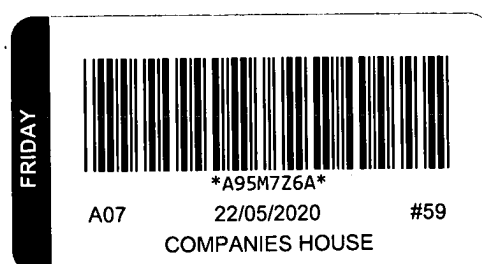


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
FOR
BREED REPLY INVESTMENTS LIMITED
(REGISTERED NUMBER: 09321264)**



BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019**

DIRECTORS:

R Lodigiani
M Rizzante
E E Angelidis

REGISTERED OFFICE:

38 Grosvenor Gardens
London
SW1W 0EB

REGISTERED NUMBER:

09321264 (England and Wales)

AUDITORS:

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

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the provision of capital to early stage companies in the "Internet of Things" (IoT) market across Europe.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019.

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. The COVID-19 pandemic has been identified as a relevant event, but it is deemed to be a non-adjusting as the condition did not exist at the Statement of Financial Position date.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

R Lodigiani
M Rizzante
E E Angelidis

Appropriate insurance cover in respect of potential directors' and officers' liabilities was in place through the whole of the period from 1 January 2019 to the date of this report and will continue to be maintained.

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 and will not recall any outstanding intercompany loan amounts for the foreseeable future, being not less than 12 months from the date of approval of these financial statements. The company has received an additional £1,050,000 from Reply SpA between January and March 2020, to support working capital financing.

The directors have identified Brexit and the COVID-19 pandemic as the most significant economic events for the global economy and hence for the business:

- In relation to Brexit, it was noted that the cross-border nature of the activities of the company, alongside the focus on the digital sector, provide resilience in the ongoing turbulences;
- As for COVID-19, 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 SpA, the directors concluded to continue to operate the business of the company and that of its group in line with the approved budget for 2020, 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 SpA to confirm that continued support will be available and, in light of the considerable financial resources of Reply SpA, having considered that Reply SpA 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.

FUTURE DEVELOPMENTS

The directors intend to continue with the execution of the company's strategy of investing in the portfolio companies pursue exit opportunities.

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

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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.

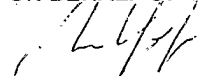
The directors confirm that:

- 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:



.....
R Lodigiani - Director

Date 27 April 2020

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREED REPLY INVESTMENTS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2019****Opinion**

We have audited the financial statements of Breed Reply Investments Limited (the 'company') for the year ended 31 December 2019, 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 2019 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREED REPLY INVESTMENTS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 take advantage of the small companies' exemptions in preparing a strategic report.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 2 and 3, 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.

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.

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



Date: 30/04/2020

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Notes | 2019 £'000 | 2018 £'000 |
|--|-------|----------------|----------------|
| PORTFOLIO RETURN AND REVENUE | | | |
| Change in fair value of investments | 9 | 6,397 | 10,016 |
| Profit/(Loss) on investment disposal | 9 | 3,131 | (2,759) |
| Administrative expenses | | <u>(419)</u> | <u>(259)</u> |
| OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS | | 9,109 | 6,998 |
| Exceptional items | 4 | (9,620) | - |
| OPERATING (LOSS)/PROFIT | | (511) | 6,998 |
| Interest receivable and similar income | 5 | 979 | - |
| Interest payable and similar expenses | 6 | <u>(1500)</u> | <u>(4,688)</u> |
| LOSS BEFORE TAXATION | 7 | (1,032) | 2,310 |
| Tax on (loss)/profit | 8 | <u>-</u> | <u>-</u> |
| LOSS FOR THE FINANCIAL YEAR | | (1,032) | 2,310 |
| OTHER COMPREHENSIVE INCOME | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>(1,032)</u> | <u>2,310</u> |

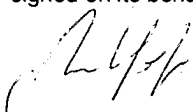
The notes on pages 9 to 21 form part of these financial statements

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Notes | £'000 | 2019 £'000 | 2018 £'000 |
|-------------------------------------|-------|-----------------|-----------------|-----------------|
| NON-CURRENT ASSETS | | | | |
| Investments | 9 | | 50,141 | 43,370 |
| Debtors | 13 | | <u>625</u> | <u>-</u> |
| | | | 50,766 | 43,370 |
| CURRENT ASSETS | | | | |
| Debtors | 10 | 7 | - | - |
| Cash at bank | 11 | <u>3,733</u> | <u>525</u> | |
| | | 3,740 | 525 | |
| CREDITORS | | | | |
| Amounts falling due within one year | 12 | <u>(54,008)</u> | <u>(42,365)</u> | |
| NET CURRENT LIABILITIES | | | <u>(50,268)</u> | <u>(41,840)</u> |
| NET ASSETS | | | <u>498</u> | <u>1,530</u> |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | 14 | | - | - |
| Retained earnings | 15 | | <u>498</u> | <u>1,530</u> |
| SHAREHOLDERS' FUNDS | | | <u>498</u> | <u>1,530</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 27 April 2020 and were signed on its behalf by:



.....
R Lodigiani - Director

The notes on pages 9 to 21 form part of these financial statements

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Called up share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|------------------------------------|--|-------------------------------|--------------------------|
| Balance at 1 January 2018 | - | (780) | (780) |
| Changes in equity | | | |
| Total comprehensive income | - | 2,310 | 2,310 |
| Balance at 31 December 2018 | - | 1,530 | 1,530 |
| Changes in equity | | | |
| Total comprehensive income | - | (1,032) | (1,032) |
| Balance at 31 December 2019 | - | 498 | 498 |

The notes on pages 9 to 21 form part of these financial statements

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****1. STATUTORY INFORMATION**

Breed Reply Investments 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.

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 as modified by the revaluation of certain assets.

Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006.

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

The company is a 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 2019. 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 paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- 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.

Adoption of new and revised standards

IFRS 16 Leases have been applied from 1 January 2019. The company had no leases falling within the scope of IFRS 16, hence there has been no impact on the company in relation to the implementation of this standard.

Critical accounting judgements and estimates

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 both current and future periods.

The fair value of the investments reflects the existence of events known as of 31 December 2019. The COVID-19 pandemic has been deemed as a non-adjusting event, as it wasn't a known factor as the Statement of Financial Position date.

continued...

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****2. ACCOUNTING POLICIES - continued****1. Critical accounting judgements**

The following are the critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Venture capital organisation status

The directors consider that the Company is a venture capital organisation, as defined within IAS 28, and as such the company elects to apply the equity accounting exemption under IAS 28.18 and measure all investments at fair value through the profit or loss in accordance with IFRS 9. The accounting treatment for investments has been documented further in the accounting policy for financial assets.

Valuation of unquoted equity investments

The directors consider that because judgements are required to determine the appropriate valuation methodology of the company's unquoted equity investments there is a risk of material adjustment to the carrying amounts of assets and liabilities. These judgements include a decision whether or not to impair or uplift investment valuations, these judgements are discussed in more detail in the financial assets section of this note.

Valuation of unquoted debt investments

The directors consider that because judgements are required to determine the appropriate valuation methodology of the company's unquoted debt investments there is a risk of material adjustment to the carrying amounts of assets and liabilities. These judgements include a decision whether or not to impair or uplift investment valuations. Certain of the debt investments have rights to convert the debt to equity in the investee company. However, the value and timing at which the debt may convert to equity is very difficult to determine as the conversion is not a 'fixed-for-fixed' exchange and consequently the directors are relying on estimates that may or may not turn out to be accurate. The judgements required to value the equity element of convertible debt are discussed further in the financial assets section of this note. In case of a change in the risk profile of the debt instrument between the date of issue and reporting date, the fair value of debt investments is established by calculating the present value of expected future cash flows associated with the instrument based on a suitable discount rate. Judgement is required when determining an appropriate discount rate to use, and these judgements are discussed in more detail in the financial assets section of this note.

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, and 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.

2. Estimates

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

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 taxable 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 8 for unused tax losses available for offset of future taxable profits.

continued...

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****2. ACCOUNTING POLICIES - continued****Financial instruments****Recognition, initial measurement and de-recognition**

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.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, substantial modification of the terms of an existing financial liability shall be accounted for as an extinguishment of the original liability and the recognition of a financial liability. A substantial modification of terms occurs when the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original facility.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

Gains and losses arising from changes in the fair value of the financial assets and liabilities at fair value through profit or loss are included in the Statement of Comprehensive Income in the period in which they arise.

Derecognition

Sales of all investments are recognised on the trade date, being the date on which the company disposes of the economic benefits of the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or the company has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the Statement of Comprehensive Income. Any interest in such transferred financial assets that is created or retained by the company is recognised as a separate asset or liability. The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Gains or losses on disposal of investments represents the difference between the fair value of consideration received and the carrying value of investments at the start of the accounting period.

Classification and subsequent measurement of financial liabilities

The company's financial liabilities include borrowings and trade and other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial assets

The company classifies its financial assets into one of the following categories:

1. at fair value through profit or loss; or;
2. held at amortised cost

The classification depends on the nature and purpose for which the financial asset was acquired and is determined at the time of initial recognition.

1. At fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets held for trading or financial assets which are designated at fair value through profit or loss on initial recognition. This category includes equity investments, debt investments, and equity rights. Investments in associated undertakings which are held by the company with a view to the ultimate realisation of capital gains are also categorised as at fair value through profit or loss.

continued...

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****2. ACCOUNTING POLICIES – continued**

This measurement basis is consistent with the fact that the company's performance in respect of investments in equity investments and debt investments is evaluated on a fair value basis in accordance with an established valuation strategy. In establishing its valuation methodology the Company is guided by International Private Equity and Venture Capital Valuation Guidelines (the 'IPEV Valuation Guidelines') endorsed by the British & European Venture Capital Associations. No adjustment to previously reported fair values has been identified following the adoption of IFRS 9 in the period.

Fair value hierarchy

The company classifies its financial assets using a fair value hierarchy that reflects the significance of the inputs used in making the related fair value measurements. The level in the fair value hierarchy, within which a financial asset is classified, is determined on the basis of the lowest level input that is significant to that asset's fair value measurement. The fair value hierarchy has the following levels:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either direct or indirectly.

Level 3 - Inputs are unobservable for the asset or liability.

a) Market Approach Valuation Techniques

Given the nature of the company's investments in early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development activities and to make reliable cash flow forecasts. As such it is considered that the most appropriate approach to measure fair value are valuation techniques that are based upon both market data and market participant assumptions.

The price of a recent investment, that has arisen from an orderly market transaction, is typically deemed fair value at the transaction date. At the transaction date the market approach valuation model is validated using contemporaneous market inputs, this corroborates the price of the recent investment and ensures that the valuation model will generate fair value at future measurement dates when adjusted for updated market inputs. The price of a recent investment is not used as a standalone valuation technique.

At each measurement date fair value is estimated based on the current facts and circumstances of each investment in addition to any changes or events that have occurred subsequent to the transaction date.

At subsequent measurement dates the price of a recent transaction, with the company either participating or not participating, often provides a basis for recalibrating inputs into the valuation model. When using recent transactions to update valuation inputs all relevant transaction factors are analysed to determine if the transaction price represents fair value. In particular, the following factors would typically indicate that the transaction does not represent an orderly fair value transaction:

- different rights attach to new and existing investments;
- disproportionate dilution of existing investors arising from a new investor(s);
- a new investor motivated by strategic consideration; or;
- the transaction may be considered to be a forced sale.

If any of these factors are identified in a recent transaction the transaction price is suitably adjusted before being used as an input into the valuation model.

At each measurement date the company also updates its valuation model with progress against investment milestones, financial performance against budget, wider industry analysis, addressable market changes, the macroeconomic environment and any material internal issues with each investee company. In applying the market based approach to investments in companies in early or development stages the company seeks to determine whether there is an indication of change in fair value based on a consideration of performance against financial and qualitative targets as well as taking into consideration the key market drivers of the investee company and the overall economic environment.

Where the company considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last reported fair value. Wherever possible, this adjustment is based on objective data from the investee company and the experience and judgement of the company. However, any adjustment is, by its very nature, subjective. Where a deterioration in value has occurred, the company reduces the carrying value of the investment to reflect the estimated decrease.

continued...

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****2. ACCOUNTING POLICIES - continued**

If there is evidence of value creation the company may consider increasing the carrying value of the investment. However, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a purchaser may place on positive developments given the potential outcome and the costs and risks to achieving that outcome.

b) Other valuation techniques

The company may also consider alternative methodologies as prescribed in the IPEV Valuation Guidelines, such as discounted cash flows (DCF), multiples, or a Net Assets approach.

Given the difficulty of producing reliable cash flow forecasts for seed, start-up and early-stage companies and the limited applicability of the multiples and Net Assets approach, these methodologies are generally not used.

c) Impacts from capital structuring

Where the capital structure of an investment contains one or more shareholder rights affecting the distribution of exit proceeds, for example options or warrants, or confirmed applications to subscribe or liquidation preferences, the company values its holding according to section 5.8 of the IPEV Valuation Guidelines in respect to Impacts from Structuring. The company's policies are as follows:

Stock options and warrants

The company values its holding in a portfolio company on a fully diluted basis. In calculating the fully diluted capitalisation table of the company, the company treats options and warrants in accordance with the specific terms of their deeds of grant or scheme rules, and assumes that:

- all time-vesting options or warrants that would be accelerated in the event of a sale or change of control become vested;
- all options or warrants that are in the money (given the company valuation) would be exercised; and;
- any options or warrants that are subject to an explicit performance trigger which has not been met at the Measurement Date (for example, a revenue target or an exit price) and which is not over-ridden by accelerated vesting may be disregarded in the calculation of the fully diluted equity.

Confirmed Applications to Subscribe (CATS) / Simple Agreement for Future Equity (SAFE)

A 'confirmed application to subscribe' (also known in the US as a 'simple agreement for future equity') is an instrument combining a subscription for equity in the company and the right to call for the allotment of shares in respect of such subscription at a price to be determined by reference to a follow-on round or other defined events. The CATS will also specify a back-stop price at which shares will be allotted for the subscription in default of the defined events. The structure enables the deferred pricing of an equity issue, like a convertible loan without the debt element. Where the company invests using CATS, the Company recognises the value of its subscription as an equity investment and, for the purposes of calculating its fully diluted holding, the company assumes that CATS shares would be allotted at the highest of the defined event prices or in the absence of any such event at the back-stop price.

Liquidation preferences

The company's policy is to recognise the value of preference rights attaching to its equity investments in full except in the following cases:

- where no material third party-led funding round has occurred since the company's first preference investment, the company will defer recognising the full value of the preference rights until such time as a material third party-led round has occurred; or;
- where a material third party-led round has occurred since the company's first preference investment but the lead third party is a strategic (rather than financial) investor, the company will review the overall balance of the transaction and recognise the value of the preference rights to the extent to which it judges they are likely to be maintained in the event of a follow-on round taking into account the company's past experience and market practice.

Notwithstanding the above, the company reserves the right to defer or impair some or all of the value of preference rights in the interests of the company's objectives of valuing assets at fair value and maintaining a consistent approach to valuations where the circumstances so dictate.

continued...

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****2. ACCOUNTING POLICIES - continued****Debt investments**

Debt investments are generally unquoted debt instruments which are convertible to equity of the investee company at a future point in time under certain circumstances. The equity value and timing at which the debt may convert to equity are very difficult to determine until close to the time at which the debt is expected to convert to equity as the terms of conversion are not generally on a 'fixed-for-fixed' basis and consequently the directors are relying on estimates that may or may not turn out to be accurate. Such instruments are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative. The company designates the entire hybrid contract at fair value through profit or loss on initial recognition and, accordingly, the embedded derivative is not separated from the host contract and accounted for separately.

At inception, the fair value is considered equal to issue value unless there is an indication that this is not appropriate by reference to multiple market factors. In case of a change in the risk profile of the debt instrument between the date of issue and reporting date, the fair value of debt investments is established by calculating the present value of expected future cash flows associated with the instrument based on a suitable discount rate.

2. Held at amortised cost

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.

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

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

Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company, but are presented separately due to their size or incidence.

continued...

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****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 and will not recall any outstanding intercompany loan amounts for the foreseeable future, being not less than 12 months from the date of approval of these financial statements. The company has received an additional £1,050,000 from Reply SpA between January and March 2020, to support working capital financing.

The directors have identified Brexit and the COVID-19 pandemic as the most significant economic events for the global economy and hence for the business:

- In relation to Brexit, it was noted that the cross-border nature of the activities of the company, alongside the focus on the digital sector, provide resilience in the ongoing turbulences;
- As for COVID-19, 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 SpA, the directors concluded to continue to operate the business of the company and that of its group in line with the approved budget for 2020, 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 SpA to confirm that continued support will be available and, in light of the considerable financial resources of Reply SpA, having considered that Reply SpA 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.

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.

Portfolio return and revenue

Changes in the fair value of the company's equity and convertible loan investments represent revaluation gains and losses on the company's portfolio. Gains or losses on disposal of equity investments represent the difference between the fair value of consideration received and the carrying value at the end of the accounting period on the disposal. Interest income accrued on convertible loans is included in 'Change in fair value of equity and debt investments' in the Statement of Comprehensive Income.

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.

Preparation of consolidated financial statements

The financial statements contain information about Breed Reply Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Reply S.p.A., a company registered in Italy.

Similarly, the company is exempt from the requirement to produce consolidated financial statements contained within IFRS 10 on the basis that its immediate parent Reply S.p.A. produces IFRS compliant full consolidated financial statements which are publicly available.

continued...

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****3. EMPLOYEES AND DIRECTORS**

The company has no employees. The directors of the company are remunerated by group companies with no recharge of underlying costs to the company. It is not practical to allocate this remuneration between group companies.

4. EXCEPTIONAL ITEMS

| | 2019 £'000 | 2018 £'000 |
|---------------------------|----------------|---------------|
| Group loan loss allowance | <u>(9,620)</u> | <u>-</u> |

During the year, a loss provision was made in respect of intra-group loans provided to the fully-owned subsidiary Breed Reply Limited, in the amount of £9,620,029 given the uncertainties about its recoverability and the likely waive of the loan in the future.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Interest receivable from subsidiaries | 470 | - |
| Exchange difference on loan from parent company | <u>509</u> | <u>-</u> |
| | <u>979</u> | <u>-</u> |

6. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Parent company loan interest | 1,500 | 4,575 |
| Exchange difference on loan from parent company | <u>-</u> | <u>113</u> |
| | <u>1,500</u> | <u>4,688</u> |

7. (LOSS)/PROFIT BEFORE TAXATION

The loss before taxation (2018 - profit before taxation) is stated after charging/(crediting):

| | 2019 £'000 | 2018 £'000 |
|---|----------------|---------------|
| Auditors' remuneration | 43 | 28 |
| Net gains from fair value adjustments to investments (note 9) | (6,397) | (10,016) |
| (Profit)/Loss on investments (note 9) | <u>(3,131)</u> | <u>2,759</u> |

8. TAXATION**Analysis of tax expense**

No liability to UK corporation tax arose for the year ended 31 December 2019 nor for the year ended 31 December 2018.

Factors affecting the tax expense

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the Statement of Financial Position date have been measured using these enacted tax rates and reflected in these financial statements. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the Statement of Financial Position date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

continued...

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****8. TAXATION - continued**

The tax assessed for the year is higher (2018 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2019 £'000 | 2018 £'000 |
|--|----------------|---------------|
| (Loss)/profit before income tax | <u>(1,032)</u> | <u>2,310</u> |
| (Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%) | (196) | 439 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 196 | (401) |
| Exchange rate difference | - | (4) |
| Deferred tax not recognised | <u>-</u> | <u>(34)</u> |
| Tax expense | <u>-</u> | <u>-</u> |

As at the reporting date, Reply SpA, the parent company, was still considering the optimal allocation of unused tax losses available for offset against future profits generated in the UK, hence the amount of unused tax losses available was still uncertain (2018: £3,001,000). No deferred tax asset has been recognised in respect of these losses due to uncertainty over the timing of its recoverability.

9. INVESTMENTS

The fair value of the investments reflects the existence of events known as of 31 December 2019. The COVID-19 pandemic has been deemed as a non-adjusting event, as it wasn't a known factor as the Statement of Financial Position date.

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Equity and convertible loan investments | <u>50,141</u> | <u>43,370</u> |

Equity investments

The equity investments detailed below are designated at fair value and accounted for in accordance with IFRS 9 Financial Instruments.

| Company name | Class of share | Country of incorporation | Proportion of Nominal value held (%) |
|-------------------------------------|--|--------------------------|--------------------------------------|
| Inova Design Solutions Ltd | Preferred ordinary | UK | 34.1 |
| Zeetta Networks Limited | Preferred ordinary | UK | 29.3 |
| Amiko Digital Health Limited | Preferred ordinary | UK | 22.7 |
| Connecterra Holdings Limited | Preferred ordinary | UK | 23.0 |
| Iotic Labs Limited | Preferred ordinary | UK | 16.3 |
| Senseye Limited | A Preferred, Preferred ordinary and ordinary | UK | 12.6 |
| Razorsecure Limited | Preferred ordinary | UK | 32.0 |
| Wearable Technologies Limited | Preferred ordinary | UK | 19.3 |
| We Predict Ltd | A Preferred ordinary and Preferred ordinary | UK | 16.7 |
| Kokoon Technology Ltd | Preferred ordinary | UK | 33.8 |
| Callsign, Inc. | Preferred ordinary | USA | 3.6 |
| Canard Drones Ltd | Preferred ordinary | UK | 24.0 |
| Foodmarble Digestive Health Limited | Preferred ordinary | Ireland | 23.5 |
| Yellow Line Parking Ltd | Preferred ordinary | UK | 9.9 |
| TAG Sensors AS | Preferred ordinary | Norway | 15.6 |
| Metron SAS | Preferred ordinary | France | 10.1 |
| CageEye AS | Preferred ordinary | Norway | 10.0 |
| uBirch GmbH | Preferred ordinary | Germany | 18.5 |

continued...

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****9. INVESTMENTS - continued**

On the 30th September 2019, Reply S.p.A. assigned to the company the loan of £9,150,000 at an annual interest rate of 3% due to Reply S.p.A. from Breed Reply Limited (the "BRL Loan"), in connection with the company's acquisition of the entire share capital of Breed Reply Limited from Reply S.p.A for a consideration of 1 £0.01 A Ordinary Share to Reply S.p.A. The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Breed Reply Limited

Registered office: 38 Grosvenor Gardens, London, SW1W 0EB

Nature of business: Investment consultancy

| Class of shares: | % holding |
|------------------|--------------|
| Ordinary | 100.00 |

For the year ended at 31 December 2019, Breed Reply Limited had revenue for £443k and expenses for £3,593, with a total loss in the year of £3,397k. As of 31 December 2019, Breed Reply Limited had cumulated negative retained earnings for £10,953k, resulting in a shareholders' deficit of £10,943k.

In the course of 2019, the company gained from disposals, in part or in full, of its investments in Sentryo, Cocoon and Gymcraft.

Additional information is as follows:

| | Equity investments £'000 | Convertible debt investments £'000 | Totals £'000 |
|----------------------------------|--------------------------------|---|-----------------|
| COST OR VALUATION | | | |
| At 1 January 2019 | 42,491 | 879 | 43,370 |
| Additions | 2,007 | 1,175 | 3,182 |
| Disposals | (2,809) | - | (2,809) |
| Capitalised interest | - | 168 | 168 |
| Revaluations | 10,864 | - | 10,864 |
| Impairments | (3,949) | - | (3,948) |
| Exchange differences | (686) | 1 | (686) |
| Conversion to equity instruments | 568 | (568) | - |
| At 31 December 2019 | <u>48,486</u> | <u>1,655</u> | <u>50,141</u> |
| NET BOOK VALUE | | | |
| At 31 December 2019 | <u>48,486</u> | <u>1,655</u> | <u>50,141</u> |

| | Equity investments £'000 | Convertible debt investments £'000 | Totals £'000 |
|----------------------------------|--------------------------------|---|-----------------|
| COST OR VALUATION | | | |
| At 1 January 2018 | 25,894 | 1,644 | 27,538 |
| Additions | 9,527 | 567 | 10,094 |
| Disposals | (4,278) | - | (4,278) |
| Capitalised interest | - | 73 | 73 |
| Revaluations | 10,130 | 383 | 10,513 |
| Impairments | (850) | - | (850) |
| Exchange differences | 284 | (4) | 280 |
| Conversion to equity instruments | 1,784 | (1,784) | - |
| At 31 December 2018 | <u>42,491</u> | <u>879</u> | <u>43,370</u> |
| NET BOOK VALUE | | | |
| At 31 December 2018 | <u>42,491</u> | <u>879</u> | <u>43,370</u> |

continued...

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****9. INVESTMENTS - continued**

| PORTFOLIO RETURNS AND INCOME | 2019 | 2018 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Revaluation - equity investments | 10,864 | 10,130 |
| Revaluation - convertible debt investments | - | 383 |
| Capitalised interest | 168 | 73 |
| Exchange differences - equity investments | (686) | 284 |
| Exchange differences - convertible debt investments | - | (4) |
| Impairment - equity investments | <u>(3,949)</u> | <u>(850)</u> |
| Change in fair value of investments | <u>6,397</u> | <u>10,016</u> |
| Profit/(Loss) on investment disposals | <u>3,131</u> | <u>(2,759)</u> |

10. DEBTORS - CURRENT

| | 2019 | 2018 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Amounts owed by group undertakings – current | <u>7</u> | <u>-</u> |

On the 30th September 2019, Reply S.p.A. assigned to the company the loan of £9,150,000 at an annual interest rate of 3% due to Reply S.p.A. from Breed Reply Limited (the "BRL Loan"), in connection with the company's acquisition of the entire share capital of Breed Reply Limited from Reply S.p.A. As disclosed in note 4, a loss provision was subsequently made in respect of the loan and accrued interest, in the amount of £9,620,029.

11. CASH AT BANK

| | 2019 | 2018 |
|--------------------------|--------------|--------------|
| | £'000 | £'000 |
| Cash at bank | 3,629 | 525 |
| Cash in escrow - current | <u>104</u> | <u>-</u> |
| | <u>3,733</u> | <u>525</u> |

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | 2018 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade creditors | 39 | 1 |
| Amounts owed to group undertakings | 43,248 | 33,052 |
| Accruals and deferred income | <u>10,721</u> | <u>9,312</u> |
| | <u>54,008</u> | <u>42,365</u> |

Under the terms of a facility agreement dated 15 December 2014 between Reply S.p.A and the company ("2014 Investment Facility"), Reply S.p.A ("Reply") has made available loan funding of up to £36m at an annual interest rate of 15% to the company to enable the company to carry out its investment activities.

On 30th September 2019, an additional facility of up to £9.375m at an annual interest rate of 3% (the "Working Capital Facility") was made available to the company by Reply. On the same date, the 2014 Investment Facility was replaced with a new facility to the company made available by Reply capped at value of the principal and accrued interest of the 2014 Facility, at an annual interest rate of 3% ("2019 Investment Facility"). The Working Capital Facility and the 2019 Investment Facility each require the company to repay the outstanding loan and interest that has accrued during the company's financial year within one month of approval of the company's annual accounts. If any part of the loan and/or accrued interest cannot be repaid in the financial year in which it was drawn and/or the interest accrued, then such amounts shall be carried forward into each subsequent financial year until all amounts outstanding under the agreement have been paid in full.

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BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****13. DEBTORS – NON CURRENT**

At the year end, a total of £832,847 was held in EUR-denominated escrow accounts related to the disposal of investments from the company, receivable in 2021. During the year, a provision against future losses of £208,212 was taken on the escrow account to cover exchange rate fluctuations and other possible disbursements.

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Cash in escrow, net of provision – long term | <u>625</u> | <u>-</u> |

14. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid: Number: | Class: | Nominal value: | 2019 £ | 2018 £ |
|---|------------|-------------------|---------------|---------------|
| 8,001 (2018: 80) | A Ordinary | £0.01 (£1) | 80.01 | 80.00 |
| 2,000 (2018: 20) | B Ordinary | £0.01 (£1) | <u>20.00</u> | <u>20.00</u> |
| | | | <u>100.01</u> | <u>100.00</u> |

On 30th September 2019, the company sub-divided its share capital of 80 £1 A Ordinary shares into 8,000 £0.01 A Ordinary Shares and its share capital of 20 £1 B Ordinary shares into 2,000 £0.01 B Ordinary Shares. On the same date, the company issued a further 1 £0.01 A Ordinary Share to Reply S.p.A. as consideration for the acquisition from Reply S.p.A. of the entire issued share capital of Breed Reply Limited.

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

All shares are authorised, issued and fully paid. The company has two classes of ordinary shares, A shares and B shares, neither of which carry a right to fixed income. Holders of the A shares and B shares are equally entitled to receive notice of, and to attend, all of the company's general meetings and to receive and vote on proposed written resolutions of the company. A shares and B shares rank equally with regard to voting and distributions of capital.

15. RESERVES

| | Retained earnings £'000 |
|----------------------|-------------------------------|
| At 1 January 2019 | 1,530 |
| Deficit for the year | <u>(1,032)</u> |
| At 31 December 2019 | <u>498</u> |

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

16. CAPITAL COMMITMENTS

As at 31 December 2019, the company had no commitments (2018: £1,340,000).

17. RELATED PARTY DISCLOSURES

On the 30th September 2019, the company acquired the BRL Loan from Reply, as set out in notes 9 and 10 and the entire issued share capital of Breed Reply Limited, as set out in note 14 and entered into the 2019 Investment Facility and the Working Capital Facility with Reply S.p.A., as set out in note 12.

Amounts owed to Reply S.p.A amounted to £53,869,754 (2018: £42,302,000) consisting of £43,195,193 2018: £33,052,000) of interest-bearing debt and £10,674,562 (2018: £9,250,000) of accrued interest. Interest payable to Reply S.p.A in the year amounted to £1,500,007 (2018: £4,575,000).

continued...

BREED REPLY INVESTMENTS LIMITED (REGISTERED NUMBER: 09321264)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. EVENTS AFTER THE REPORTING PERIOD

The COVID-19 pandemic has been identified as a relevant event, but it is deemed to be non-adjusting as the condition did not exist at the Statement of Financial Position date.

Since the Statement of Financial Position date, the company has invested a further £55,279 in return for either share capital or convertible loan notes in companies in which the company has already invested.

The company has also drawn an additional £1,050,000 under the working capital facility provided by Reply S.p.A.

19. ULTIMATE CONTROLLING PARTY

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.