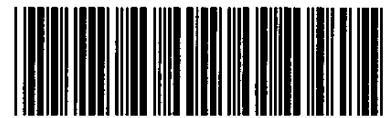


Company Registration number: 03847202 (England and Wales)

**Group Annual Report and
Consolidated Financial Statements for the Year Ended 31 December 2022
for
REPLY LIMITED**

AMENDED

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REPLY LIMITED

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REPLY LIMITED

**Company Information
FOR THE YEAR ENDED 31 DECEMBER 2022**

DIRECTORS:	Mrs F Rebuffat Mr F Rizzante Mrs T Rizzante Mr D Angelucci Mr J S Hill
REGISTERED OFFICE:	38 Grosvenor Gardens London SW1W 0EB
REGISTERED NUMBER:	03847202 (England and Wales)
AUDITORS:	A.C.T. Audit Limited 48 Dover Street Mayfair, London W1S 4FF

REPLY LIMITED

Strategic Report FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their strategic report on the affairs of Reply Limited (the "Company" or "Reply") and its subsidiaries (together "the Group") for the year ended 31 December 2022.

REVIEW OF BUSINESS

The results for the Group are as set out in the attached financial statements.

The group recorded a turnover of £230.2m (2021: £103.0m) which is an increase of 25.2% on the previous year and generated an operating profit of £12.7m (2021: £16.5m). The increase in revenue is due to a strong performance in the UK and Europe in consultancy services and has been generated mostly from existing customers. The group generated a gross profit of £82.9m (2021: £65.9m).

KEY PERFORMANCE INDICATORS ("KPIs")

The directors are satisfied with the performance of the company and of the group during the year.

Management uses a range of performance measures to monitor and manage the business effectively. Certain measures are particularly important in the generation of shareholder value and are considered key performance indicators (KPIs). Turnover, operating profit and operating margin indicate the volume of work performed and the profitability:

	2022	2021
Turnover (£000)	230,169	183,840
Operating profit (£000)	12,734	16,470
Operating margin (%)	5.5	9.1

FUTURE DEVELOPMENTS

The group is expected to continue with the principal activities as stated within this Strategic Report and the Directors' Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The group's operations expose it to a variety of financial risks that include the effects of market risk, competitive risk, foreign currency risk, credit risk and liquidity risk. Information on these risks can be found in the notes to the financial statements.

The policies set by the parent company, Reply SpA, incorporated in Italy are implemented by the group's treasury function on behalf of the group and can be found in the financial statements of Reply SpA.

REPLY LIMITED

Strategic Report FOR THE YEAR ENDED 31 DECEMBER 2022

SECTION 172(1) STATEMENT

Introduction - How the Board complied with its section 172 duties.

Reply Ltd is an intermediate parent of the Reply Group headed by Reply S.P.A a public company listed on the Italian stock exchange, MTA Market, STAR Segment.

The corporate governance function for Reply Ltd is managed at group level in Italy. It is a set of laws and bylaws adopted to ensure the efficient and transparent functioning of the corporate bodies and the control systems adhere to the Corporate Governance Code issued by Borsa Italiana in March 2006 updated in January 2020 (hereinafter "the Code").

The governance structure of the group, based on the traditional model, is made up of the following bodies: The General Shareholders' meeting, the Board of Directors (that carries out its function through Executive Directors and is advised by an Internal Control and Risks Committee and a Remuneration and Nomination Committee), the Board of Statutory Auditors and Independent Auditors.

The board welcomes the new reporting requirement as an opportunity to explain the continuing actions which the board has taken over several years in respect of its corporate governance and interaction with Stakeholders.

The majority of the information, set out in this report, can be found on the Reply Website: <https://www.reply.com/en/investors/>

As noted above, the corporate governance functions for Reply Ltd is managed at group level. These include the function to define and approve the company's strategic, operating, and financial plans in addition to the corporate structure it heads.

Further information can be found on the Reply Website: <https://www.reply.com/en/investors/>

Strategic planning and market focus

Reply Ltd and its subsidiary companies specialises in consulting, technologies, and digital services with a focus on the conception, design and development of solutions based on new communication channels and digital media.

Reply is characterised by:

- a culture focused on technological innovation.
- a flexible structure that can anticipate market developments and interpret new technological drivers.
- a delivery method of proven success and scalability.
- a network that specialize in specific areas of expertise.
- teams composed of specialists, recruited from the best universities.
- a highly experienced management team.
- continuous investment in research and development.
- long-term relationships with its customers.

Reply's services include:

- Consulting - with a focus on strategy, communication, design, processes and technology.
- System Integration - making the best use of the potential of technology, by combining business consulting with innovative technological solutions and high added value.
- Digital Services - innovative services based on new communication channels and digital trends.

REPLY LIMITED

Strategic Report FOR THE YEAR ENDED 31 DECEMBER 2022

SPECIFIC BOARD ACTIONS - STRATEGIC PLANNING ACQUISITION

Management

The model implemented by Reply is designed to:

- create value for its shareholders and develop Reply in the long term.
- contribute to the well-being and professional growth of employees and independent contractors.
- introduce innovations in the technological sector.

With a commitment to ethics and transparency, which are Reply's key values.

By adopting a detailed Code of Ethics, the board of Reply is able to delegate management of the individual business units to a clearly defined management structure and define how the management team will act in all commercial activities and thereby minimising operational decision making at the board level. Monthly review meetings with the CEO, monitor the performance of the management team in terms of strategic direction and adherence to Reply's code of ethics.

The purpose of this Code of Ethics is to ensure that Reply's key ethical values are clearly established, form the foundations of the company and group's business culture and set a standard for the conduct of the staff in their business and non-business activities. By adopting this Code of Ethics, Reply seeks to promote best practices and responsible conduct through training and the disclosure of specific business ethical principles. With a view to implementing an effective and virtuous ethical system, this Code of Ethics is the result of a process of sharing, assimilation and implementation of the principles and values established herein. The main goal of this Code of Ethics is to disclose and share the ethical values which govern the company and group's activities. This belief led to the creation of a broad and detailed Code of Ethics which is designed to ensure that the company and group's ethical values are clearly defined and adhered to.

Further information about Reply's Code of Ethics can be found at https://www.reply.com/InvestorsDocuments/en/Code_of_Ethics.pdf

Employees - the value of people

Reply is based on the excellence of the people who make up the group. The men and women within the group bring the Reply brand to life for customers and partners and embody the group's image.

Reply invests continuously in human resources by establishing special relationships and partnerships with several universities with the aim of attracting highly skilled individuals to join its team.

The values that characterise Reply's employees are enthusiasm, excellence, a methodical approach, team spirit, initiative, and an ability to understand the business context and to clearly communicate proposed solutions. The continuous desire to imagine, experiment with and research new solutions allow innovation to come about more rapidly and efficiently.

Whoever decides to become a part of the "Reply world" will find the opportunity to best express their potential in an organisational model based on: culture, ethics, trust, honesty and transparency. These values are vital for the process of continual improvement and for enabling employees to focus ever more sharply on the quality of their work.

All the group's managers endeavour in their daily work to uphold the principles on which Reply has always depended and that have sustained it during its growth.

SPECIFIC BOARD ACTIONS - EMPLOYEES

Annual employee survey

The engagement of and feedback from employees is critical to the group's relationship with its employees. To achieve this objective, the Board of Reply maintains a confidential Annual Employee Survey.

The results of the survey were reviewed across the group on a company by company and business by business basis and the HR department were tasked with supporting the management of the relevant business units to address the issues identified.

Management training program

The development and career progression of Reply employees is a fundamental element of growing the Reply Group in the UK. The board reviewed the feedback received from individual training courses and were pleased with the positive responses received. The board plans to increase the frequency of the management training sessions in 2022 and beyond to consider opening the program to senior consultants. The board were satisfied that the utilisation of the Reply communications platforms had allowed for the face-to-face sessions to be replaced by virtual sessions.

REPLY LIMITED

Strategic Report FOR THE YEAR ENDED 31 DECEMBER 2022

SPECIFIC BOARD ACTIONS – EMPLOYEES – continued

Disabled employees

Reply is committed to providing equal opportunities in employment and to avoiding unlawful discrimination in employment and against customers.

The company will avoid unlawful discrimination in all aspects of employment including recruitment, promotion, opportunities for training, pay and benefits, discipline and selection for redundancy. Person and job specifications will be limited to those requirements that are necessary for the effective performance of the job. Candidates for employment or promotion will be assessed objectively against the requirements for the job, taking account of any reasonable *adjustments that may be required for candidates with a disability*. The company will consider any possible indirectly discriminatory effect of its standard working practices, including the number of hours to be worked, the times at which these are to be worked and the place at which work is to be done, when considering requests for variations to these standard working practices and will refuse such requests only if the company considers it has good reasons, unrelated to any protected characteristic, for doing so. The company will comply with its obligations in relation to statutory requests for contract variations. The company will also make reasonable adjustments to its standard working practices to overcome barriers caused by disability.

Partners and suppliers

Reply depends on the capability and performance of its group wide suppliers, contractors and other partners to help deliver the products and services which are required for its operations and the operations of its customers. Management of the relationships with suppliers and contractors is delegated to the individual business unit management teams operating within the Reply Code of Ethics.

SPECIFIC BOARD ACTIONS:

Suppliers/customers/financial reporting systems

As part of the worldwide project to improve the efficiency of processing financial data in respect of customers, suppliers, contractors and financial reporting obligations, the board of Reply Ltd adopted the group decision to standardise the Reply Group ERP system. All Reply worldwide Finance departments will implement SAP S/4Hana Cloud. The board took the decision not to rush the implementation of S4Hana Cloud in the UK and to allow sufficient time for ensuring that the ERP system satisfies the requirements of the UK group. The decision was therefore made to Go-Live on the new ERP with effect from 1 January 2022.

The initial phase of the implementation of S/4 Hana Cloud took place in accordance with the original plan. The board believe that the development of the functionalities offered by the new ERP system will continue over the coming years and will result in the desired increase in efficiency of the financial data processing and reporting.

The implementation of S/4 Hanna cloud will allow for the introduction of additional automation software. The board have commenced a project to introduce supplier invoice scanning with a planned Go Live date of 1 October 2023.

Customers

The board's mission has always been to establish an infrastructure which can interpret new technologies and make them functional to the needs of the customers, as quickly as possible. Based on this principle, Reply has built a group of highly specialised companies, capable of supporting organisations in the transformation path.

Reply considers research and continuous innovation to be fundamental assets in supporting its customers as they adopt new technologies. To offer the most appropriate solutions to different business requirements, Reply has established a set of key partnerships with major global vendors. Reply has achieved top levels of certification about leading technologies in the enterprise field, including:

Adobe Reply

An EMEA AEM Specialised Partner, is a centre of excellence for the design and implementation of digital transformation and multi-channel marketing solutions, based on the different products available as part of the Adobe Experience Cloud platform.

Amazon Web Services

Reply ranks among leading Amazon Web Services (AWS) partners, supporting its customers in the digital transformation processes. Leveraging the cloud model best suited to the specific needs of the company and group and adopting a secure, flexible, and effective governance strategy.

Google

Reply confirmed its important Google Cloud Managed Service Provider (MSP) certification level. MSP is the certification that Google awards to a limited number of specialised WW partners that support customers throughout their end-to-end cloud journey, from initial engagement to cloud-based migration and execution, through to the planning and optimisation of the system. In addition to its MSP certification, Google renewed Reply's Premier Partner certification for the G Suite and Cloud Platform, recognising the group's excellence as demonstrated in support of its Google Cloud products.

REPLY LIMITED

Strategic Report FOR THE YEAR ENDED 31 DECEMBER 2022

SPECIFIC BOARD ACTIONS - continued :

Suppliers/customers/financial reporting systems - continued

Microsoft

Reply, a certified Microsoft gold partner in Brazil, Germany, Italy, the United Kingdom and the United States, continues to strengthen its collaboration with local Microsoft branches, by exploiting the excellence of the consultancy services offered and the coverage of the extensive range of Microsoft cloud solutions: from modern work environments to business applications, from applications and infrastructures, to data and artificial intelligence, and to mixed reality. In 2019, Reply joined the LEGO (Locally Engaged Globally Orchestrated) programme, aimed at helping selected partners with an international presence to grow their business on a global basis.

Oracle

Reply, Oracle Platinum Cloud Select partner and Oracle Cloud Managed Service Provider. Thanks to one of the leading European Competence Centres able to guarantee highly specialised expertise in the integration of Oracle's complete suite of Cloud products, Reply represents a point of reference in the main Oracle Cloud Computing solution areas: Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS) and Software-as-a-Service (SaaS).

Salesforce

Reply, a Salesforce Platinum Consulting Partner, is one of the leading Salesforce.com competence centres. Reply's Salesforce customers include not only leading players in the automotive, industrial, telecommunications and media industries, but also companies in the financial services, utility, retail and fashion sectors.

SAP

Thanks to its extensive international experience in implementing software solutions based on the SAP product suite, Reply is able to support companies in becoming smart businesses, by adopting an agile and integrated approach to design, and developing enterprise information systems for the digital age. Reply's experience covers both traditional business processes and more recent SAP technologies in the field of IoT, machine learning, big data and analytics, SAP Cloud Platform and SAP C/4 HANA for the development of end-to-end e-commerce and customer engagement solutions.

SUPPLIER PAYMENT POLICY

The group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each contract;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and,
- pay in accordance with the company's contractual and other legal obligations.

How the Board considers stakeholders in decision-making

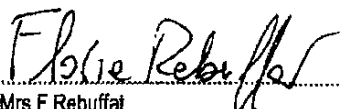
Reply Ltd and its immediate subsidiary companies are members of the group controlled by Reply S.p.A. are engaged in the field of Information & Communication Technology at a worldwide level through a network of companies specialised by business line, which rely on accurately recruited and well-trained professionals, with a focus on the quality of service and client satisfaction.

The Reply Group adopts specific procedures in managing risk factors that can have an influence on the company and group's results. Such procedures are a result of an enterprise management that has always aimed at maximizing value for its Stakeholders putting into place all necessary measures to prevent risks related to the group's activities.

A detailed analysis of how the Reply Group and its parent companies are mitigating and managing those risks can be found at: https://www.reply.com/InvestorsReports/en/2021_REPLY_Annual_Report_EN.pdf

As well as other information about the Reply Group and its parent companies in relationship with the major stakeholders' activities and policies which can be found at: <https://www.reply.com/en/investors/Corporate-Governance>.

ON BEHALF OF THE BOARD:



Mrs F Rebuffat
Director

27 September 2023

REPLY LIMITED

Report of the Directors FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report for the year ended 31 December 2022. This report forms part of the audited consolidated and parent company financial statement of Reply Limited ("the Company") and its subsidiaries (together, "the Group") with the financial statements of the company and the group.

PRINCIPAL ACTIVITY

The principal activity of the Group continued to be that of consulting, systems integration and application management specialising in the creation and implementation of solutions based on new communication networks and digital media.

DIVIDENDS AND RESULTS

No ordinary dividends were paid (2021: nil). The directors do not recommend payment of a further dividend.

The results for the year are set out on page 12.

RESEARCH AND DEVELOPMENT

Reply offers high technology services and solutions in a market where innovation is of primary importance. Reply considers research and continuous innovation a fundamental asset in supporting clients with the adoption of new technology. Reply dedicates resources to Research and Development activities in order to project and define highly innovative products and services as well as possible applications of evolving technologies. In this context, Reply has developed its own platforms. Reply has important partnerships with major global vendors so as to offer the most suitable solutions to different company needs. Specifically, Reply boasts the highest level of certification amongst the technology leaders in the Enterprise sector.

EVENTS SINCE THE END OF THE YEAR

Refer to note 33 for further information on post reporting date events.

GOING CONCERN

The directors have a reasonable expectation that the company and the group has adequate resources to continue in operational existence for the foreseeable future. The company and the group therefore continues to adopt the going concern basis in preparing the financial statements. Financial support by Reply S.p.A has been confirmed for a period of not less than 12 months from the date of signing these financial statements.

DIRECTORS

The Directors who held office during the year and, unless otherwise stated, up to the date of signature of the financial statements were as follows:

Mr F Rizzante
Mrs T Rizzante
Mr D Angelucci
Mr M Rizzante (Resigned 1 July 2022)
Mr R Lodigiani (Resigned 1 July 2022)
Mr J S Hill (Appointed 1 July 2022)
Mrs F Rebuffat

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The group maintains liability insurance for its Directors and officers through a policy issued by the parent company in 2021. The group has also provided an indemnity for its Directors, which is a qualifying third party indemnity provision for compliance with the Companies Act 2006.

STREAMLINED ENERGY AND CARBON REPORTING

This report outlines the group's greenhouse gas and energy usage for the period ending 31 December 2022 in line with the requirements for a "large" unquoted company as per The Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Energy Type	Emission Type	Definition	kWh	Tonnes of CO2e
Gas	Scope 1	Total Energy Consumption - Gas	457,081	83.4
Electricity	Scope 2	Total Energy Consumption - Elec	514,494	126.8
Total			971,575	210.2

Intensity Measure	Revenue (£m)	Intensity Ratio (CO2/£1m Revenue)
Tonnes CO2 per £1m of revenue	230.16	0.914

Our methodology to calculate our greenhouse gas emissions is based on conversion factors provided by our energy supplier and where this information is not available, we have used DEFRA's 2022 conversion factors.

REPLY LIMITED

Report of the Directors FOR THE YEAR ENDED 31 DECEMBER 2022

STREAMLINED ENERGY AND CARBON REPORTING - continued

We report on a financial control approach to define our organisation boundary and we have reported all material emission sources required by the regulations for which we deem ourselves to be responsible and have maintained records of all source data and calculations.

As the group does not own the premises out of which it operates and cannot implement energy efficiency measures itself, the group follows strict environmental policy guidelines of the Reply S.p.A. Group to reduce and monitor the impact of corporate activities on the environment.

To reduce the environmental impact, the Reply S.p.A. Group is working on switching to 50% renewable electricity in all territories by 2025 and has made a commitment to reach Net-Zero GHG emissions by 2030.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with UK-adopted international accounting standards and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, comprising FRS 101 Reduced Disclosure Framework, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Disclosures in the Strategic Report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of disclosures relating to future development and its engagement with employees, customers and suppliers.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each director who held office at the date of approval of this report confirms that:

- as far as the director is aware, there is no relevant audit information needed by the Group's auditor in connection with preparing its report of which the Group's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITORS

The auditors, A.C.T. Audit Limited, have indicated their willingness to continue in office and will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD:



Mrs F Rebuffat

Director

27 September 2023

Report of the Independent Auditors to the Members of Reply Limited

Opinion

We have audited the financial statements of Reply Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Parent Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Statement of Cash Flows, the Notes to the Consolidated Financial Statement, and the Notes to the Parent Company Financial Statements, including a summary of significant accounting policies. The group financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards. The parent company financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, comprising FRS 101 Reduced Disclosure Framework).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group 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

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Report of the Independent Auditors to the Members of Reply Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, 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 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 group's and the parent 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 group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 a Report of the Auditors 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.

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

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, environmental (including Waste Electrical and Electronic Equipment recycling (WEEE) Regulations 2013) and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Report of the Independent Auditors to the Members of Reply Limited

Auditors' responsibilities for the audit of the financial statements – continued

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Health and Safety Executive and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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 Report of the Auditors.

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 a Report of the Auditors 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.

ACT AUDIT LIMITED

Francesco Lepri (Senior Statutory Auditor)
for and on behalf of A.C.T. Audit Limited
48 Dover Street
Mayfair, London
W1S 4FF

27 September 2023

REPLY LIMITED

**Consolidated Profit and Loss Account
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	31.12.22 £	31.12.21 £
CONTINUING OPERATIONS			
Revenue	4	230,168,967	183,839,576
Cost of sales		<u>(147,262,519)</u>	<u>(117,944,597)</u>
GROSS PROFIT		82,906,448	65,894,979
Other operating income/(loss)	4	1,793,933	(2,012,671)
Administrative expenses		<u>(71,966,125)</u>	<u>(55,073,124)</u>
Exceptional income	5	<u>-</u>	<u>7,660,460</u>
OPERATING PROFIT	9	12,734,256	16,469,644
Investment Income	7	588,045	72,425
Finance costs	8	<u>(2,528,392)</u>	<u>(2,036,032)</u>
PROFIT BEFORE TAXATION		10,793,909	14,506,037
Tax expense	11	<u>(2,669,268)</u>	<u>(1,663,126)</u>
PROFIT FOR THE YEAR		8,124,641	12,842,911
DISCONTINUED OPERATIONS			
Group reorganisation	12	<u>-</u>	<u>620,099</u>
Profit for the year		<u>8,124,641</u>	<u>13,463,010</u>

Profit for the financial year is all attributable to the owners of the parent company.

The notes form part of these financial statements

REPLY LIMITED

**Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 31 DECEMBER 2022**

	31.12.22 £	31.12.21 £
PROFIT FOR THE YEAR	8,124,641	13,463,010
OTHER COMPREHENSIVE INCOME		
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
Currency translation differences:		
- Translation gain arising in the year	<u>481,572</u>	<u>31,545</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>8,606,213</u>	<u>13,494,555</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

The notes form part of these financial statements

REPLY LIMITED (REGISTERED NUMBER: 03847202)

Consolidated Statement of Financial Position
31 DECEMBER 2022

	Notes	31.12.2022 £	31.12.2021 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	13	71,592,910	71,367,381
Intangible assets	13	16,359,300	19,111,800
Property, plant and equipment	14	19,422,267	20,646,657
Deferred tax asset	24	1,795,970	1,270,355
		<u>109,170,447</u>	<u>112,396,193</u>
CURRENT ASSETS			
Trade and other receivables	17	66,471,802	53,062,755
Current tax recoverable		-	3,630,265
Cash and cash equivalents		67,520,712	53,505,728
		<u>133,992,514</u>	<u>110,198,748</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	74,278,461	112,729,178
Current tax liabilities		2,679,579	3,469,017
Borrowings		-	1,202,517
Lease liabilities	23	3,233,971	2,588,185
		<u>80,192,011</u>	<u>119,988,897</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>53,800,503</u>	<u>(9,790,149)</u>
NON-CURRENT LIABILITIES			
Trade and other payables	19	79,525,536	27,866,631
Lease liabilities	23	16,127,002	16,440,157
Deferred tax liabilities	24	4,150,907	3,737,964
		<u>99,803,445</u>	<u>48,044,752</u>
NET ASSETS		<u>63,167,505</u>	<u>54,561,292</u>
EQUITY			
Called up share capital	26	54,175	54,175
Share premium account	27	145,753	145,753
Currency translation	28	590,283	108,711
Retained earnings	29	62,377,294	54,252,653
TOTAL EQUITY		<u>63,167,505</u>	<u>54,561,292</u>

The financial statements were approved by the Board of Directors and authorised for issue on 27 September 2023 and were signed by:


 Mrs F Rebuffat
 Director

The notes form part of these financial statements

REPLY LIMITED

**Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital £	Share premium account £	Currency translation £	Retained earnings £	Total £
Balance at 1 January 2021	54,175	145,753	77,166	40,789,643	41,066,737
Changes in equity					
Profit for the year	-	-	-	13,463,010	13,463,010
Other comprehensive income:					
Currency translation differences	-	-	31,545	-	31,545
Total comprehensive income	-	-	31,545	13,463,010	13,494,555
Balance at 31 December 2021	54,175	145,753	108,711	54,252,653	54,561,292
Changes in equity					
Profit for the year	-	-	-	8,124,641	8,124,641
Other comprehensive income:					
Currency translation differences	-	-	481,572	-	481,572
Total comprehensive income	-	-	481,572	8,124,641	8,606,213
Balance at 31 December 2022	54,175	145,753	590,283	62,377,294	63,167,505

The notes form part of these financial statements

REPLY LIMITED

**Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	31.12.22 £	31.12.21 £
Cash flows from operating activities			
Cash generated from operations	36	25,818,597	8,026,709
Interest paid		(2,528,392)	(2,036,032)
Income taxes (paid)/refunded		<u>-</u>	<u>(530,668)</u>
Net cash from operating activities		<u>23,290,205</u>	<u>5,460,009</u>
 Cash flows from investing activities			
Purchase of property, plant, and equipment		(3,819,132)	(1,161,305)
Proceeds from disposal of property, plant, and equipment		-	57,680
Purchase of subsidiaries, net of cash acquired		-	(5,231,053)
Proceeds from disposal of investments		-	7,864,773
Interest received		<u>588,045</u>	<u>55,842</u>
Net cash from investing activities		<u>3,231,087</u>	<u>1,585,937</u>
 Cash flows from financing activities			
Decrease in overdraft facility		1,202,517	16,114
Payment of lease liabilities		<u>3,157,528</u>	<u>(1,728,523)</u>
Net cash from financing activities		<u>4,360,045</u>	<u>(1,712,409)</u>
 Net increase in cash and cash equivalents		15,699,073	5,333,537
Cash and cash equivalents at beginning of year		52,303,211	47,573,332
Effect of foreign currency exchange rates		(481,572)	(603,668)
		<u>67,520,712</u>	<u>52,303,211</u>
 Cash and cash equivalents at end of year		<u>67,520,712</u>	<u>52,303,211</u>
 Relating to			
Bank balances and short-term deposits		67,520,712	53,505,728
Bank overdrafts		<u>-</u>	<u>(1,202,517)</u>

The notes form part of these financial statements

REPLY LIMITED

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 31 DECEMBER 2022

1. COMPANY INFORMATION

Reply Limited is a private company limited by shares incorporated in England and Wales. The registered office is 38 Grosvenor Gardens, London, SW1W 0EB. The company's principal activities and nature of its operations are disclosed in the Directors' Report.

The group consists of Reply Limited and all of its subsidiaries.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Reply Limited together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

New accounting standards

Accounting standards and interpretations issued by the IASB and adopted during the year

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

IFRS/Interpretations approved by the IASB and not yet adopted

Below are the international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB that have not yet been endorsed for adoption at 31 December 2022.

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

2. **ACCOUNTING POLICIES - continued**
New accounting standards - continued
IFRS/Interpretations approved by the IASB and not yet adopted - continued

Description	Effective dated as provided for in the principle
IAS 1 "Presentation of Financial Statements - amendments regarding the Classification of Liabilities under Current or Non-Current")	Accounting periods that begin on or after 1 January 2024
IAS 1 "Presentation of Financial Statements - amendment regarding the disclosure of accounting policies"	Accounting periods that begin on or after 1 January 2023
IFRS17 "Insurance Contracts" (issued on 18 May 2017, subsequently amended on 25 June 2021)	Accounting periods that begin on or after 1 January 2023
IAS 8 "Definition of Accounting Estimates" (issued on 12 February 2021)	Accounting periods that begin on or after 1 January 2023

With regards to the standards and interpretations detailed above, the adoption is not expected to have a material impact on the valuation of the Group's assets, liabilities, costs or revenues.

Going concern

The directors have a reasonable expectation that the company and the group has adequate resources to continue in operational existence for the foreseeable future. The company and the group therefore continues to adopt the going concern basis in preparing the financial statements. Financial support by Reply S.p.A has been confirmed for a period of not less than 12 months from the date of signing these financial statements.

Changes in accounting policies

There were no new standards, amendments or interpretations affecting the company in the financial year.

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Revenue is recognised when the transfer of all risks and benefits arising from the passage of title takes place or upon the execution of a service. In respect of long-term contracts and contracts for ongoing services, income represents the value of work done in the year, including estimates of amounts not invoiced. Income in respect of long-term contracts and contracts for ongoing services is recognised by reference to the state of completion which is calculated by reference to actual person hours worked as a percentage of the total forecast person hours to completion. The value of amounts to be invoiced at the year-end is included within contract assets. Where accounts have been invoiced in advance of the service to be performed, the amount is included within contract liabilities. Any losses arising on such contracts are recognised when foreseen.

Sale of goods comprises of resale of the hardware items to the customers. These fees are recognised at the point in time when contractual conditions have been satisfied.

Sale of services comprises of software development, consultancy, employment placement and digital marketing and advertising where revenue is recognised over time based on the contractual obligation of days/effort to be spent on a project. If the obligation is not linked to a specific amount of days and effort, it is split based on the best estimate of additional effort needed, judging on the effort and results achieved to date.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Goodwill

Goodwill is an intangible asset with an indefinite life, and represents the excess of the cost of acquisition of a business combination over the fair value of net assets acquired. The cost of acquisition is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination.

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES – continued

Goodwill – continued

Goodwill is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment losses are recognised immediately as expenses that cannot be recovered in the future. On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

A gain on a bargain purchase is recognised in profit or loss in the period of the acquisition.

Intangible assets other than goodwill

Intangible assets, including customer relationships, acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, and is generally recognised in profit or loss on the following basis:

Customer relationships (PPA)	10% on cost
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Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost could also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of tangible fixed assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is de-recognised when replaced. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	Straight line over lease term
Leasehold improvements	Straight line over lease term
Fixtures and fittings	20% to 25% on cost
Plant and equipment	25% to 33% on cost
Computers	33% on cost
Motor vehicles	25% reducing balance basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

Non-current investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the parent company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES – continued

Impairment of tangible and intangible assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset.

Financial instruments

Financial assets

The group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss (FVPL):

- (i) debt investments that do not qualify for measurement at amortised cost
- (ii) equity investments that are held for trading, and;
- (iii) equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets held at amortised cost

The group classifies its financial assets at amortised cost only if both of the following criteria are met:

- (i) the asset is held within a business model whose objective is to collect the contractual cash flows, and;
- (ii) the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- (i) Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- (ii) Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred, future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment of financial assets - continued

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in statement of comprehensive income.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Financial liabilities

The group recognises financial debt when the group becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

The group has no financial liabilities classified as 'financial liabilities at fair value through profit or loss'.

Other financial liabilities

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

Equity Instruments

Equity instruments issued by the parent company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer payable at the discretion of the company.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Income tax expense represents the sum of current corporation tax payable and provision for deferred income taxes. Current income tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The group's liability for current corporation tax is calculated using tax rates and laws that have been enacted or substantively enacted by the date of the Statement of Financial Position.

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES – continued Taxation – continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of non-current assets, and gains on disposal of non-current assets that have been rolled over into replacement assets, only to the extent that, at the date of the Statement of Financial Position, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is probable that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
- Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the date of the Statement of Financial Position.

Foreign exchange

Items included in the financial statements of the group are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the group's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other expenses' or 'Other operating income'.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

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

Leases

At inception, the group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish, or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES – continued Leases - continued

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the group's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Key sources of estimation uncertainty

Impairment assessments

On an annual basis, the group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the investment. This requires estimation of the future cash flows from the investment and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. The recoverable amount is a source of significant estimation uncertainty and determining this involves the use of external consultants where appropriate in addition to the use of significant assumptions.

Assessment of deferred consideration

Costs of acquisitions and business combinations in the year are included in investments in the Statement of Financial Position and comprise the initial consideration paid/payable plus best estimate of future considerations for earn-outs in relation to the original signed contracts determined at the date of the acquisition. Adjustments to the earn-outs are taken to the profit and loss account in accordance with IFRS 3 Business combinations.

Assessment of the value of revenue

Assessment of the value of revenue in respect of long-term contracts and contracts for ongoing services is calculated based on the percentage completion on fixed price contracts. Percentage complete is calculated by reference to actual person months worked as a percentage of the total estimated person months to completion.

REPLY LIMITED

**Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. **REVENUE**

	31.12.22 £	31.12.21 £
Revenue analysed by class of business		
Consultancy	174,101,447	140,452,995
Hardware	19,684,153	15,346,147
Support	29,975,695	23,597,582
Recruitment and contracting	<u>6,407,672</u>	<u>4,442,852</u>
	<u><u>230,168,967</u></u>	<u><u>183,839,576</u></u>
	31.12.22 £	31.12.21 £
Revenue analysed by geographical market		
UK & Europe	222,543,209	181,627,013
Rest of World	<u>7,625,758</u>	<u>2,212,563</u>
	<u><u>230,168,967</u></u>	<u><u>183,839,576</u></u>
	31.12.22 £	31.12.21 £
Other income		
Grants received	-	123,256
Net (increase)/decrease in fair value of deferred consideration	-	(3,711,441)
Research and development expenditure credit	1,541,299	1,243,792
Sundry income	<u>252,634</u>	<u>331,722</u>
	<u><u>1,793,933</u></u>	<u><u>(2,012,671)</u></u>

5. **EXCEPTIONAL INCOME**

	31.12.22 £	31.12.21 £
Income		
Profit on sale of group undertakings	<u>-</u>	<u>7,660,460</u>

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

6. EMPLOYEES AND DIRECTORS

The average monthly number of persons (including directors) employed by the group during the year was:

	31.12.22 Number	31.12.21 Number
Directors	5	6
Administrators, sales and management	148	122
Consultants	1,211	1,250
Total	1,364	1,378

Their aggregate remuneration comprised:

	31.12.22 £	31.12.21 £
Wages and salaries	137,095,728	92,605,502
Social security costs	11,302,303	11,256,975
Pension costs	3,087,518	2,914,367
Total	151,485,549	106,776,844

The directors comprise the key management personnel of the group in both the current and previous year.

A number of the directors of the group have their remuneration paid by Reply S.p.A. because they are directors in more than one group undertaking. The directors do not believe it is practicable to apportion an amount between their services as directors of the parent company and their services as directors of other group undertakings.

During the year, no directors (2021: two) was provided with accommodation in the UK by Reply Limited. There were no directors pension contributions (2021: Nil)

7. INVESTMENT INCOME

	31.12.22 £	31.12.21 £
Interest income		
Financial instruments measured at amortised cost:		
Bank deposits	18,153	40,328
Other interest income on financial assets	569,870	32,097
Total interest income	588,023	72,425

8. FINANCE COSTS

	31.12.22 £	31.12.21 £
Interest on bank overdrafts and loans	8,371	41,131
Interest on lease liabilities	543,237	529,264
Interest payable on intercompany loans	1,976,784	1,465,637
Total interest expense	2,528,392	2,036,032

REPLY LIMITED

**Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. **OPERATING PROFIT**

	31.12.22	31.12.21
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(248,369)	1,084,034
Government grants	-	(123,256)
Depreciation of property, plant and equipment	4,988,692	4,485,021
Loss on disposal of property, plant and equipment	-	343
Amortisation of intangible assets (included within administrative expenses)	<u>2,752,500</u>	<u>2,752,500</u>

10. **AUDITORS' REMUNERATION**

	31.12.22	31.12.21
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	52,500	98,000
Audit of the financial statements of the company's subsidiaries	<u>48,000</u>	<u>61,675</u>
	<u>100,500</u>	<u>159,675</u>

	31.12.22	31.12.21
	£	£
For other services		
Tax services	-	18,300
Other services	<u>69,200</u>	<u>73,475</u>
	<u>69,200</u>	<u>91,775</u>

11. **TAX EXPENSE**

	31.12.22	31.12.21
	£	£
Current tax		
UK corporation tax on profits for the current period	2,789,362	2,193,701
Adjustments in respect of prior periods	<u> </u>	<u> </u>
Total UK current tax	<u>2,789,362</u>	<u>2,193,701</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(120,094)</u>	<u>(530,575)</u>
Total tax charge	<u>2,669,268</u>	<u>1,663,126</u>

REPLY LIMITED

**Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. **TAX EXPENSE- continued**

The charge for the year can be reconciled to the loss per the income statement as follows:

	31.12.22 £	31.12.21 £
Profit before taxation	<u>10,793,909</u>	<u>14,506,037</u>
Expected tax charge based on a corporation tax rate of 19% (2021: 19%)	2,050,843	2,756,147
Effect of expenses not deductible in determining taxable profit	532,226	1,521,103
Income not taxable	678,952	(2,909,107)
Utilisation of tax losses not previously recognised	-	(30,545)
Unutilised tax losses carried forward	-	7,108
Research and development tax credit	(58,468)	-
Excess of FA depreciation over the capital	245,667	-
Changes in tax rates – deferred tax	(890,709)	-
Overseas tax rate differences	-	33,058
Tax losses carried forward	51,407	-
Other adjustments	<u>59,240</u>	<u>285,362</u>
Taxation charge for the year	<u>2,669,268</u>	<u>1,663,126</u>

Factors that may affect future tax charges

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which they reverse. The rate enacted for the relevant periods of reversal is 25% (2021: 25%). On 3 March 2021, the Chancellor announced that the government will legislate to increase the corporation tax rate to 25% from 1 April 2023.

12. **GROUP REORGANISATION**

	31.12.22 £	31.12.21 £
Profit on sale of discontinued operations	<u>-</u>	<u>620,099</u>
Net profit attributable to discontinuation	<u>-</u>	<u>620,099</u>

REPLY LIMITED

**Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. **INTANGIBLE ASSETS**

	Goodwill £	Other intangibles £	Total £
Cost			
At 1 January 2022	71,367,381	27,525,000	98,892,381
Additions	225,529	-	225,529
Disposals	-	-	-
At 31 December 2022	<u>71,592,909</u>	<u>-</u>	<u>99,117,909</u>
Amortisation and impairment			
At 1 January 2022	-	8,413,200	8,413,200
Charge for the year	-	2,752,500	2,752,500
At 31 December 2022	<u>-</u>	<u>11,165,700</u>	<u>11,165,700</u>
Carrying amount			
At 31 December 2022	<u>71,592,909</u>	<u>16,359,300</u>	<u>87,952,209</u>
At 31 December 2021	<u>71,367,381</u>	<u>19,111,800</u>	<u>90,479,181</u>

The amortisation of other intangibles is included in 'administrative expenses'.

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold & buildings £	Leasehold improvements £	Plant and equipment £	Furniture & fittings £	Computers £	Motor vehicles £	Total £
Cost							
At 01 January 2022	29,615,672	78,760	999,771	1,072,731	3,178,517	91,308	35,836,750
Additions	3,168,529	-	-	25,129	625,474	-	3,819,132
Retirement	(606)	-	(30,073)	(83,956)	-	-	(114,636)
Foreign Currency Adjustments	-	(113)	(161,336)	123,495	103,313	-	65,359
At 31 December 2022	<u>32,783,595</u>	<u>78,647</u>	<u>808,362</u>	<u>1,937,398</u>	<u>3,907,304</u>	<u>91,308</u>	<u>39,606,614</u>
Accumulated Depreciation and Impairment							
At 01 January 2022	11,076,165	58,887	604,743	1,136,889	2,261,269	52,149	15,190,102
Charge for the year	3,881,220	18,126	107,254	387,256	567,684	27,152	4,988,692
Disposals	(606)	-	-	(83,956)	-	-	(84,562)
Foreign Currency Adjustments	-	(77)	52,972	(101,778)	138,998	-	90,115
At 31 December 2022	<u>14,956,779</u>	<u>76,936</u>	<u>764,969</u>	<u>1,338,411</u>	<u>2,967,951</u>	<u>79,301</u>	<u>20,184,347</u>
Carrying amount							
At 31 December 2022	<u>17,826,817</u>	<u>1,711</u>	<u>43,393</u>	<u>598,987</u>	<u>939,353</u>	<u>12,007</u>	<u>19,422,267</u>
At 31 December 2021	<u>18,539,507</u>	<u>19,873</u>	<u>395,028</u>	<u>735,842</u>	<u>917,248</u>	<u>39,159</u>	<u>20,646,657</u>

REPLY LIMITED

**Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. **PROPERTY, PLANT AND EQUIPMENT - continued**

	31.12.22	31.12.21
	£	£
Right-of-use assets		
Net values at the year end		
Property	14,621,366	15,214,332
Computers	3,979	6,277
Motor vehicles	<u>12,007</u>	<u>39,159</u>
	<u>14,637,352</u>	<u>15,259,768</u>
Total additions in the year	<u>2,684,761</u>	<u>409,823</u>
Depreciation charge for the year		
Property	3,533,100	3,150,332
Computers	2,298	8,131
Motor vehicles	<u>27,152</u>	<u>30,520</u>
	<u>3,562,550</u>	<u>3,188,983</u>

The total cash outflow relating to right of use leases in the period amounted to £3,151,880 (2021: £2,257,787).

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

15. SUBSIDIARIES

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Principal activities	Class of shares held	Direct	% Held Indirect
Portaltech Reply Limited	1	e-business systems	Ordinary	100.00	-
Avvio Reply Limited	1	Branding and PR	Ordinary	100.00	-
Solidsoft Reply Limited	1	Software development	Ordinary	100.00	-
Lynx Recruitment Limited	1	Employment placement agency	Ordinary	100.00	-
WM Reply Limited	1	Software development	Ordinary	100.00	-
WM Reply LLC	5 a	Software development	Ordinary	-	100.00
Blowfish Digital Holdings Limited	1	Holdings company	Ordinary	100.00	-
Threepipe Reply Limited	1 b	Branding and PR	Ordinary	-	100.00
Spot Digital Limited	1	not trading	Ordinary	-	100.00
Mansion House Consulting Limited	1	IT Consultants	Ordinary	100.00	-
MHC Holdings (US) Reply Limited	1 c	not trading	Ordinary	-	100.00
Mansion House Consulting Inc	3 c	not trading	Ordinary	-	100.00
Mansion House Consulting Pte Limited	1 c	not trading	Ordinary	-	100.00
Airwalk Holdings Reply Limited	1	Holdings company	Ordinary	100.00	-
Airwalk Consulting Reply Limited	4 d	IT consultants	Ordinary	-	100.00
AWC Partners Reply Limited	1 d	IT consultants	Ordinary	-	100.00
Airwalk Consulting Limited	2 d	IT consultants	Ordinary	-	100.00
Avantage Reply Limited	1	Software development	Ordinary	100.00	-
G-Force Demco Limited	1	Holdings company	Ordinary	100.00	-
Graymatter Reply Limited	1 e	Brand and digital marketing	Ordinary	-	100.00
Arlanis Reply Limited	1 e	Salesforce consultancy	Ordinary	-	100.00
WM Reply Malaysia Sdn Bhd	6	IT consultants	Ordinary	-	100.00

Registered office:

- (1) 38 Grosvenor Gardens, London, SW1W 0EB, United Kingdom.
- (2) Room 1405, 14/F., 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong.
- (3) 108 West 13th Street, Wilmington, New Castle, 19081, USA.
- (4) Forsyth House, 93 George Street, Edinburgh, EH2 3E, United Kingdom.
- (5) Office 14, Building 11, Tolbukhina Street 2, Minsk, 220012, Republic of Belarus.
- (6) UOA Business Park, Tower 3, 9th Floor, 1 Jalan Pengaturcara U1/51A, Section U1, 40150 Shah Alam, Selangor, Malaysia.

Inter-mediate parent companies:

- (a) Held through WM Reply Limited
- (b) Held through Blowfish Digital Holdings Limited
- (c) Held through Mansion House Consulting Limited
- (d) Held through Airwalk Holdings Reply Limited
- (e) Held through G-Force Demco Limited

Other subsidiary companies - wholly owned, dormant and UK registered

Open Reply Limited, Sytel Reply Limited, Technology Reply Limited, Go Reply Limited, Net Reply Limited, Retail Reply Limited, Twice Reply Limited, Spike Reply Limited, @Logistics Reply Limited, Cluster Reply Limited, Glue Reply Limited, Data Reply Limited, Alpha Reply Limited, Blockchain Reply Limited, Discovery Reply Limited, eFinance Consulting Reply Limited, Glue Limited, Reply Services Limited, Storm Reply Limited.

Parent guarantee to subsidiaries

The following subsidiary companies have claimed audit exemption under Section 479A of the Companies Act 2006 for the year ended 31 December 2021: Avvio Reply Ltd Company No. 02865104, Avantage Reply Ltd Company No. 05177605, Lynx Recruitment Ltd Company No. 04289642, Mansion House Consulting Ltd Company No. 06792340, MHC Holdings (US) Reply Limited Company No. 10421599, Portaltech Reply Ltd Company No. 03999284, Solidsoft Reply Ltd Company No. 02853022, Spike Reply Ltd Company No. 07285664, and WM Reply Ltd Company No. 07466050. The parent, Reply Limited, has given a statement of guarantee under Section 479C of Companies Act 2006 whereby Reply Limited will guarantee all outstanding liabilities to which aforementioned UK registered companies are subject as at 31 December 2022.

REPLY LIMITED

**Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. **CONTRACTS WITH CUSTOMERS**

	31.12.2022	31.12.2021
	£	£
Contracts in progress		
Contract assets (note 17)	5,508,442	4,879,645
Contract liabilities (note 19)	<u>(3,180,863)</u>	<u>(1,176,460)</u>

17. **TRADE AND OTHER RECEIVABLES**

	31.12.2022	31.12.2021
	£	£
Trade receivables	42,758,139	33,706,031
Contract assets (note 16)	5,508,442	4,879,645
Amount owed by parent undertaking	1,636,712	3,612,909
Amounts owed by fellow group undertakings	6,403,174	2,708,304
Other receivables	8,381,925	1,610,074
Prepayments	<u>3,783,410</u>	<u>6,545,792</u>
	<u>66,471,802</u>	<u>53,062,755</u>

Amounts owed by group undertakings are unsecured, interest-free, and repayable on demand.

18. **TRADE RECEIVABLES - CREDIT RISK**

Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Credit risk refers to the loss that the group would incur if a debtor failed to perform under its contractual obligations. The carrying amount of financial assets recognised in the Statement of Financial Position best represents the company's maximum exposure to credit risk as at the reporting date.

The group has established procedures to minimise the risk of default by trade debtors including detailed credit checks undertaken before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

During the year, £686,485 of trade receivables was recognised as impaired. (2021: reversal of impairment £439,282).

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

19. TRADE AND OTHER PAYABLES

	Current		Non-Current	
	31.12.22 £	31.12.21 £	31.12.22 £	31.12.21 £
Trade payables	3,555,671	4,311,652	-	-
Contract liabilities (note 16)	3,180,863	1,170,400	-	-
Amount owed to parent undertaking	10,940,785	72,518,350	59,509,153	-
Amounts owed to fellow group undertakings	7,562,335	3,922,225	-	-
Accruals and deferred consideration	34,249,398	19,495,671	20,016,383	27,857,221
Social security and other taxation	7,276,846	10,125,869	-	-
Other payables	7,512,563	1,178,951	-	9,410
	<u>74,278,461</u>	<u>112,729,178</u>	<u>79,525,536</u>	<u>27,866,631</u>

The Directors consider that the book value of trade creditors, accrued liabilities and contract liabilities approximate to their fair value at the date of the Statement of Financial Position.

Included in amounts owed to parent and group undertakings were loans as follows:

- Parent undertaking loans of £23,545,797 (2021: £31,667,146) which are subject to an interest charge of 1.1% - 3% above the 3-month or 6-month EURIBOR rate, calculated quarterly.
- Parent undertaking loans of £35,963,292 (2021: £35,999,551) which are subject to an interest charge of 1.8% above the 3-month LIBOR rate, calculated quarterly and repayable after a term of 7 years

During the year the Company received confirmation from parent company, Reply SpA, that no amounts will be requested in the short term as loans repayment. Based on this, the Directors considered more appropriate to reclassified related amounts as non-current payables.

All other amounts owed to parent and group undertakings are unsecured and repayable on demand. There is a mixture of interest bearing and interest free liabilities within the 'Amounts owed to group undertakings'.

After the year end, loans with the parent, Reply SpA, worth a total of £24,061,545 were redeemed via the issue of Ordinary shares of the same nominal value.

20. FAIR VALUE OF FINANCIAL LIABILITIES

The Directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

21. LIQUIDITY RISK

The following table details the remaining contractual maturity for the group's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the group may be required to pay.

	> than 1 year £	1 - 2 years £	2 - 5 years £	over 5 years £	Total £
At 31 December 2022					
Leases	3,233,971	3,672,951	11,018,853	1,435,198	19,360,973
	<u>3,233,971</u>	<u>3,672,951</u>	<u>11,018,853</u>	<u>1,435,198</u>	<u>19,360,973</u>

Liquidity risk management

Liquidity risk is the risk that group will not be able to meet its cash outflows, as they fall due, because of lack of liquid assets.

To ensure that group has sufficient funds available on a timely basis in the form of cash and liquid assets to meet its liquidity requirements, the group manages its operations from available working capital.

The group manages this risk through financial support from its parent undertaking and monitors cash balances on a daily basis to ensure that it has sufficient funds to pay liabilities as they fall due.

22. FINANCIAL RISK MANAGEMENT

This group's parent undertaking, Reply S.p.A., has determined the guidelines in managing the group's financial risks. In order to minimise costs and maximise the resources available, Reply S.p.A. has centralised all of the risk management across the regional groups. Reply S.p.A. gathers all information concerning possible risk situations and defines the corresponding hedge.

As described in the section "Risk Management" in the consolidated financial statements of Reply S.p.A. the group constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary action to mitigate them.

The group's activities expose it to a variety of financial risks which include market risk, currency risk, credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

The group uses different methods to measure different types of risk to which it is exposed. For the purposes of financial statements disclosures, these methods include sensitivity analysis in the case of foreign exchange and ageing analysis for credit and liquidity risks.

Market risk management

Market risk is the risk of loss arising from movements in market variables, including observable variables such as interest rates, exchange rates and equity markets, and indirectly observable variables such as volatilities and correlations. Market risk for the group primarily arises from foreign exchange risk in relation to overseas receivables.

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from trading with overseas entities.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis.

Losses in value may result from translating the receivables into Sterling at the date of the Statement of Financial Position (translation risk) or from adverse foreign currency exchange rate movements on specific cash flow transactions (transaction risk).

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

22. FINANCIAL RISK MANAGEMENT – continued

Foreign currency sensitivity

Based on the financial instruments held at 31 December 2022, had Sterling weakened/strengthened by 5% against the Euro with all other variables held constant, there would have been no material effect on the profit for the year.

Credit risk

Credit risk refers to the loss that the company would incur if a debtor fails to perform under its contractual obligations. The carrying amount of financial assets recognised in the Statement of Financial Position best represents the company's maximum exposure to credit risk as at the reporting date.

Concentration risk

The group offers consulting services mainly to medium and large size companies operating in different market segments (Telco, Manufacturing, Finance, etc.). A part of the group's revenues, although in a decreasing fashion in the past years, is concentrated on a number of key clients. If such clients were lost this could have an adverse effect on the group's activities and on the group's economic, financial and earnings position.

23. LEASE LIABILITIES

	31.12.22 £	31.12.21 £
Maturity analysis		
Within one year	5,589,762	3,063,489
In two to five years	17,012,930	12,267,192
In over five years	<u>2,240,455</u>	<u>5,399,601</u>
Total undiscounted liabilities	23,843,148	20,730,282
Future finance charges and other adjustments	<u>(4,482,176)</u>	<u>(1,701,940)</u>
Lease liabilities in the financial statements	<u><u>19,360,973</u></u>	<u><u>19,028,342</u></u>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	31.12.22 £	31.12.21 £
Current liabilities	3,233,971	2,588,185
Non-current liabilities	<u>16,127,002</u>	<u>16,440,157</u>
	<u><u>19,360,973</u></u>	<u><u>19,028,342</u></u>

	31.12.22 £	31.12.21 £
Amounts recognised in profit or loss include the following:	<u><u>543,237</u></u>	<u><u>529,264</u></u>

The fair value of the company's lease obligations is approximately equal to their carrying amount.

Other leasing information is presented in note 31.

REPLY LIMITED

**Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

24. DEFERRED TAX

	31.12.22 £	31.12.21 £
Deferred tax liabilities	4,150,907	3,737,964
Deferred tax assets	<u>(1,759,970)</u>	<u>(1,270,355)</u>
	<u>2,390,937</u>	<u>2,467,609</u>

Deferred tax assets are expected to be recovered as follows:

- Within one year	506,636	365,692
- After more than one year	<u>1,254,334</u>	<u>904,663</u>

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period.

	ACAs £	Tax Losses £	Amortisation of intangibles £	Total £
Liability at 1 January 2021	75,022	-	4,185,600	4,260,622
Asset at 1 January 2021		(1,411,034)	-	(1,411,034)
<u>Deferred tax movements in prior year</u>				
Charge/(credit) to profit or loss	<u>6,642</u>	<u>140,679</u>	<u>(529,300)</u>	<u>(381,979)</u>
Liability at 1 January 2022	81,664	-	3,656,300	3,737,964
Asset at 1 January 2022	-	(1,270,355)	-	(1,270,355)
<u>Deferred tax movements in current year</u>				
Charge/(credit) to profit or loss	<u>942,243</u>	<u>(525,615)</u>	<u>(529,300)</u>	<u>(112,672)</u>
Liability at 31 December 2022	<u><u>1,023,907</u></u>	<u><u>-</u></u>	<u><u>3,127,000</u></u>	<u><u>4,150,907</u></u>
Asset at 31 December 2022	<u><u>-</u></u>	<u><u>(1,795,970)</u></u>	<u><u>-</u></u>	<u><u>(1,795,970)</u></u>

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

25. PENSION COMMITMENTS

	31.12.22 £	31.12.21 £
Defined contributions schemes		
Charge to profit or loss in respect of defined contribution schemes	3,095,840	2,914,367

Pension contributions are made by the group into employees defined contribution personal pension schemes. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable to the fund.

At the reporting date, pension contributions of the group included in creditors amounted to £908,109 (2021: £517,945).

26. SHARE CAPITAL

	31.12.22 Number	31.12.21 Number	31.12.22 £	31.12.21 £
Ordinary share capital				
<u>Authorised</u>				
Ordinary shares of 5p each	2,300,000	2,300,000	115,000	115,000
<u>Issued and fully paid</u>				
Ordinary shares of 5p each	1,083,490	1,083,490	54,175	54,175

There is a single class of ordinary shares which have equal rights, preferences and restrictions. There are no restrictions in relation to dividends and repayment of capital.

27. SHARE PREMIUM ACCOUNT

	31.12.22 £	31.12.21 £
At the beginning and end of the year	145,753	145,753

The share premium account, representing the premium on allotment of shares, is not available for distribution.

28. CURRENCY TRANSLATION

	31.12.22 £	31.12.21 £
At the beginning of the year	108,711	77,166
Translation gain arising in the year	481,572	31,545
At the end of the year	590,283	108,711

Currency translation reserve arises when assets and liabilities of foreign companies with a functional currency other than sterling are translated on consolidation using the exchange rates in effect at the reporting date and when income and expenses are translated at the average exchange rate for the period. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment.

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

29. RETAINED EARNINGS

	31.12.22 £	31.12.21 £
At the beginning of the year	54,252,653	40,789,643
Profit for the year	8,124,641	13,463,010
	62,377,294	54,252,653

The retained earnings represent total income and expense in the current and prior years attributable to equity holders of the parent, less, for example, cumulative dividends to shareholders.

30. CONTINGENT LIABILITY

The group has an unlimited inter company guarantee in favour of RBS Bank plc.

31. OTHER LEASING INFORMATION

Lessee

Details of the more significant leases at the reporting date are as follows:

38 Grosvenor Gardens lease commenced on 18 November 2010 and is 20 years in length with rent reviews on 5-year anniversaries based upon open market value. The group has the right to renew the lease at the end of the term.

28-30 Grosvenor Gardens lease commenced on 29 September 2014 and is 10 years in length with rent reviews on the 5- year anniversary date based on open market value. The group does not have the right to renew the lease at the end of the term.

The Nova lease commenced on 1 June 2017 and is 18 years in length with rent reviews on 5-year anniversaries based upon open market value and a break clause after year 10. The group has the right to renew the lease at the end of the term.

In respect of all of the above leases, the group does not have an option to purchase the lease. There are no restrictions imposed by the lease in respect of making dividend payments, entering loan agreements or additional lease agreements.

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	31.12.22 £	31.12.21 £
Expense relating to short-term leases	564,918	976,906

32. CAPITAL RISK MANAGEMENT

The company has financial support from its parent undertaking so has no need to formally monitor capital management KPI's. The company manages its capital structure in line with support from its parent undertaking and changes to the capital structure are made with the approval of its parent undertaking.

The group is not subject to any externally imposed capital requirements.

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

33. EVENTS AFTER THE REPORTING PERIOD

Despite the complexity of worldwide affairs since the reporting date, Reply has further consolidated its leadership in new technologies and digital transformation and investing in new skills.

In particular, Reply has worked alongside key customers with projects aimed not only at helping them overcome the worldwide health crisis more quickly, but also at seizing new business opportunities brought by a much more digital, connected and automated world. The paths of evolution are numerous and touch all sectors. For example, artificial intelligence, robotics and the Internet of Things are revolutionising not only products, but also the way they are conceived, manufactured and sold, significantly changing factories, production processes and entire value chains.

Sustainability is impacting all sectors: a concept that today is still often abstract but has become increasingly predominant in the choices of companies. As Reply we feel this responsibility towards future generations and, although belonging to a sector with low environmental impact, our commitment is total, both in working to minimise our emissions in the future, and in defining a series of consulting and technological services able to support companies in a process of transition to net-zero.

34. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption under IAS 24, 'Related party disclosures' not to disclose transactions with its parent undertaking and fellow wholly owned subsidiaries. However, the following non-eliminated balances are presented below:

	Due from related party £	Due to related party £
Other related party:		
Financial	798,253	629,964
Other	3,547	-
Trade	5,601,374	6,932,371
Other related party total	6,403,174	7,562,335
Parent company:		
Financial	-	59,509,153
Trade	1,636,712	10,940,785
Parent company total	1,636,712	70,449,938
TOTAL	8,039,886	78,012,273
		2022
		£
Other related party:		
Revenues		7,860,992
Financial loss		(75,976)
Other income		181,591
Personnel		(35,370)
Purchases		(589,986)
Service and other costs		(11,410,177)
Other related party net total		4,068,925
Parent company:		
Revenues		2,207,516
Financial loss		(1,447,149)
Services and other costs		(8,243,022)
Parent company net total		7,482,654
TOTAL		11,551,579

REPLY LIMITED

Notes to the Consolidated Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

34. RELATED PARTY DISCLOSURES - continued

The following transactions took place with other related parties which are unsecured, interest-free and repayable on demand unless indicated otherwise:

	31.12.22 £	31.12.21 £
Rent paid		
Other related parties	<u>315,212</u>	<u>77,166</u>

The following amounts were outstanding at the reporting end date:

	31.12.22 £	31.12.21 £
Other related parties	<u>-</u>	<u>105,070</u>

35. ULTIMATE CONTROLLING PARTY

The ultimate parent undertaking is Iceberg Srl, a company incorporated in Italy with legal office in Turin, Corso Francia no. 110 This is the largest group of undertakings for which consolidated financial statements are prepared and of which the company is a member.

The immediate parent company and smallest group of undertakings for which consolidated financial statements are prepared and of which the company is a member is Reply S.p.A. Copies of the largest and smallest group financial statements are available from Corso Francia 110, 10143 Turin, Italy.

36. CASH GENERATED FROM OPERATIONS

	31.12.22 £	31.12.21 £
Profit before income tax from:		
Continuing operations	10,793,909	14,506,037
Discontinued operations	-	620,099
Profit for the year before income tax	10,793,909	15,126,136
Adjustments for:		
Finance costs	2,528,392	2,036,032
Investment income	(588,045)	(72,425)
Loss on disposal of property, plant and equipment	-	343
Gain on disposal of business	-	(8,280,559)
Amortisation and impairment of intangible assets	2,752,500	2,752,500
Depreciation and impairment of property, plant and equipment	4,988,692	4,485,021
Change in other assets and liabilities	4,318,155	(4,797,780)
Movements in working capital:		
(Increase)/decrease in contract assets	(628,797)	(1,829,159)
Increase in trade and other receivables	(13,409,048)	(5,322,972)
Increase/(decrease) in contract liabilities	2,004,403	276,420
Increase in trade and other payables	13,058,436	3,653,152
Cash generated from operations	<u>25,818,597</u>	<u>8,026,709</u>

The notes form part of these financial statements

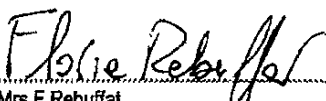
REPLY LIMITED (REGISTERED NUMBER: 03847202)

Company Statement of Financial Position
31 DECEMBER 2022

	Notes	31.12.22 £	31.12.21 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	40	17,610,359	18,150,034
Investments	41	112,150,867	114,245,887
Deferred tax	48	353,067	365,692
		<u>130,114,293</u>	<u>132,761,613</u>
CURRENT ASSETS			
Trade and other receivables	43	45,478,172	27,184,831
Current tax recoverable		1,442,700	1,497,235
Cash and cash equivalents		13,845,919	5,961,245
		<u>60,766,791</u>	<u>34,643,311</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	46	58,685,485	102,838,354
Borrowings	44		1,202,517
Lease liabilities	47	2,750,114	2,149,849
		<u>61,435,599</u>	<u>106,190,720</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(668,808)</u>	<u>(71,547,409)</u>
NON-CURRENT LIABILITIES			
Trade and other payables	46	100,811,509	27,857,221
Lease liabilities	47	15,599,938	15,607,343
		<u>116,411,447</u>	<u>43,464,564</u>
NET ASSETS		<u>13,034,038</u>	<u>17,749,640</u>
SHAREHOLDERS' EQUITY			
Called up share capital		54,175	54,175
Share premium account		145,753	145,753
Retained earnings		12,834,110	17,549,712
TOTAL EQUITY		<u>13,034,038</u>	<u>17,749,640</u>

Advantage has been taken of the option under section 444 of Companies Act 2006 to not deliver the Profit and loss account.

The financial statements were approved by the Board of Directors and authorised for issue on 27/09/2023 and were signed by:


 Mrs F Rebuffat
 Director

The notes form part of these financial statements

REPLY LIMITED

**Company Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Share premium account £	Retained earnings £	Total equity £
Balance at 1 January 2021	-	145,753	5,009,900	5,155,653
Changes in equity				
Issue of share capital	54,175	-	-	54,175
Total comprehensive income	-	-	12,539,812	12,539,812
Balance at 31 December 2021	<u>54,175</u>	<u>145,753</u>	<u>17,549,712</u>	<u>17,749,640</u>
Changes in equity				
Total comprehensive income	-	-	(4,715,602)	(4,715,602)
Balance at 31 December 2022	<u>54,175</u>	<u>145,753</u>	<u>12,834,110</u>	<u>13,034,038</u>

The notes form part of these financial statements

REPLY LIMITED

Notes to the Financial Statements FOR THE YEAR ENDED 31 DECEMBER 2022

37. STATUTORY INFORMATION

Reply Limited is a private company limited by shares incorporated in England and Wales. The registered office is 38 Grosvenor Gardens, London, SW1W 0EB. The company's principal activities and nature of its operations are disclosed in the directors' report.

38. ACCOUNTING POLICIES

Basis of preparation

The parent company's financial statements are prepared in accordance with United Kingdom Accounting Standards, in particular Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the Standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition measurement and disclosure requirements of UK-adopted international accounting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- the requirements of paragraph 17 of IAS 24 'Related Party Transactions', to disclose information related to key management personnel, and the requirements of IAS 24 to disclose related party transactions between two or more members of a group for wholly owned subsidiaries;
- the requirements of paragraphs 30 and 31 of IAS 8 to disclose information assessing the possible impact of new standards issued but which are not yet effective;
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 to disclose information about share-based payments;
- the requirements of IFRS 7 and IFRS 13 for disclosure of financial instruments and fair values.
- presentation of a statement of cash flows and related notes.

The financial statements under the historical cost convention and in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The company applies accounting policies consistent with those applied by the group. To the extent that an accounting policy is relevant to both group and parent company financial statements, please refer to the group financial statements for disclosure of the relevant accounting policy.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements. Financial support by Reply S.p.A has been confirmed for a period of not less than 12 months from the date of signing these financial statements.

Cash and cash equivalents

Cash represents cash in hand and deposits held on demand with financial institutions. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less (as at their date of acquisition). Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of change in that cash value.

In the presentation of the Statement of Cash Flows, cash and cash equivalents also include bank overdrafts. Any such overdrafts are shown within borrowings under 'current liabilities' on the Statement of Financial Position.

Property, plant and equipment

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

Leasehold land and buildings	Straight line over lease term
Fixtures and fittings	20% to 25% on cost
Plant and equipment	25% to 33% on cost
Computers	33% on cost
Motor vehicles	25% reducing balance basis

Taxation

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

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.

REPLY LIMITED

Notes to the Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

38. ACCOUNTING POLICIES - continued

Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Adoption of new and revised standards and changes in accounting policies

There were no new standards, amendments or interpretations affecting the company in the financial year.

Critical accounting estimates and judgements - company

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Key sources of estimation uncertainty

Assessment of impairment of investments

Investments are tested for impairment usually annually or more frequently, whenever there is an indication that the asset may be impaired. An impairment occurs when the carrying amount is less than the recoverable amount. The recoverable amount of an asset is the higher of fair value, less disposal costs, and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The process of determining a fair value and value in use inherently requires the use of estimates which cannot be assessed with certainty and any variation between the current estimate and actual figures will affect the value of the impairment.

Assessment of deferred consideration

Costs of acquisitions and business combinations in the year are included in investments in the Statement of Financial Position and comprise the initial consideration paid/payable plus best estimate of future considerations for earn-outs in relation to the original signed contracts determined at the date of the acquisition. Adjustments to the earn-outs are taken to the profit and loss account in accordance with IFRS 3 Business combinations.

Assessment of the value of revenue

Assessment of the value of revenue in respect of long-term contracts and contracts for ongoing services is calculated based on the percentage completion on fixed price contracts. Percentage complete is calculated by reference to actual man months worked as a percentage of the total estimated man months to completion.

39. EMPLOYEES AND DIRECTORS

The average monthly number of persons (including directors) employed by the company during the year was:

	31.12.22	31.12.21
	Number	Number
Directors	6	6
Administration, sales and management	78	64
Consultants	370	295
	<hr/>	<hr/>
Total	454	365

Their aggregate remuneration comprised:

	31.12.22	31.12.21
	£	£
Wages and salaries	36,847,495	27,887,452
Social security costs	4,659,256	3,531,983
Pension costs	1,201,835	958,734
	<hr/>	<hr/>
	42,708,585	32,378,169

The directors comprise the key management personnel of the company in both the current and previous year.

REPLY LIMITED

**Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

39 **EMPLOYEES AND DIRECTORS - continued**

A number of the directors of the company are also directors of other group undertakings and their remuneration is paid by Reply S.p.A. The directors do not believe it is practicable to apportion an amount between their services as directors of the company and their services as directors of other group undertakings.

During the year, no directors (2021: two) were provided with accommodation in the UK by Reply Limited. There were no directors pension contributions (2021: nil).

40. **PROPERTY, PLANT AND EQUIPMENT**

	Leasehold & buildings £	Furniture & fittings £	Computers £	Motor vehicles £	Total £
Cost					
At 01 January 2022	26,885,024	1,499,696	1,212,628	91,308	29,688,656
Additions	2,868,131	8,235	347,935	-	3,224,301
Disposals	-	-	-	(36,160)	(36,160)
At 31 December 2022	<u>29,753,155</u>	<u>1,507,932</u>	<u>1,560,563</u>	<u>55,148</u>	<u>32,876,798</u>
Accumulated Depreciation and Impairment					
At 01 January 2022	9,626,051	1,000,040	860,382	52,149	11,538,622
Charge for the year	3,320,454	172,525	243,845	27,152	3,763,976
Eliminated in disposal	-	-	-	(36,160)	(36,160)
At 31 December 2022	<u>12,946,505</u>	<u>1,172,566</u>	<u>1,104,227</u>	<u>43,141</u>	<u>15,266,439</u>
Carrying amount					
At 31 December 2022	<u>16,806,650</u>	<u>335,366</u>	<u>456,336</u>	<u>12,007</u>	<u>17,610,359</u>
At 31 December 2022	<u>17,258,973</u>	<u>499,656</u>	<u>352,246</u>	<u>39,159</u>	<u>18,150,034</u>

Property, plant and equipment includes right-of-use assets, as follows:

Right-of-use assets;	31.12.22	31.12.21
	£	£
Net values at the year end		
Property	13,657,306	13,976,298
Motor vehicles	12,007	39,159
	<u>13,669,313</u>	<u>14,015,457</u>
Depreciation charge for the year		
Property	3,006,374	2,688,658
Computers	-	7,508
Motor vehicles	27,152	30,520
	<u>3,033,526</u>	<u>2,726,686</u>

The total cash outflow relating to right of use leases in the period amounted to £2,604,696 (2021: £1,764,164)

REPLY LIMITED

Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

41. INVESTMENTS

	Current		Non-current	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	£	£	£	£
Investments in subsidiaries	-	-	84,293,645	86,388,666
Other investments	-	-	27,057,221	27,857,221
	<u>-</u>	<u>-</u>	<u>112,150,866</u>	<u>114,245,887</u>

Additions during the year

The additions during the year comprised £324,408 additional working capital invested in G-Force Demco Group

Fair value of financial assets carried at amortised cost

The fair value of financial assets and financial liabilities are estimated for recognition and measurement and for disclosure purposes. The carrying value of cash, accounts receivable, other receivables and accounts payable approximate to their fair values due to their short term nature.

Investment in subsidiary undertakings

Details of the company's principal operating subsidiaries are included in note 15.

Movements in non-current investments

	Shares in subsidiaries	Deferred consideration	Total
	£	£	£
Cost or valuation			
At 1 January 2022	86,388,666	27,857,221	114,245,887
Additions	324,408	-	324,408
Valuation changes	(2,419,429)	-	(2,419,429)
At 31 December 2022	<u>84,293,645</u>	<u>27,857,221</u>	<u>112,150,866</u>
Carrying amount			
At 31 December 2022	<u>84,293,645</u>	<u>27,857,221</u>	<u>112,150,866</u>
At 31 December 2021	<u>86,388,666</u>	<u>27,857,221</u>	<u>114,245,887</u>

42. CONTRACTS WITH CUSTOMERS - COMPANY

	31.12.2022	31.12.2021
	£	£
Contracts in progress		
Contract assets	1,761,027	3,133,630
Contract liabilities	<u>(607,142)</u>	<u>(887,873)</u>

REPLY LIMITED

**Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

43. **TRADE AND OTHER RECEIVABLES**

	31.12.2022 £	31.12.2021 £
Trade receivables	17,558,036	12,711,897
Contract assets (note 46)	1,761,027	3,133,630
Amount owed by parent undertaking	453,850	2,423,912
Amounts owed by fellow group undertakings	20,398,612	7,000,000
Other receivables	2,124,396	720,586
Prepayments	3,182,251	1,194,806
	45,478,172	27,184,831

No interest is charged on overdue receivables. There is no material difference between the fair value of receivables and their book value.

Amounts owed by group undertakings are unsecured, interest-free, and repayable on demand.

44. **FINANCIAL LIABILITIES - BORROWINGS**

	31.12.22 £	31.12.21 £
Current:		
Bank overdrafts	-	1,202,517

45. **FAIR VALUE OF FINANCIAL LIABILITIES - COMPANY**

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

46. **TRADE AND OTHER PAYABLES**

	Current		Non-current	
	31.12.22 £	31.12.21 £	31.12.22 £	31.12.21 £
Trade payables	11,961,904	1,346,580	-	-
Contract liabilities (note 16)	607,142	887,873	-	-
Amount owed to parent undertaking	-	72,518,350	59,509,153	-
Amounts owed to fellow group undertakings	17,364,273	19,319,446	21,636,076	-
Accruals	17,096,559	7,444,265	512,191	-
Deferred consideration	8,000,000	-	19,154,090	27,857,221
Social security and other taxation	3,596,640	1,197,318	-	-
Other payables	58,968	124,522	-	-
	58,685,485	102,838,354	100,811,509	27,857,221

REPLY LIMITED

Notes to the Financial Statements - continued FOR THE YEAR ENDED 31 DECEMBER 2022

46. TRADE AND OTHER PAYABLES – continued

Included in amounts owed to parent and group undertakings were loans as follows:

- Parent undertaking loans of £23,545,797 (2021: £31,667,146) which are subject to an interest charge of 1.1% - 3% above the 3-month or 6-month EURIBOR rate, calculated quarterly.
- Parent undertaking loans of £35,963,292 (2021: £35,999,551) which are subject to an interest charge of 1.8% above the 3-month LIBOR rate, calculated quarterly and repayable after a term of 7 years.
- Subsidiary undertaking loans of £21,636,076 (2021: Nil) subject to an interest charge of 2.5% above the Bank of England base rate calculated quarterly with no maturity date.
- Subsidiary undertaking loans of £2,000,000 subject to an interest charge of 2.5% above the Bank of England base rate calculated quarterly, repayable on demand and unsecured.

All other amounts owed to group undertakings are unsecured and repayable on demand. There is a mixture of interest bearing and interest free liabilities within 'Amounts owed to group undertakings'.

47. LEASE LIABILITIES

	31.12.22	31.12.21
	£	£
Maturity analysis		
Within one year	4,589,762	2,604,696
In two to five years	17,012,930	11,401,590
In over five years	<u>2,240,456</u>	<u>5,399,601</u>
Total undiscounted liabilities	21,602,692	19,405,887
Future finance charges and other adjustments	<u>(3,252,640)</u>	<u>(1,648,695)</u>
Lease liabilities in the financial statements	<u><u>18,350,052</u></u>	<u><u>17,757,192</u></u>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	31.12.22	31.12.21
	£	£
Current liabilities	2,750,114	2,588,185
Non-current liabilities	<u>15,590,938</u>	<u>16,440,157</u>
	18,341,052	19,028,342

48. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Tax losses
	£
Balance at 1 January 2022	365,692
Deferred tax movements in prior year	
Charge/(credit) to profit or loss	<u>(12,625)</u>
Asset at 31 December 2022	<u><u>353,067</u></u>

49. CALLED UP SHARE CAPITAL

Refer to note 26 of the group financial statements.