements, delivery and installation, and product support.

All turnover arose within the United Kingdom and arose on principal activities of the business.

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of owned tangible fixed assets	133,388	100,962
Amortisation of intangible assets	-	68,886
Defined contribution pension cost	58,928	28,062
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	13,450	12,500
Other operating lease rental	252,537	308,169

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

6. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	6,453,691	5,878,693
Social security costs	693,056	854,990
Cost of defined contribution scheme	58,928	28,062
	<u>7,205,675</u>	<u>6,761,745</u>

The Directors received no remuneration during the year (2017 - £Nil).

The average monthly number of employees during the year was as follows

	2018 No.	2017 No.
Sales and administration staff	<u>186</u>	<u>190</u>

7. Interest receivable

	2018 £	2017 £
Interest receivable on accrued income balances	481,176	442,532
	<u>481,176</u>	<u>442,532</u>

8. Interest payable and similar expenses

	2018 £	2017 £
Interest payable on payment on account and cashback liabilities	400,198	408,277
Late interest due on corporation tax installments	-	11,917
Bank interest	34,694	-
	<u>434,892</u>	<u>420,194</u>

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

9. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	1,296,121	1,640,503
Adjustments in respect of previous periods	(13,965)	(1,090)
Total current tax	1,282,156	1,639,413
Deferred tax		
Origination and reversal of timing differences	(23,976)	(458,463)
Adjustments in respect of prior periods	(51)	(8,014)
Total deferred tax	(24,027)	(466,477)
Taxation on profit on ordinary activities	1,258,129	1,172,936

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.5%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	6,662,879	5,689,400
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.5%)	1,265,947	1,109,355
Effects of:		
Expenses not deductible for tax purposes	3,377	5,301
Adjustments to tax charge in respect of prior periods	(14,016)	(9,104)
Effect of rate change on deferred tax	2,821	67,384
Total tax charge for the year	1,258,129	1,172,936

Factors that may affect future tax charges

The UK corporation tax rate was 19% in the year to 31 March 2018 and this rate has been used for the purposes of preparing the tax disclosures. The government announced in the 2016 Budget that the UK corporation tax rate will decrease further to 17% from 1 April 2020. Accordingly deferred tax recognised in the accounts as at year end have been calculated using the 17% rate.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

10. Dividends

	2018 £	2017 £
Ordinary shares		
Dividend paid of £Nil (2017: £30,000 per share)	-	1,800,000
"A" Ordinary shares		
Dividend paid of £Nil (2017: £27,500 per share)	-	1,650,000
	<u>-</u>	<u>3,450,000</u>

11. Tangible fixed assets

	Long-term leasehold property £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation				
At 1 October 2017	-	408,375	345,614	753,989
Additions	3,814,494	582,820	344,532	4,741,846
Disposals	-	(346,125)	(300,738)	(646,863)
At 30 September 2018	<u>3,814,494</u>	<u>645,070</u>	<u>389,408</u>	<u>4,848,972</u>
Depreciation				
At 1 October 2017	-	247,985	203,120	451,105
Charge for the year on owned assets	12,097	60,589	60,702	133,388
Disposals	-	(241,038)	(213,168)	(454,206)
At 30 September 2018	<u>12,097</u>	<u>67,536</u>	<u>50,654</u>	<u>130,287</u>
Net book value				
At 30 September 2018	<u>3,802,397</u>	<u>577,534</u>	<u>338,754</u>	<u>4,718,685</u>
At 30 September 2017	<u>-</u>	<u>160,390</u>	<u>142,494</u>	<u>302,884</u>

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

12. Stocks

	2018 £	2017 £
Finished goods and goods for resale	116,647	297,263
	<u>116,647</u>	<u>297,263</u>

Stock recognised in cost of sales during the year as an expense was £3,898,771 (2017 - £3,152,532) .

13. Debtors

	2018 £	2017 £
Due after more than one year		
Prepayments and accrued income	7,230,351	5,809,161
	<u>7,230,351</u>	<u>5,809,161</u>
Due within one year		
Trade debtors	365,222	1,647,306
Amounts owed from related companies	248,464	-
Other debtors	351,327	148,140
Prepayments and accrued income	12,686,808	12,304,080
	<u>13,651,821</u>	<u>14,099,526</u>

The majority of trade and other debtors are non-interest bearing. Debtors due after more than one year mainly comprise commission receivable on sales, as described within the accounting policies. 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.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

14. Creditors: Amounts falling due within one year

	2018 £	Restated 2017 £
Bank loans	1,154,589	-
Payments on account	4,792,225	4,374,482
Trade creditors	661,062	607,627
Corporation tax	1,281,999	1,640,504
Other taxation and social security	919,017	711,653
Other creditors	2,768,879	2,630,699
Accruals and deferred income	3,272,447	3,123,320
	<u>14,850,218</u>	<u>13,088,285</u>

15. Creditors: Amounts falling due after more than one year

	2018 £	Restated 2017 £
Bank loans	929,263	-
Payments on account	280,899	270,272
Other creditors	522,886	865,032
Accruals and deferred income	1,961,803	1,633,726
	<u>3,694,851</u>	<u>2,769,030</u>

Bank loans due in less than one year amounted to £1,154,589, 1-2 years being £56,054 and 2-5 years being £873,592.

Bank loans are secured over the assets of the company.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

16. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>24,253,544</u>	<u>20,236,617</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(11,356,504)</u>	<u>(8,869,798)</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed from related companies, other debtors, accrued income and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise bank loans, payments on account, trade creditors, other creditors and accruals.

17. Deferred taxation

	2018 £
At beginning of year	(40,871)
Charged to profit or loss	24,027
At end of year	<u><u>(16,844)</u></u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(17,399)	(41,374)
Short Term timing differences	555	503
	<u><u>(16,844)</u></u>	<u><u>(40,871)</u></u>

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

18. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
60 Ordinary shares of £1 each	60	60
60 A Ordinary shares of £1 each	60	60
	<u>120</u>	<u>120</u>

Ordinary Shares and A Ordinary Shares rank pari passu in all respects but shall constitute separate asset classes.

The holders of all ordinary shares are entitled to receive dividends as declared from time to time, ranked equally, pari passu as if the same constituted one class of share.

The holders of all ordinary shares carry equal distribution rights on return of assets on liquidation, reduction of capital or otherwise, the surplus assets of the company remaining after payment of its liabilities.

19. Reserves

Ordinary share capital

Called up share capital reserve represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits of losses net of dividends paid and other adjustments.

20. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £58,928 (2017 - £28,062). There were no contributions payable to the fund at the balance sheet date (2017 - £6,648).

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

21. Commitments under operating leases

At 30 September 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	128,546	152,386
Later than 1 year and not later than 5 years	127,165	196,793
Later than 5 years	-	4,377
	<u>255,711</u>	<u>353,556</u>

22. Related party transactions

During the year the turnover included amounts totalling £16,394,358 (2017: £17,047,499) made to a company that is related by virtue of common directorship and part common shareholders.

During the year the cost of sales included amounts totalling £2,124,925 (2017: £3,152,232) made to a company that is related by virtue of common directorship and part common shareholders.

Included within prepayments and accrued income are amounts totalling £19,905,983 (2017: £17,918,431) that are due from a company that is related by virtue of common directorship and part common shareholders.

Included within other debtors are amounts totalling £145,627 (2017: £Nil) that are due from a shareholder.

Included within other debtors are amounts totalling £202,500 (2017: £148,000) that are due to a company that is related by virtue of common directorship and part common shareholders.

Included within amounts owed from related companies are amounts totalling £248,464 (2017: £Nil) that are due from a company that is related by virtue of common directorship and part common shareholders.

Included within payments on account are amounts totalling £5,073,124 (2017: £4,644,754) that are due to a company that is related by virtue of common directorship and part common shareholders.

Key management personnel include all directors of the company, who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £Nil (2017: £Nil). There were no amounts outstanding as at the year end (2017: £Nil).

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

23. Post balance sheet events

In October 2018 Aerial Direct Limited and Aerial Telephones Limited were acquired by Aerial Group Limited. As part of this transaction all bank facilities within Aerial Direct Limited were refinanced, which as at 30 September 2018 totalled £2.1m, and a new bank loan was drawn by Aerial Group Limited, totalling £14m which is repayable over 5 years.

In October 2018 an exclusive O2 partner agreement was novated from Aerial Telephones Group Limited, from which Aerial Telephones Limited previously traded, to Aerial Direct Limited. From this date Aerial Direct Limited traded directly with O2, which previously was through Aerial Telephones Limited.

As part of this transaction the ultimate controlling party became D Kilby.

24. Controlling party

Prior to 5 October 2018, in the view of the directors, there was no controlling party. D Kilby and P Davis were persons with significant control by virtue of their shareholdings.

From 5 October 2018, the ultimate parent company is Aerial Group Limited, a company registered in England and Wales; the ultimate controlling party of Aerial Group Limited is D Kilby.

From 5 October 2018 the largest and smallest group in which the results are consolidated is that headed by Aerial Group Limited.