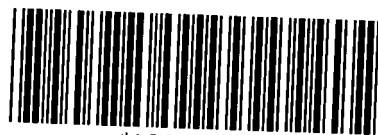


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
FOR
BREED REPLY LIMITED
(REGISTERED NUMBER: 09074975)**

WEDNESDAY



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BREED REPLY LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2017**

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BREED REPLY LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017**

DIRECTORS:

E E Angelidis

M Rizzante

R Lodigiani

REGISTERED OFFICE:

38 Grosvenor Gardens

London

SW1W 0EB

REGISTERED NUMBER:

09074975 (England and Wales)

AUDITOR:

Grant Thornton UK LLP

Benham 5

Southampton Science Park

Southampton

SO16 7QJ

BREED REPLY LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

PRINCIPAL ACTIVITY

The principal activity of Breed Reply Limited (the "Company") is to identify investment opportunities on behalf of Breed Reply Investments Limited ("BRIL") in the most promising early-stage companies in the 'Internet of Things' market. Company activities include deal-sourcing, investment and post-investment activities. Once an investment is complete the Company works closely with the investee company to advise and assist in the development of all elements of the business, encompassing processes and people, sales and marketing, business planning, finance and operations.

RESULTS & PERFORMANCE

The results for the year to 31 December 2017 are set out on page 9. The Company made a loss of £2,639,000 in the year (2016: loss of £394,000).

The directors do not propose payment of a dividend.

FUTURE DEVELOPMENTS

The directors intend to continue with the execution of the Company's strategy of identifying investment opportunities on behalf of BRIL and working closely with BRIL's investee companies to advise and assist in the development of those businesses.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

E E Angelidis
M Rizzante
R Lodigiani

Appropriate insurance cover in respect of potential Directors' and Officers' liabilities was in place through the whole of the period from 1 January 2017 to the date of this report and will continue to be maintained.

GOING CONCERN

The directors believe the going concern basis is appropriate for the preparation of the financial statements as the continued support of the parent company, Reply S.p.A., has been obtained.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Report of the Directors 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), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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;
- 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.

BREED REPLY LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the period is given in note 15 to the financial statements.

AUDITOR

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



M Rizzante - Director

10 September 2018

BREED REPLY LIMITED

REPORT OF THE INDEPENDENT AUDITOR FOR THE YEAR ENDED 31 DECEMBER 2017

Opinion

We have audited the financial statements of Breed Reply Limited (the 'Company') for the year ended 31 December 2017 which comprise the statement of financial position, the statement of comprehensive income, 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 101 'Reduced Disclosure Framework' (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 31 December 2017 and of its loss 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.

Who we are reporting to

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.

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.

BREED REPLY LIMITED

REPORT OF THE INDEPENDENT AUDITOR FOR THE YEAR ENDED 31 DECEMBER 2017

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' 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.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 directors' report.

Matters on which we are required to report by exception

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

BREED REPLY LIMITED

**REPORT OF THE INDEPENDENT AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Norman Armstrong BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton

Date: 18/9/18

BREED REPLY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | | Year ended 31 December 2017 | Year ended 31 December 2016 |
|---|------|--------------------------------|--------------------------------|
| | Note | £'000 | £'000 |
| Revenue | 3 | 1,482 | 2,184 |
| Administrative expenses | | (4,055) | (2,539) |
| Operating loss | | (2,573) | (355) |
| Interest payable and similar expenses | 5 | (66) | (43) |
| Loss before taxation | 6 | (2,639) | (398) |
| Tax | 7 | | 4 |
| Loss for the year | | (2,639) | (394) |
| Other comprehensive expense for the year, net of tax | | | |
| Total comprehensive loss for the year attributable to equity holders of the parent | | (2,639) | (394) |

There were no recognised gains or losses for 2017 or 2016 other than those included in the Statement of Comprehensive Income.

There was no other comprehensive income for 2017 (2016: £Nil).

The notes on pages 12 to 20 form part of these financial statements.

BREED REPLY LIMITED

**STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017**

| | Note | 31 December 2017 | 31 December 2016 |
|--|------|---------------------|---------------------|
| | | £'000 | £'000 |
| Non-current assets | | | |
| Tangible assets | 8 | 38 | 44 |
| | | <u>38</u> | <u>44</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 9 | 400 | 699 |
| Cash at bank | | 166 | 415 |
| | | <u>566</u> | <u>1,114</u> |
| Creditors | | | |
| Amounts falling due within one year | 10 | (5,177) | (3,092) |
| Net current liabilities | | <u>(4,611)</u> | <u>(1,978)</u> |
| Net liabilities | | <u>(4,573)</u> | <u>(1,934)</u> |
| Capital and reserves | | | |
| Called up share capital | 12 | 10 | 10 |
| Retained earnings | 13 | (4,583) | (1,944) |
| Shareholders' deficit | | <u>(4,573)</u> | <u>(1,934)</u> |

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The notes on pages 12 to 20 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 10 September 2018 and were signed on its behalf by:



M Rizzante - Director

BREED REPLY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Share capital | Retained earnings | Total equity |
|------------------------------------|---------------|-------------------|----------------|
| | £'000 | £'000 | £'000 |
| At 1 January 2015 | 10 | (634) | (624) |
| Transactions with owners | - | - | - |
| Total comprehensive expense | - | (916) | (916) |
| Balance at 31 December 2015 | 10 | (1,550) | (1,540) |
| Transactions with owners | - | - | - |
| Total comprehensive expense | - | (394) | (394) |
| Balance at 31 December 2016 | 10 | (1,944) | (1,934) |
| Transactions with owners | - | - | - |
| Total comprehensive expense | - | (2,639) | (2,639) |
| Balance at 31 December 2017 | 10 | (4,583) | (4,573) |

The notes on pages 12 to 20 form part of these financial statements.

BREED REPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. STATUTORY INFORMATION

Breed Reply Limited is a private company limited by shares and registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page. The principal place of business of the Company is 9-11 Grosvenor Gardens, London, SW1W 0BD.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS101) and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have all been consistently applied through the year unless otherwise stated. The financial statements have been prepared under the historical cost convention.

The financial information is presented in pounds sterling, rounded to the nearest £1,000.

The Company is a wholly owned subsidiary of Reply S.p.A which prepares publicly available consolidated financial statements in accordance with IFRS. The Company is included in the consolidated financial statements of Reply S.p.A for the year ended 31 December 2017. These accounts are available from Reply S.p.A, Corso Francia 110, 10143 Turin, Italy.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 'Presentation of Financial Statements';
- the requirements of paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures';
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- the requirements of IFRS 7 'Financial Instruments: Disclosures'.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions which affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not clear from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Impairment of trade and other debtors

The company makes an estimate of the recoverable value of trade receivables. When assessing impairment, management considers factors including the current credit rating of the customer, the ageing profile of the receivable, historical experience and any other relevant specific knowledge.

Accruals

The company estimates certain liabilities at year end for which no invoice has yet been received and therefore no value is attributable. This estimate is based on prior experiences, or confirmed billing practices and patterns.

2. ACCOUNTING POLICIES (Continued)

Going concern

The financial statements have been prepared on a going concern basis. The directors have received confirmation that the Company's parent company, Reply S.p.A, will continue to provide adequate financial resources to enable the Company to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for work performed and the value of services supplied during the year, net of VAT and other sales-related taxes.

In respect of contracts for on-going services, income represents the value of work done in the year, including estimates of amounts not invoiced. Income in respect of contracts for on-going services is recognised by reference to time elapsed. The value of amounts to be invoiced at the year-end is included within prepayments and accrued income. Where amounts have been invoiced in advance of the service to be performed, the amount is included within deferred income. Any losses arising on such contracts are recognised when foreseen.

In accordance with the terms in certain of the investment agreements entered into with companies in which BRIL invests, the Company recharges to the investee company certain fees and expenses incurred in connection with the investment process involving these companies.

Tangible fixed assets

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and impairment losses.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

- Improvements to property 20% on a straight line basis
- Fixtures and fittings 25% on a straight line basis
- Computer equipment 33% on a straight line basis

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax is not discounted.

Financial instruments - Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (Continued)

Financial instruments - Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade debtors and other debtors fall into this category of financial instrument.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial instruments – Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, trade creditors and other creditors and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Cash and cash equivalents

Cash comprises cash on hand and demand deposits which is presented as cash at bank in the Statement of Financial Position.

Cash equivalents comprise short-term, highly liquid investments with maturities of three months or less from inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are presented as part of current asset investments in the statement of financial position.

Equity, reserves and dividend payments

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity. Transaction costs on the issue of shares are deducted from the share premium account arising on that issue. Dividends on the Company's ordinary shares are recognised directly in equity.

Interim dividends are recognised when they are paid. A liability for unpaid dividends is recognised when the dividends have been approved in a general meeting prior to the reporting date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

BREED REPLY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****2. ACCOUNTING POLICIES (Continued)****Operating lease commitments**

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Employee benefit costs

The Company contributes to the personal pension plans of certain employees and contributions are charged to the statement of comprehensive income in the period to which they relate.

Holiday pay

A provision for annual leave accrued by employees at the statement of financial position date as a result of services rendered, and which employees are entitled to carry forward and use within the next 12 months is recognised in the current period. The provision is measured at the salary cost payable for the period of leave.

3. REVENUE

The turnover is attributable to the Company's provision of services to BRIL's investee companies.

An analysis of turnover by geographical market for the year ended 31 December 2017 is detailed below:

| | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 |
|----------------|---|---|
| UK | 1,033 | 1,423 |
| Rest of Europe | 324 | 661 |
| Rest of World | 125 | 100 |
| | <u>1,482</u> | <u>2,184</u> |

4. EMPLOYEES AND DIRECTORS

The average numbers of staff including executive directors employed by the Company during the year are shown below.

| | Year ended 31 December 2017 Number | Year ended 31 December 2016 Number |
|---|--|--|
| Directors | 1 | 1 |
| Staff – Administration | 3 | 1 |
| Staff – Investment and Portfolio Management | 7 | 5 |
| | <u>11</u> | <u>7</u> |

BREED REPLY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****4. EMPLOYEES AND DIRECTORS (Continued)**

Their aggregate remuneration comprises:

| | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 |
|-----------------------|---|---|
| Wages and salaries | 2,437 | 1,305 |
| Social security costs | 322 | 171 |
| Other pension costs | 48 | 30 |
| | <u>2,807</u> | <u>1,506</u> |

At 31 December 2017, pension contributions of £5,887 (2016: £2,250) were outstanding and included within creditors.

Directors' remuneration:

| | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 |
|------------|---|---|
| Emoluments | 750 | 505 |

There were no pension contributions for the directors (2016 – Nil).

Information regarding the highest paid director is as follows:

| | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 |
|------------|---|---|
| Emoluments | 750 | 505 |

5. INTEREST PAYABLE AND SIMILAR EXPENSES

| | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 |
|--|---|---|
| Interest payable on loans provided by the parent | 66 | 43 |

BREED REPLY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****6. LOSS BEFORE TAXATION**

The loss before taxation is stated after charging/(crediting):

| | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 |
|--|---|---|
| Other operating leases | 173 | 168 |
| Depreciation - owned assets | 23 | 19 |
| Auditor's remuneration for the audit of the Company's accounts | 40 | 20 |
| Pension costs | 48 | 30 |
| Foreign exchange differences | (7) | 8 |

7. TAXATION**Analysis of tax expense**

| | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 |
|---|---|---|
| Deferred tax | - | (4) |
| Total tax credit in statement of comprehensive income | - | (4) |

Factors affecting the tax credit/expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 |
|---|---|---|
| Loss before income tax | (2,639) | (398) |
| Loss multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%) | (508) | (80) |
| Effects of: | | |
| Fixed asset differences | 2 | 2 |
| Expenses not deductible for tax purposes | 86 | 26 |
| Income not taxable for tax purposes | (16) | (20) |
| Adjustment to deferred tax in respect of prior periods | - | (25) |
| Adjust closing deferred tax to average rate of 19.25% | 62 | 14 |
| Adjust opening deferred tax to average rate of 19.25% | (11) | (2) |
| Deferred tax not recognised | 385 | 81 |
| Tax credit | - | (4) |

BREED REPLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. TAXATION (Continued)

As at the reporting date, the Company has unused tax losses of £2,742,000 (31 December 2016: £489,000) available for offset against future profits generated in the UK. No deferred tax asset has been recognised in respect of these losses due to uncertainty over the timing of its recoverability.

8. TANGIBLE ASSETS

| | Improvements to property £'000 | Fixtures and fittings £'000 | Computer equipment £'000 | Total £'000 |
|-----------------------|--------------------------------------|-----------------------------------|--------------------------------|----------------|
| Cost | | | | |
| At 1 January 2017 | 35 | 13 | 31 | 79 |
| Additions | — | 5 | 12 | 17 |
| At 31 December 2017 | 35 | 18 | 43 | 96 |
| Depreciation: | | | | |
| At 1 January 2017 | 13 | 5 | 17 | 35 |
| Charge for the year | 7 | 4 | 12 | 23 |
| At 31 December 2017 | 20 | 9 | 29 | 58 |
| Net book value | | | | |
| At 31 December 2017 | 15 | 9 | 14 | 38 |
| At 31 December 2016 | 22 | 8 | 14 | 44 |

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | At 31 December 2017 £'000 | At 31 December 2016 £'000 |
|------------------------------------|---------------------------------|---------------------------------|
| Trade debtors | 64 | 401 |
| Amounts owed by group undertakings | 27 | 1 |
| Other debtors | 118 | 75 |
| Prepayments and accrued income | 191 | 222 |
| | <u>400</u> | <u>699</u> |

BREED REPLY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | At 31 December 2017 £'000 | At 31 December 2016 £'000 |
|------------------------------------|---------------------------------|---------------------------------|
| Trade creditors | 256 | 206 |
| Amounts owed to Group undertakings | 3,290 | 1,792 |
| Social security and other taxes | 216 | 91 |
| VAT | - | 77 |
| Other creditors | 6 | 2 |
| Accruals and deferred income | 1,409 | 924 |
| | <u>5,177</u> | <u>3,092</u> |

11. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

| | At 31 December 2017 £'000 | At 31 December 2016 £'000 |
|----------------------------|---------------------------------|---------------------------------|
| Within one year | 153 | 153 |
| Between one and five years | 167 | 320 |
| | <u>320</u> | <u>473</u> |

12. CALLED UP SHARE CAPITAL

| | At 31 December 2017 £'000 | At 31 December 2016 £'000 |
|---|---------------------------------|---------------------------------|
| Allotted, issued and fully paid: 10,000 (2016: 10,000) Ordinary shares of £1.00 each | 10 | 10 |

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

13. RESERVES

Retained earnings account includes all current and prior period retained profits and losses.

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**NOTES TO THE FINANCIAL STATEMENTS
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14. ULTIMATE PARENT COMPANY

Iceberg S.R.L, a company incorporated in Italy, is deemed to be the ultimate parent undertaking and is the largest group of undertakings for which group accounts are drawn up.

Reply S.p.A. is the immediate parent company and is the smallest group of undertakings in whose consolidated financial statements the Company is included. The Group financial statements can be obtained from Reply S.p.A, Corso Francia 110, 10143 Turin, Italy.

There is no ultimate controlling party.

15. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no events after the statement of financial position date.

16. RELATED PARTY TRANSACTIONS

As permitted by FRS 101 related party transactions with wholly owned members of the Iceberg S.R.L. group have not been disclosed.