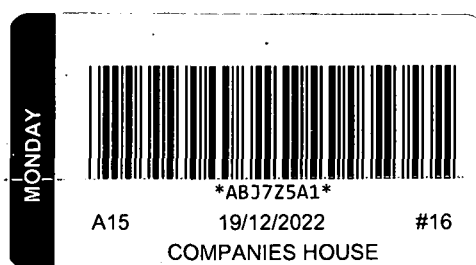


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
FOR
BREED REPLY LIMITED
(REGISTERED NUMBER: 09074975)**



BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

DIRECTORS:

M Rizzante
R Lodigiani
R T A Hadden
T J Stone

REGISTERED OFFICE:

38 Grosvenor Gardens
London
SW1W 0EB

REGISTERED NUMBER:

09074975 (England and Wales)

AUDITORS:

Grant Thornton UK LLP
Southampton Science Park
Chilworth
Southampton
SO16 7QJ

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report with the financial statements of the company for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The principal activity of 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.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2021.

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.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

M Rizzante
R Lodigiani
R T A Hadden
T J Stone

Appropriate insurance cover in respect of potential directors' and officers' liabilities was in place through the whole of the period from 1 January 2021 to the date of this report and will continue to be maintained.

GOING CONCERN

As more fully set out on Page 11, the financial statements have been prepared on the going concern basis. The directors have received confirmation that the ultimate parent company, Reply S.p.A, will continue to provide adequate financial resources to enable the company to continue in operational existence and will not recall any outstanding intercompany loans for the foreseeable future, being not less than 12 months from the date of approval of these financial statements.

The directors have identified the COVID-19 pandemic as the most significant economic events for the global economy and hence for the business. In light of a risk review prepared for the group by the subsidiary Breed Reply Limited and of the letter of support from the parent Reply S.p.A, the directors concluded to continue to operate the business of the company and that of its group in line with the approved budget for 2021, given that the impact of the COVID-19 pandemic is not expected to materially alter its operating expenditure and its access to finance and any potential impact on its capital investment requirement is expected to be manageable within its existing resources.

Therefore, having made enquiries of its parent company Reply S.p.A to confirm that continued support will be available and, in light of the considerable financial resources of Reply S.p.A, having considered that Reply S.p.A will honour its letter of support, the directors agree to continue to trade as a going concern and to adopt the going concern basis of accounting in preparing the annual financial statements.

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 and 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.

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.

SMALL COMPANIES NOTE

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006

ON BEHALF OF THE BOARD:

Riccardo Lodigiani

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R Lodigiani - Director

28/9/2022
Date:

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREED REPLY LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2021**

Opinion

We have audited the financial statements of Breed Reply Limited (the 'company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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.

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.

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREED REPLY LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2021**

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, 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.

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.

Explanation as to what extent the audit was considered 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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and sector in which it operates through our commercial and sector experience; making enquiries of management and those charged with governance; and inspection of the company's relevant external correspondence. We corroborated our enquiries through inspection of board minutes and other information obtained during the course of the audit.
- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks including United Kingdom Accounting Standards including Financial Reporting Standard 101; the Companies Act 2006; and the relevant taxation regulations.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risk were in relation to the estimation and judgemental areas with a risk of fraud including potential management bias through management override of controls.
- Our audit procedures included:
 - Gaining an understanding of the controls that management has in place to prevent and detect fraud;
 - Journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business;
 - Gaining an understanding of and testing significant identified related party transactions; and
 - Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREED REPLY LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2021**

intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - Knowledge of the industry in which the company operates;
 - Understanding of the relevant legal and regulatory frameworks specific to the company including: the provisions of the applicable legislation; the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and the applicable statutory provisions. The Company's management have not communicated to the audit team any matters of non-compliance with laws and regulations or fraud and no such matters were identified by the audit team.

Use of our report

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

Grant Thornton UK LLP

Norman Armstrong Bsc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
Date: 28/9/2022

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £'000	2020 £'000
TURNOVER	3	2,098	2,760
Administrative expenses		(1,665)	(1,085)
OPERATING PROFIT	4	433	1,675
Interest payable and similar expenses	5	(260)	(279)
PROFIT BEFORE TAXATION	6	173	1,396
Tax on profit	7	(31)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>142</u>	<u>1,396</u>

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The notes in pages 10 to 19 form part of these financial statements

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021**

	Notes	£'000	2021 £'000	£'000	2020 £'000
FIXED ASSETS					
Owned					
Tangible assets	8		15		10
Right-of-use					
Tangible assets	11		-		-
			15		10
CURRENT ASSETS					
Debtors	9	1,119		1,050	
Cash at bank		<u>323</u>		<u>200</u>	
		1,442		1,250	
CREDITORS					
Amounts falling due within one year	10	<u>(10,862)</u>		<u>(10,807)</u>	
NET CURRENT LIABILITIES			<u>(9,420)</u>		<u>(9,557)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(9,405)</u>		<u>(9,547)</u>
CAPITAL AND RESERVES					
Called up share capital	12		10		10
Retained earnings	13		<u>(9,415)</u>		<u>(9,557)</u>
SHAREHOLDERS' DEFICIT			<u>(9,405)</u>		<u>(9,547)</u>

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

The financial statements were approved by the Board of Directors and authorised for issue on 28/9/2022 2022 and were signed on its behalf by:

Riccardo Lodigiani

.....
R Lodigiani - Director

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	10	(10,953)	(10,943)
Changes in equity			
Total comprehensive income	-	1,396	1,396
Balance at 31 December 2020	10	(9,557)	(9,547)
Changes in equity			
Total comprehensive income	-	142	142
Balance at 31 December 2021	10	(9,415)	(9,405)

The notes in pages 10 to 19 form part of these financial statements

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. STATUTORY INFORMATION

Breed Reply Limited is a private company, limited by shares, 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 is 38 Grosvenor Gardens, London, SW1W 0EB.

The principal activity of the company is to identify and manage investment opportunities, on behalf of Breed Reply Investments Limited (BRIL) in the most promising early-stage companies in the "Internet of Things" market.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. 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 an indirect 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 December 2021. 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 IFRS 7 Financial Instruments: Disclosures;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- 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 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- 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.

New standards, amendments and interpretations

There were no new standards or pronouncements affecting the company in the year.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects current and future periods.

continued ...

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****2. ACCOUNTING POLICIES - continued****Inter-company guarantee**

The company has entered into an unlimited inter-company guarantee with one of the group's banking providers in respect of the cash pooling and offset rights for certain group companies. This guarantee meets the definition of a financial guarantee under IFRS 9. At initial measurement the directors believed the likelihood of this guarantee resulting in a cash outflow was remote due to the sufficient liquidity of the Reply Group, as such the fair value at initial measurement was nil. It is not anticipated that this guarantee will be called in the future and therefore subsequent measurement of the fair value of the guarantee is also expected to be nil.

Recognition of deferred tax assets

The company's tax credit or charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the total tax credit or charge necessarily involves a degree of estimation and judgement in respect of certain items. The final outcome of some of these items may give rise to material; profit or loss and/or cash flow variances.

A deferred tax asset is recognised when it has become probable that future profit will allow the deferred tax asset to be recovered. Recognition, therefore, involves judgement regarding the prudent forecasting of future taxable profits of the business and in applying an appropriate risk adjustment factor.

At the Statement of Financial Position date the directors believe that there is some uncertainty over the timing of when the company will generate future taxable profits against which existing tax losses could be relieved. As a result, the company is not recognising a deferred tax asset with respect to available tax losses. Please refer to note 7 for unused tax losses available for offset of future taxable profits.

Going concern

The financial statements have been prepared on the going concern basis. The company reported a profit of £142,000 and has net current liabilities of £9,420,000. As further addressed in Note 10 the company is funded by way of a facility advanced by its parent company Breed Reply Investments Limited totalling £10,200,000, which requires the company to repay the outstanding loan and interest that has accrued with prior written notification of at least 30 days. In conducting their review, the directors have prepared detailed forecasts to 31 December 2021 and considered the period to 31 August 2022. The directors have received confirmation that the ultimate parent company, Reply S.p.A, will continue to provide adequate financial resources to enable the company to continue in operational existence and will not recall any outstanding intercompany loans for the foreseeable future, being not less than 12 months from the date of approval of these financial statements. The immediate parent company, Breed Reply Investments Limited, has also confirmed that it would not recall the existing loan.

The directors are also monitoring the evolution of COVID-19 and in light of a risk review prepared by company and of the letter of support from the ultimate parent Reply S.p.A, the directors concluded to continue to operate the business of the company in line with the approved budget for 2021, given that the impact of the COVID-19 pandemic is not expected to materially alter its operating expenditure and its access to finance.

Therefore, the directors 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 services provided in the normal course of business, net of VAT and other sales-related taxes.

Revenue comprises: investment management fees, arrangement fees, monitoring fees, service fee, and other income, including costs recoverable from investee companies. To determine whether to recognise revenue, the company follows a 5-step process as follows:

- (1) identify the contract with a customer;
- (2) identify performance obligations;
- (3) determine the transaction price;
- (4) allocating the transaction price to the performance obligations; and
- (5) recognising revenue when/as performance obligation(s) are satisfied.

continued ...

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****2. ACCOUNTING POLICIES - continued**

All revenue is derived from the company's investment management contract with Breed Reply Investments Limited and from transacting with companies in which Breed Reply Investments Limited holds an investment. There are no extended payment terms as payment for service fees (which comprise the majority of revenue) by investee companies is typically made at the same time as Breed Reply Investments Limited makes a direct investment in the investee company. It is recognised at a point in time, or over time as the company satisfies performance obligations by transferring the promised services to its customers as described below.

Investment management fees

Investment management fee income comprises a fixed component, recognised over time as services are provided, and a performance related component, recognised over time to the extent performance conditions are satisfied. In the year, a one-time additional fixed component was payable on the commencement of the investment management agreement and has been recognised at a point in time.

Arrangement fees

Income from arrangement fees includes fees charged to investee companies for making subsequent investment rounds following the BRIL's initial investment. Arrangement fees are recognised at a point in time once contractual conditions have been satisfied such that the company is entitled to the agreed fee. Typically, such conditions are satisfied upon legal completion of an investment round.

Monitoring fees

Monitoring fee revenue includes ongoing fees chargeable to investee companies for board level appointments. These fees are recognised over time as services are provided.

Service fees

Service fee income relates to post-investment services provided by the company to investee companies. Typically, advisory services are provided over a 12-month period. These fees are recognised over time as the investee company simultaneously receives and benefits from the agreed services provided.

Recharges and other income

Revenue also includes non-recurring recoverable expenses that are recharged to investee companies. Typically, these costs include incurred legal fees and disbursements. These fees are recognised at a point in time once contractual conditions have been satisfied.

No contract costs have been capitalised.

Tangible fixed assets

Tangible fixed assets are included at cost less accumulated depreciation. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Short leasehold	- Over the term of the lease
Improvements to property	- 20% on cost
Fixtures and fittings	- 25% on cost
Computer equipment	- 33% on cost

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

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.

continued ...

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES - continued

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the company does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

- the company's business model for managing the financial asset; and;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within interest payable or interest receivable, except for impairment of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The company's cash, trade and most other receivables fall into this category of financial instruments.

Trade and other receivables and contract assets

The company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the company's financial liabilities were not impacted by the adoption of IFRS 9.

The company's financial liabilities include borrowings, and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

continued ...

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES - continued

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 temporary differences between the recognition of gains and losses in the financial statements and recognition in the tax computation. A 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 temporary differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the temporary differences are expected to reverse. Deferred tax is not discounted.

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.

Leases

Leases are recognised as finance leases. The lease liability is initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method. The initial cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, lease payments made prior to the lease commencement date, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract.

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life. If ownership of the right-of-use asset does not transfer to the lessee at the end of the lease term, depreciation is charged over the shorter of the useful life of the right-of-use asset and the lease term.

Payments in respect of short-term and low value asset leases are recognised as an expense from short-term leases.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Cash

Cash comprises cash on hand and demand deposits which is presented as cash at bank 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.

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.

Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantees contracts are initially measured at fair value and fair value is re-measured at each reporting date.

continued ...

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****3. TURNOVER**

The turnover and profit/loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2021 £'000	2020 £'000
Revenue earned over time		
Investment management fees	1,519	1,519
Service fees	-	-
Monitoring fees	82	104
Revenue earned at a point in time		
Investment management fees	494	1,132
Arrangement fees	-	-
Recharges and other income	<u>3</u>	<u>5</u>
	<u>2,098</u>	<u>2,760</u>

Turnover includes investment management fees charged to the company's parent, Breed Reply Investments Limited (see note 14). In the year, all investment management fee revenue was generated in the United Kingdom.

An analysis of turnover by geographical market is given below:

	2021 £'000	2020 £'000
United Kingdom	2,086	2,748
Europe	<u>12</u>	<u>12</u>
	<u>2,098</u>	<u>2,760</u>

Revenue recognised in the year includes deferred income of £28,642 (2020: £23,542) from the previous year. At year end, the company had deferred revenues for £27,783 (monitoring fees) and accrued revenues for £7,750. (all related to monitoring fees).

4. OPERATING PROFIT

The operating profit is stated after charging:

	2021 £'000	2020 £'000
Wages and salaries	1,160	440
Social security costs	153	56
Other pension costs	<u>31</u>	<u>22</u>
	<u>1,344</u>	<u>518</u>

At 31 December 2021, pension contributions of £6,362 (2020: £3,442) were outstanding and included within creditors.

	2021 £'000	2020 £'000
Aggregate Directors' remuneration	734	142
Sums paid to group companies under service contract	<u>-</u>	<u>250</u>
	<u>734</u>	<u>392</u>

The service of each of Mr Rizzante and of Mr Lodigiani was remunerated by group companies throughout the period, no recharge was made of underlying costs to the company and it is not practical to allocate this remuneration between group companies.

The amounts included in the directors' emoluments table above relate to the amounts paid to the highest paid director(s).

continued ...

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****4. EMPLOYEES AND DIRECTORS - continued**

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

	2021	2020
Directors	4	2
Administration	1	-
Investment and portfolio management	2	1
	<u>7</u>	<u>3</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £'000	2020 £'000
Interest on loans from group companies	250	279
Interest on other loans	10	-
	<u>260</u>	<u>279</u>

6. PROFIT / (LOSS) BEFORE TAXATION

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

	2021 £'000	2020 £'000
Depreciation - owned assets	6	8
Depreciation - right-of-use assets	-	9
Fees paid to auditors:		
- Audit services	19	18
- Tax services	-	10
Foreign exchange differences	<u>(39)</u>	<u>44</u>

7. TAXATION**Analysis of tax expense**

A liability of £31,000 to UK corporation tax arose for the year ended 31 December 2021 (2020: Nil).

Factors affecting the tax expense

There were no significant factors affecting the tax expense in the year.

Factors that may affect future tax charges

It was announced that the standard rate of corporation tax will increase from 19% to 25% from 1 April 2023 on profits in excess of £250,000. A small profits rate of 19% will apply to profits of £50,000 or less. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. For the purposes of deferred tax, there is no change to the rate before the Balance Sheet date as the future deferred tax balance is dependent on future changes in fair values of assets and liabilities and therefore it is not possible to estimate any future reversals at this stage.

continued ...

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****7. TAXATION - continued**

The tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £'000	2020 £'000
Profit / (Loss) before income tax	<u>173</u>	<u>1,396</u>
Profit / (Loss) multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	32	265
Effects of:		
Fixed asset differences	(1)	2
Expenses not deductible for tax purposes	-	3
Income not taxable for tax purposes	-	(2)
Group relief claimed	-	(175)
Effect of change in tax rates	-	(10)
Deferred tax not recognised	-	(83)
Tax expense	<u>31</u>	<u>-</u>

As at the reporting date, the Company has unused tax losses of £ nil (2020: £ nil) 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 FIXED ASSETS

	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
COST				
At 1 January 2021	35	24	39	98
Additions	-	-	11	11
Disposals	-	-	-	-
At 31 December 2020	<u>35</u>	<u>24</u>	<u>50</u>	<u>109</u>
DEPRECIATION				
At 1 January 2021	35	21	32	88
Charge for year	-	2	4	6
Eliminated on disposal	-	-	-	-
At 31 December 2021	<u>35</u>	<u>23</u>	<u>36</u>	<u>94</u>
NET BOOK VALUE				
At 31 December 2021	<u>-</u>	<u>1</u>	<u>14</u>	<u>15</u>
At 31 December 2020	<u>-</u>	<u>3</u>	<u>7</u>	<u>10</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Trade debtors	119	211
Amounts owed by group undertakings	963	780
Other debtors	11	12
VAT	9	3
Prepayments	<u>17</u>	<u>44</u>
	<u>1,119</u>	<u>1,050</u>

continued ...

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£'000	£'000
Trade creditors	97	92
Amounts owed to group undertakings	8,960	9,489
Corporation Tax	31	-
Social security and other taxes	98	354
Accruals	<u>1,676</u>	<u>872</u>
	<u>10,862</u>	<u>10,807</u>

Amounts owed to group undertakings include a facility with Breed Reply Investments Limited of £10,200,000, which is unsecured and accrues interest at 3% p.a. The facility requires the company to repay the outstanding loan and interest that has accrued with prior written notification of at least 30 days.

11. LEASING**Right-of-use assets****Tangible fixed assets**

	Property
	£'000
COST	
At 1 January 2021	123
Disposals	<u>(123)</u>
At 31 December 2021	-
DEPRECIATION	
At 1 January 2021	123
Eliminated on disposal	<u>(123)</u>
At 31 December 2021	-
NET BOOK VALUE	
At 31 December 2021	-
At 31 December 2020	-

The company had 2 leases for office space which ran for a period of 5 years from January 2015 to January 2020 with an option to renew after that date. The company did not renew the lease in 2020.

There are no other short-term leases to be accounted for under IFRS 16.

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2021	2020
Number:	Class:		£'000	£'000
10,000	Ordinary	1	<u>10</u>	<u>10</u>

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

continued ...

BREED REPLY LIMITED (REGISTERED NUMBER: 09074975)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****13. RESERVES**

	Retained earnings £'000
At 1 January 2021	(9,557)
Surplus for the year	<u>142</u>
At 31 December 2021	<u>(9,415)</u>

The retained earnings account includes all current and prior period retained earnings and deficits.

14. RELATED PARTY DISCLOSURES

	2021 £'000	2020 £'000
Royalty fees payable to Reply SpA	2	3
Royalty fees payable to Reply UK Limited	2	7
Office space in Milan payable to Reply Services Srl	3	13
Office space in London payable to Reply UK Limited	85	85
Venture Capital support payable to Reply Services Srl	27	265
Payables to other group companies	<u>-</u>	<u>2</u>

At the statement of financial position date, amounts owed to Reply S.p.A amounted to £41,000 (2020: £429,000), Reply UK Limited £55,000 (2020: £180,000) and Reply Services Srl £565,000 (2020: £573,000).

15. 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.

Breed Reply Investments Limited is the immediate parent company. Reply S.p.A. 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.

The ultimate controlling party is Mario Rizzante as the controlling shareholder of Iceberg S.R.L.