

Aerial Direct Limited

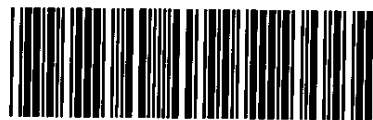
Annual Report and Financial Statements

Year Ended

30 September 2022

Company Number 08043921

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Aerial Direct Limited

Company Information

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

Aerial Direct Limited

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Aerial Direct Limited

Strategic Report For the Year Ended 30 September 2022

The directors present their strategic report together with the audited financial statements for the year ended 30 September 2022.

Business review

Aerial Direct operates in the telecommunications sector and resells telecommunications services including the provision of mobile and fixed line services and the installation and maintenance of fixed line systems and handset financing for over 150,000 customers across the UK.

The year under review has seen a return to strong organic growth after the impact of Covid-19 that dampened previous year's performance. Aerial Direct has reported revenue of £38M (up 34% on 2021) and EBITDA of 9.9m (up 63% on 2021).

The business has continued to invest in technology and people to achieve its goal of becoming the leading data driven mobile and unified communications provider in the UK. Through continued investment in its data warehouse and reporting tools, Aerial Direct can better manage its core KPIs delivering improved performance and operational efficiency across the business. Furthermore, cohorting of both target customers and existing customers into 6 target segments across multiple industries has allowed Aerial Direct to improve lead generation methods whilst improving conversion rates for new business and customer resigns. Investment and consideration into new products and supplier agreements has broadened the products set, with further targeting into the customer segments.

These products include:

- Mobile - Aerial Direct has grown from a strong mobile heritage. In 2022 and into 2023 Aerial Direct have developed strategic partnerships to broaden the mobile proposition
- Unified communications - Aerial Direct primarily resells IP Cortex, a company which was acquired in 2019. The IP Cortex platform is embarking on a rewrite which benchmarked with the leading IP telephony platforms in the world will become a market leader for the SME sector.
- IT solutions and cyber security - Aerial Direct have developed a comprehensive IT managed service offering that can be tailored for all sizes of customers.

The table below shows the performance of the business for the last 2 years:

All figures £m's	2022	2021
Revenue	37.7	28.0
EBITDA	9.9	6.1
EBITDA %	26%	22%

EBITDA is operating profit before depreciation and amortisation, which is considered the most appropriate measure of the company's results that are used to make decisions about the business.

The results above show a strong performance for the year and a strong rebound from the prior years. Covid-19 and continued investment in the business suppressed previous year's results which is starting to deliver a return and improve performance.

Aerial Direct Limited

Strategic Report (continued) For the Year Ended 30 September 2022

Business review (continued)

Some key highlights for the year were:

- Mobile base increased by 18% to 156,000 connections during this financial year (2021 - 132,000).
- Maintained low churn and strong resign rates.
- Strong customer satisfaction scores as indicated in our rating scores with recognised platforms.
- Continued investment into the business across technology platforms, Business Transformation and Business Insights teams to optimise processes and to empower the data driven approach to business.
- Focus on customer value, and in cross selling products to the existing base.

Investment in People

Aerial Direct have continued to adapt to the changing work environment that the pandemic created. Although most teams returned to office-based working, some technical and operational roles maintained a hybrid working pattern. Aerial Group has continued to invest in its people, and in new roles whilst retaining talent and attracting the best potential employees for the future.

- Continued to offer onsite wellbeing support to meet the increased wellbeing challenges brought on by the pandemic.
- Continued to evaluate engagement through surveys and identified improvements that can be made with salaries and development opportunities through feedback provided.
- Continued to review the company sick pay scheme to ensure it is in line with the market and meets employee's needs.
- Launched a structured appraisal system to improve manager and employee communication and to support with development and succession planning.
- Embedded the Aerial values through incentives and internal communication to further define our culture.
- Continued to invest in staff incentives and social events, hosting the first summer party to reward employee performance.
- Promoted charity initiatives across the business to further engage employees and promote social responsibility.
- Utilised the apprenticeship levy to upskill employees moving them into specialist roles.

Technology

The Group's market leading performance has always been built on a foundation of good investment in technology; we continued this through 2022. We have looked to supplement our in-house-built solutions with best in class technology solutions/platforms that will deliver timely and accurate MI. In 2022 we continued to develop Data Warehouse and Data Lake solution, which will enable Aerial to deliver a single customer view and become an even more data driven organisation. We have started on a program of further technological transformation through the deployment of Dynamics across all areas of the business.

Aerial Direct Limited

Strategic Report (continued) For the Year Ended 30 September 2022

Principal risks and uncertainties

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

1) *O2 revenue concentration*

The O2 5-year agreement has demonstrated the strength of the O2 relationship and their commitment to enable the continued growth with the Aerial Group. The contract has also enabled the Aerial Group to explore other mobile partners and look to grow other network relationships and our own MVNO, Beebu.

The business has continued to develop other revenue streams including Unified Communication, IT and cyber security solutions to cross sell into its client base.

2) *General economic activity*

The business operates largely in the SME space, which has suffered uncertainty over the last 2 years. Although this has significantly improved, the directors look to proactively manage economic reliance on any single source of supplier or customers and within a particular sector.

Financial key performance indicators

The results for the year are set out within the profit and loss account.

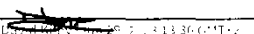
Business outlook

The key areas where Aerial Direct are planning growth are:

- Leverage investment in data and technology to better understand existing and potential customers to drive growth.
- Continue to evolve the product proposition to target success with the relevant customer cohorts and industry verticals.
- Invest in people to expand and retain the best talent to achieve our growth plans.

This report was approved by the board on Jun 29, 2023

and signed on its behalf.


D Kilby

Director

Aerial Direct Limited

Directors' Report For the Year Ended 30 September 2022

The directors present their report together with the audited financial statements for the year ended 30 September 2022.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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; and
- 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 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 £7,762,276 (2021 - £4,643,937).

A final dividend of £2,494,388 (2021 - £3,560,460) was declared and paid during the year.

Directors

The directors who served during the year were:

D Kilby
D Ainslie

Employee Involvement

Employee involvement is important to the company's success. Involvement is encouraged using various methods of feedback. Structured bi-annual appraisals, companywide townhalls, online surveys and open-door approach to management. This provides employees with a foundation for engagement and encourages the sharing of information and ideas.

Aerial Direct Limited

Directors' Report (continued) For the Year Ended 30 September 2022

Employment of disabled persons

The company is committed to equal opportunities and welcomes applications for employment from disabled persons and full consideration is given where the requirements of the job can be adequately fulfilled by a disabled person.

Where an employee suffers a disability during service every effort is made to find suitable employment within the company.

Going concern

The financial statements have been prepared on the going concern basis as the directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the company is expected to be able to meet all its liabilities as they fall due.

The directors are confident of being able to trade for a period of at least 12 months from the approval of the financial statements and the directors have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

Matters covered in the strategic report

The disclosure required under S416(4) of The Companies Act 2006 are commented upon in the strategic report in accordance with S414C(II) as the directors consider them to be of strategic importance to the company. This includes the business review for the Group.

Future developments

Details of future developments are included in the strategic report.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Post balance sheet events

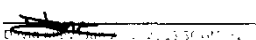
There were no post balance sheet events to disclose.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on Jun 29, 2023

and signed on its behalf.



D Kilby
Director

Aerial Direct Limited

Independent Auditor's Report to the Members of Aerial Direct Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 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.

We have audited the financial statements of Aerial Direct Limited ("the company") for the year ended 30 September 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Aerial Direct Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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.

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 or the directors' 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 Auditor's 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations;
- Evaluation of controls designed to prevent and detect irregularities; and
- Assessing journal entries as part of our planned audit approach.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on 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 these 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.

DocuSigned by:

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James Newman (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom
29 June 2023

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 2022

	Note	2022 £	2021 £
Turnover	4	37,707,153	28,076,922
Cost of sales		(22,373,898)	(18,035,144)
Gross profit		15,333,255	10,041,778
Administrative expenses		(6,448,604)	(5,220,542)
Other operating income	5	503,278	821,114
Operating profit	6	9,387,929	5,642,350
Interest receivable and similar income	9	395,000	381,506
Interest payable and similar charges	10	(593,068)	(553,372)
Profit before tax		9,189,861	5,470,484
Tax on profit	11	(1,427,585)	(826,547)
Profit for the financial year		7,762,276	4,643,937
Other comprehensive income		-	-
Total comprehensive income for the year		7,762,276	4,643,937

The notes on pages 12 to 29 form part of these financial statements.

Aerial Direct Limited
Registered number: 08043921

Balance Sheet
As at 30 September 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible fixed assets	13		2,317,830		1,877,785
Tangible fixed assets	14		3,696,634		3,939,188
			<u>6,014,464</u>		<u>5,816,973</u>
Current assets					
Stocks	15	313,663		229,274	
Debtors: amounts falling due after more than one year	16	11,984,118		9,465,635	
Debtors: amounts falling due within one year	16	27,102,386		23,666,721	
Bank and cash balances		3,840,551		1,963,940	
		<u>43,240,718</u>		<u>35,325,570</u>	
Creditors: amounts falling due within one year	17	(21,288,947)		(19,368,702)	
Net current assets			<u>21,951,771</u>		<u>15,956,868</u>
Total assets less current liabilities			<u>27,966,235</u>		<u>21,773,841</u>
Creditors: amounts falling due after more than one year	18		(6,472,857)		(5,679,449)
Provisions for liabilities					
Deferred tax	19		(768,307)		(637,209)
Net assets			<u><u>20,725,071</u></u>		<u><u>15,457,183</u></u>
Capital and reserves					
Called up share capital	20		120		120
Profit and loss account	21		20,724,951		15,457,063
Total equity			<u><u>20,725,071</u></u>		<u><u>15,457,183</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on Jun 29, 2023

 [Signature of D Kilby]

D Kilby
Director

The notes on pages 12 to 29 form part of these financial statements.

Aerial Direct Limited

Statement of Changes in Equity For the Year Ended 30 September 2022

	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2021	120	15,457,063	15,457,183
Comprehensive income for the year			
Profit for the year	-	7,762,276	7,762,276
Total comprehensive income for the year	-	7,762,276	7,762,276
Contributions by and distributions to owners			
Dividends paid	-	(2,494,388)	(2,494,388)
Total transactions with owners	-	(2,494,388)	(2,494,388)
At 30 September 2022	120	20,724,951	20,725,071

Statement of Changes in Equity For the Year Ended 30 September 2021

	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2020	120	14,373,586	14,373,706
Comprehensive income for the year			
Profit for the year	-	4,643,937	4,643,937
Total comprehensive income for the year	-	4,643,937	4,643,937
Contributions by and distributions to owners			
Dividends paid	-	(3,560,460)	(3,560,460)
Total transactions with owners	-	(3,560,460)	(3,560,460)
At 30 September 2021	120	15,457,063	15,457,183

The notes on pages 12 to 29 form part of these financial statements.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

1. General information

Aerial Direct Limited is a private 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's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41 to 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Aerial Group Limited as at 30 September 2022 and these financial statements may be obtained from 1 Barnes Wallis Road, Fareham, Hampshire, PO15 5UA.

2.3 Going concern

The financial statements have been prepared on the going concern basis as the directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the company is expected to be able to meet all its liabilities as they fall due.

The directors are confident of being able to trade for a period of at least 12 months from the approval of the financial statements and the directors have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

2. Accounting policies (continued)

2.4 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 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 the end deferred income predominantly related to deferred customer support revenues;
- revenue generated from the provision of fixed asset 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. 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 consumer contract terms.

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.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

2. Accounting policies (continued)

2.4 Revenue (continued)

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 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 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 accounts, there is no right of offset against the accrued income, and these are repaid over 16 months.

2.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 10 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Research and development tax credits are included within other operating income within the statement of comprehensive income.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

Finance costs are charged to profit or loss 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.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

2. Accounting policies (continued)

2.9 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.10 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 profit or loss 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.

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation

Amortisation is charged to the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of the intangible assets. Intangible assets are amortised from the date they are available to use. The estimated useful lives are as follows:

Capitalised development costs - 3 to 10 years

The estimated useful lives are based on similar products that we have sold in the past and also taking into account the fast changing technologies we are faced with.

2.12 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.

Depreciation is charged so 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:

Long-term leasehold property	- 4% per annum
Motor vehicles	- 25% per annum
Fixtures and fittings	- 20% - 33% per annum
Office equipment	- 33% per annum

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

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 profit or loss.

2.13 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 actual basis. Work in progress and finished goods include labour and attributable overheads.

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.

2.14 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.

2.15 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.

2.16 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.

2.17 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, loans to related parties and investments in ordinary shares.

2.18 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.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

2. Accounting policies (continued)

2.18 Leased assets (continued)

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.

2.19 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 collected 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.

2.20 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.

2.21 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 recognised in full within other creditors and is settled on a monthly basis, with cashbacks being released when they lapse.

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.

2.22 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.

2.23 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.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

2. Accounting policies (continued)

2.24 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

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.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

3. Judgements in applying accounting policies (continued)

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 contact period - the length of the 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 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 discounted rate of 4% (2021 - 2%) is used.

Revenue recognition - customer support agreements

As set out 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.

Measuring the time value of money for asset and liability recognition

When the effect of the time value of money is material, the amount of the asset or liability recognised shall be at its present value required to settle the liability or asset receipt. 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 of 4% (2021 - 2%) is used.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Commission income	23,547,622	17,118,357
Hardware income	9,506,179	6,669,211
Other income	4,653,352	4,289,354
	37,707,153	28,076,922

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

5. Other operating income

	2022 £	2021 £
R&D expenditure tax credits	350,000	459,006
Coronavirus job retention government grant income	-	38,620
Other income from group companies	153,278	323,488
	503,278	821,114

6. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Depreciation of owned tangible fixed assets	276,641	385,980
Amortisation of intangible assets	191,049	23,790
Defined contribution pension cost	216,210	189,975
Fees payable to the company auditor for the audit of the company's financial statements	49,000	38,000
Other operating lease rentals	141,304	109,898

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £	2021 £
Wages and salaries	11,334,774	9,607,189
Social security costs	1,275,135	1,016,279
Cost of defined contribution scheme	216,210	189,975
	<u>12,826,119</u>	<u>10,813,443</u>

Staff costs of £Nil (2021 - £926,516) were capitalised in development costs within intangible assets (note 13) in the year.

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Sales and administration staff	<u>252</u>	<u>231</u>

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	472,116	373,217
Company contributions to money purchase pension schemes	2,642	2,634
	<u>474,758</u>	<u>375,851</u>

During the year retirement benefits were accruing to 2 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £240,332 (2021 - £200,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,321 (2021 - £1,136).

9. Interest receivable and similar income

	2022 £	2021 £
Interest receivable on accrued income balances	<u>395,000</u>	<u>381,506</u>

Interest relates to the unwinding of discounting of accrued income amounts.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

10. Interest payable and similar expenses

	2022 £	2021 £
Interest payable on payment on account and cashback liabilities	283,000	267,214
Bank interest payable	310,068	286,158
	<u>593,068</u>	<u>553,372</u>

Interest relates to the unwinding of discounting of payments on account and other similar amounts.

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	1,303,306	402,180
Adjustments in respect of previous periods	(6,818)	(8,503)
Total current tax	<u>1,296,488</u>	<u>393,677</u>
Deferred tax		
Origination and reversal of timing differences	80,692	368,341
Adjustments in respect of prior periods	(133,988)	-
Effect of tax rate changes	184,393	64,529
Total deferred tax	<u>131,097</u>	<u>432,870</u>
Taxation on profit on ordinary activities	<u>1,427,585</u>	<u>826,547</u>

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>9,189,861</u>	<u>5,470,486</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	<u>1,746,074</u>	<u>1,039,402</u>
Effects of:		
Expenses not deductible for tax purposes	62,919	856
Adjustments to tax charge in respect of prior periods	(94,450)	(8,503)
Effect of rate change on deferred tax	184,551	152,931
Non-taxable income	(66,500)	(85,500)
Group relief	(269,311)	(229,305)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(135,698)	(43,334)
Total tax charge for the year	<u><u>1,427,585</u></u>	<u><u>826,547</u></u>

Factors that may affect future tax charges

Increase in the UK Corporation tax rate from 19% to 25% (effective from 1 April 2023) have been substantively enacted. This will impact the company's future tax charge accordingly. The value of the deferred tax liability at the balance sheet date has been calculated using the applicable rate when the liability is expected to be realised.

12. Dividends

	2022 £	2021 £
Dividends paid		
Dividend paid of £2,494,388 (2021 - £3,560,460)	<u><u>2,494,388</u></u>	<u><u>3,560,460</u></u>

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

13. Intangible assets

	Software development £
Cost	
At 1 October 2021	1,925,289
Additions	631,094
At 30 September 2022	<u>2,556,383</u>
Amortisation	
At 1 October 2021	47,504
Charge for the year	191,049
At 30 September 2022	<u>238,553</u>
Net book value	
At 30 September 2022	<u><u>2,317,830</u></u>
At 30 September 2021	<u><u>1,877,785</u></u>

Development cost additions of £633,698 included above have not been amortised as they have not been brought into use.

These costs relate to various projects which are currently in the completion phase, for which the directors consider it probable will generate future economic benefits going forward.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

14. Tangible fixed assets

	Long-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation					
At 1 October 2021	3,823,346	3,603	713,141	645,525	5,185,615
Additions	-	-	4,732	29,355	34,087
At 30 September 2022	3,823,346	3,603	717,873	674,880	5,219,702
Depreciation					
At 1 October 2021	230,838	3,603	463,819	548,167	1,246,427
Charge for the year	72,934	-	134,425	69,282	276,641
At 30 September 2022	303,772	3,603	598,244	617,449	1,523,068
Net book value					
At 30 September 2022	3,519,574	-	119,629	57,431	3,696,634
At 30 September 2021	3,592,508	-	249,322	97,358	3,939,188

15. Stocks

	2022 £	2021 £
Finished goods and goods for resale	313,663	229,274

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

16. Debtors

	2022 £	2021 £
Due after more than one year		
Prepayments and accrued income	11,984,118	9,465,635
	<u>11,984,118</u>	<u>9,465,635</u>
Due within one year		
Trade debtors	271,775	347,197
Amounts owed by group undertakings	7,335,401	6,547,914
Other debtors	5,247	3,453
Prepayments and accrued income	19,489,963	16,768,157
	<u>27,102,386</u>	<u>23,666,721</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.

17. Creditors: amounts falling due within one year

	2022 £	2021 £
Other loans	3,215,590	3,219,938
Payments on account	6,054,615	4,859,809
Trade creditors	2,935,707	2,783,205
Amounts owed to group undertakings	884,448	968,370
Corporation tax	975,358	52,180
Other taxation and social security	1,131,823	1,376,313
Other creditors	2,894,519	2,962,456
Accruals and deferred income	3,196,887	3,146,431
	<u>21,288,947</u>	<u>19,368,702</u>

Credit balances within trade debtors are included within trade creditors totalling £833,415 (2021 - £596,543)

It is assumed that the R&D tax debtor will be settled net and therefore this is offset within the corporation tax liability. The amount totals £350,000 relating to Aerial Direct Limited.

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

18. Creditors: amounts falling due after more than one year

	2022 £	2021 £
Other loans	2,182,630	1,526,510
Payments on account	623,309	586,652
Other creditors	1,968,272	1,741,163
Accruals and deferred income	1,698,646	1,825,124
	<u>6,472,857</u>	<u>5,679,449</u>

19. Deferred taxation

	2022 £
At beginning of year	637,209
Charged to profit or loss	131,098
At end of year	<u>768,307</u>

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	768,307	572,680
Short Term timing differences	-	64,529
	<u>768,307</u>	<u>637,209</u>

20. Share capital

	2022 £	2021 £
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>

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

20. Share capital (continued)

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.

21. Reserves

The company's capital and reserves are as follows:

Called up share capital

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

Profit and loss account

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

22. 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 £216,210 (2021 - £189,975). There were no contributions payable to the fund at the balance sheet date (2021 - £Nil).

23. Commitments under operating leases

At 30 September 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	10,054	56,886
Later than 1 year and not later than 5 years	628	4,398
	<u>10,682</u>	<u>61,284</u>

Aerial Direct Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

24. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

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 are disclosed in note 8. There were no amounts outstanding as at the year end.

25. Post balance sheet events

There were no post balance sheet events to disclose.

26. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking is Aerial Group Limited, a company incorporated in England and Wales. The ultimate controlling party of Aerial Group Limited is Mr D Kilby by virtue of his shareholding.