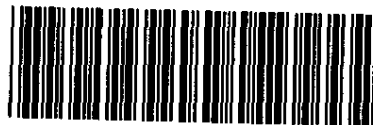


Company registration number 03847202 (England and Wales)

REPLY LIMITED
GROUP ANNUAL REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

AMENDED

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REPLY LIMITED

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REPLY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present the strategic report on the affairs of Reply Limited (the "Company" or "Reply") and its subsidiaries (together "the Group") for the year ended 31 December 2023.

Review of the business

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

The group recorded a turnover of £241.6m (2022: £230.2m) which is an increase of 5% on the previous year and generated an operating profit of £15.1m (2022: £12.7m). 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 £50.5m (2022: £82.9m).

Key performance indicators

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:

	2023	2022
Turnover (£000)	241,588	230,169
Operating profit (£000)	15,052	12,734
Operating margin (%)	6.2	5.5

Principle risks and uncertainties

The group's operations expose it to a variety of financial risks as outlined below:

Market Risk

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.

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 aging analysis for credit and liquidity risks.

Risks associated with competition

The ICT market is highly competitive. Competitors could expand their market share squeezing out and consequently reduce the Group's market share. Moreover the intensification of the level of competition is also linked with possible entry of new entities endowed with human resources and financial and technological capacities in the Group's reference sectors, offering largely competitive prices which could condition the Group's activities and the possibility of consolidating or amplifying its own competitive position in the reference sectors, with consequent repercussions on business and on the Group's economic, earnings and financial situation.

REPLY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Principle risks and uncertainties - continued

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).

Foreign currency sensitivity

Based on the financial instruments held at 31 December 2023, 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.

Climate risk

Reply's business model considers its employees as the maximum expression of its resources, as the Group specialises in consulting, system integration and digital services, and is dedicated to the conception, design and development of solutions based on new communication channels and digital media.

However, the risks associated with climate, both chronic and acute with reference to temperatures, wind, water and soil and therefore to possible extreme events, such as fires, floods, hurricanes, other phenomena, such as earthquakes and uncertainties arising from armed conflicts or terrorist attacks may have a direct impact on the Group and its supply chain.

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 LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

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.

The purpose of this Code of Ethics is to ensure that Reply's key ethical values are clearly established, to form the foundations of the company and group's business culture and to 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 endeavor in their daily work to uphold the principles on which Reply has always depended and that have sustained it during its growth.

REPLY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2024 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.

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 S/4Hana 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, with the further introduction of a purchase order system in the first half of 2024.

REPLY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

SPECIFIC BOARD ACTIONS - Suppliers/customers/financial reporting systems - continued

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

In 2023 Amazon Web Services (AWS) named Reply as the "Best System Integrator" in EMEA, as well as "Partner of the year for Energy and Utilities" globally. Reply was among the first global system integrators to work with AWS's Generative AI offering "Bedrock", which was successfully implemented in several industries in 2023. Reply also has certified skills in the fields of Data & Analytics, DevOps, Migration, IoT, Industrial software, SaaS, Machine learning, Financial Services, Security, Retail, Energy and automotive, as well as those related to the Managed Services Provider Program and Well-Architected Program.

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 VVW 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.

Microsoft

Reply is a global partner of Microsoft, thanks to the large network of highly specialised companies in terms of industries and technologies. It operates in Europe, the United Kingdom, the USA and Brazil. Reply designs, builds and distributes solutions on the three Microsoft clouds: Azure, Microsoft 365 and Dynamics 365. In 2023, Reply has confirmed its status of Microsoft Globally Managed Partner, keeping all its Microsoft Solutions Partner designations for Microsoft Cloud Partner Program. Microsoft-related activities expanded substantially, bolstered by strategic integration of Microsoft's AI technologies. The company's participation in the MSignite event and its recognition as part of the Microsoft ecosystem unleashing AI-powered productivity and creativity with CoPilot highlighting its successful adoption of AI, driving increased innovation. This has resulted in a tangible impact on Reply's global and local market presence, with marked advances in digital transformation solutions. This period marks a pivotal point in Reply's journey with Microsoft, promising continued growth and technological leadership in the AI domain.

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.

REPLY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

SPECIFIC BOARD ACTIONS - Suppliers/customers/financial reporting systems - continued

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 S/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/en/investors/financial-reports/2022/pdf/REPLY_Relazione_Finanziaria_Annuale_2022.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>.

Development and performance

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



.....
J S Hill
Director

Date: 23/08/2024
.....

REPLY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their group annual report and consolidated financial statements for the year ended 31 December 2023. 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 activities

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.

Results and dividends

No ordinary dividends were paid (2022: nil). The directors do not recommend payment of a further dividend (2022: nil).

The results for the year are set out on page 13.

Directors

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

F Rizzante	
T Rizzante	
D Angelucci	(Resigned 7 May 2024)
F Rebuffat	(Resigned 7 May 2024)
J S Hill	
M Cusinato	(Appointed 7 May 2024)

Qualifying third party indemnity provisions

The group maintains liability insurance for its directors and officers through a policy issued by the parent company in 2023. The group also provided an indemnity for its directors which is a qualifying third party indemnity provision for compliance with the Companies Act 2006.

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.

Post reporting date events

There are no material post reporting date events to be disclosed. For further information on these events, refer to note 33.

Auditor

MHA - Macintyre Hudson LLP were appointed as auditor and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

REPLY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Energy and carbon report

This report outlines the group's greenhouse gas and energy usage for the period ending 31 December 2023 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.

	2023	2022
<i>Energy consumption</i>	kWh	kWh
Aggregate of energy consumption in the year		
- Gas combustion	226,982	457,061
- Electricity purchased	439,303	514,494
	<u>666,285</u>	<u>971,575</u>
<i>Emissions of CO2 equivalent</i>	2023	2022
	metric	metric
	tonnes	tonnes
Scope 1 - direct emissions		
- Gas combustion	41.50	83.40
- Fuel consumed for owned transport	-	-
	<u>41.50</u>	<u>83.40</u>
Scope 2 - indirect emissions		
- Electricity purchased	91.00	126.80
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the	-	-
	<u>91.00</u>	<u>126.80</u>
Total gross emissions	<u>132.50</u>	<u>212.20</u>
<i>Intensity ratio</i>		
Tonnes per £m revenue	<u>0.557</u>	<u>0.914</u>

Quantification and reporting methodology

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.

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.

REPLY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 FRS101 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping 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.

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.

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 of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board


.....
J S Hill
Director

Date: 23/08/2024

REPLY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REPLY LIMITED

Opinion

We have audited the financial statements of Reply Limited (the 'company') and its subsidiaries ("Group") for the year ended 31 December 2023 which comprise Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Company Statement of Financial Position, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows, the Notes to the Group Financial Statement, and the Notes to the Company Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the company's financial statements 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 Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2023 and of the Group's and Company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting;
- and the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 ethical responsibilities in accordance with those 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 basis of accounting in the preparation of the financial statements is appropriate.

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

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

REPLY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF REPLY LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, 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 statements 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPLY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF REPLY LIMITED

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

- Enquiry of management, those charged with governance and the entity's solicitors around actual and potential litigation and claims;
- Assessment of the methodologies used in order to calculate the estimate/provision at the year end for evidence of bias;
- The accounting policy was checked to the financial reporting standards where necessary and confirmed to be appropriate;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Discussion amongst the engagement team in relation to how and where fraud might occur in the financial statements and any potential indicators of fraud;
- Discussion with management over any potential or suspected fraud;
- Performing audit work over the recognition of revenues on deliveries of goods/income/services occurring at the year end to provide assurance over cut-off;
- Performing substantive tests of details over the completeness/existence of income within the financial system;
- Performing substantive analytics review procedures reconciling expected income from corroborating evidence to that which had been recorded in the financial statements to ensure that income was complete.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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


Francesco Lepri ACA (Senior Statutory Auditor)
For and on behalf of MHA - Macintyre Hudson LLP
London, United Kingdom

Date:23/08/2024

MHA is the trading name of Macintyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

REPLY LIMITED

GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £	2022 £
Continuing operations			
Revenue	4	241,567,627	230,168,967
Cost of sales		(191,088,255)	(147,262,519)
Gross profit		50,479,372	82,906,448
Other operating income		1,707,949	1,783,933
Administrative expenses		(37,135,450)	(71,966,125)
Operating profit	5	15,051,871	12,734,256
Finance income	9	411,045	588,045
Finance costs	10	(3,357,915)	(2,528,392)
Profit before taxation		12,105,001	10,793,909
Income tax expense	11	(3,543,919)	(2,669,268)
Profit for the year		8,561,082	8,124,641
Discontinued operations			
Disposal of subsidiary	12	274,792	-
Profit for the year	28	8,835,874	8,124,641

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

The financial statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 19 to 46 form part of these group financial statements.

REPLY LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £	2022 £
Profit for the year	<u>8,835,874</u>	<u>8,124,841</u>
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences:		
- Translation (loss)/gain arising in the year	(528,611)	481,572
- Translation loss reclassified to profit or loss	<u>(56,194)</u>	<u>-</u>
Total items that may be reclassified to profit or loss	<u>(584,805)</u>	<u>481,572</u>
Total comprehensive income for the year	<u>8,251,069</u>	<u>8,606,213</u>

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

The notes on pages 19 to 46 form part of these group financial statements.

REPLY LIMITED

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 £	2022 £
Non-current assets			
Goodwill	13	72,462,840	71,592,910
Intangible assets	13	13,749,300	16,359,300
Property, plant and equipment	14	18,704,947	19,422,267
Deferred tax asset	23	348,475	1,795,970
		<u>103,265,562</u>	<u>109,170,447</u>
Current assets			
Trade and other receivables	16	97,737,040	66,471,802
Cash and cash equivalents		55,010,535	67,520,712
		<u>152,747,575</u>	<u>133,992,514</u>
Current liabilities			
Trade and other payables	21	111,145,902	74,278,461
Current tax liabilities		2,388,168	2,679,579
Lease liabilities	22	3,679,139	3,233,971
		<u>117,211,209</u>	<u>80,192,011</u>
Net current assets		<u>35,536,366</u>	<u>53,800,503</u>
Non-current liabilities			
Trade and other payables	21	27,242,024	79,525,536
Lease liabilities	22	13,047,208	16,127,002
Deferred tax liabilities	23	3,032,577	4,150,907
		<u>43,321,809</u>	<u>99,803,445</u>
Net assets		<u>95,480,119</u>	<u>63,167,505</u>
Equity			
Called up share capital	25	24,215,720	54,175
Share premium account	26	45,753	145,753
Currency translation	27	5,478	690,283
Retained earnings	28	71,213,168	62,377,294
Total equity		<u>95,480,119</u>	<u>63,167,505</u>

REPLY LIMITED

GROUP STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

The notes on pages 19 to 46 form part of these group financial statements.

The financial statements were approved by the board of directors and authorised for issue on 23/08/2024 and are signed on its behalf by:


.....
J S Hill
Director

Company registration number 03847202 (England and Wales)

REPLY LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Share premium account	Currency translation reserve	Retained earnings	Total
	£	£	£	£	£
Balance at 1 January 2022	54,175	145,753	108,711	54,252,653	54,561,292
Year ended 31 December 2022:					
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
Year ended 31 December 2023:					
Profit for the year	-	-	-	8,835,874	8,835,874
Other comprehensive income:					
Currency translation differences	-	-	(528,611)	-	(528,611)
Gains reclassified to profit or loss	-	-	(56,194)	-	(56,194)
Total comprehensive income	-	-	(584,805)	8,835,874	8,251,069
Transactions with owners:					
Conversion of loan	24,161,545	(100,000)	-	-	24,061,545
Balance at 31 December 2023	24,215,720	45,753	5,478	71,213,168	95,480,119

The notes on pages 19 to 46 form part of these group financial statements.

REPLY LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash generated from operations	36		4,607,538		25,818,597
Interest paid			(2,876,531)		(2,528,392)
Income taxes paid			(6,434,208)		-
Net cash (outflow)/inflow from operating activities			(4,703,201)		23,290,205
Investing activities					
Purchase of intangible assets		(1,019,930)		-	
Purchase of property, plant and equipment		(4,309,141)		(3,819,132)	
Purchase of subsidiaries, net of cash acquired		(544,000)		-	
Proceeds from disposal of subsidiaries, net of cash disposed		(141,262)		-	
Interest received		411,045		588,045	
Net cash used in investing activities			(5,603,288)		(3,231,087)
Financing activities					
Repayment of borrowings		-		(1,202,517)	
Payment of lease liabilities		(2,788,493)		(3,157,526)	
Net cash used in financing activities			(2,788,493)		(4,360,045)
Net (decrease)/increase in cash and cash equivalents			(13,084,982)		15,899,073
Cash and cash equivalents at beginning of year			67,520,712		52,303,211
Effect of foreign exchange rates			584,805		(481,572)
Cash and cash equivalents at end of year			55,010,535		67,520,712

The notes on pages 19 to 46 form part of these group financial statements.

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

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.

1.1 Accounting convention

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.

1.2 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.

1.3 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) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2023. 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.

1.4 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.

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.5 Revenue

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 accounting standards 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.

1.6 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.

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.

1.7 Intangible assets other than goodwill

Intangible assets, including customer relationship, 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

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.8 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.

1.9 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.

1.10 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.

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

Impairment of tangible and intangible assets(continued)

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 is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.11 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.

1.12 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.

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

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.

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.

1.13 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'.

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.

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.14 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.

1.15 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.

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.

1.16 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.

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.17 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.

1.18 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, apart from those that meet the definition of investment property.

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.

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 group'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 of machinery 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.

1.19 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'.

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised standards and interpretations have been adopted by the group and have an effect on the current period or a prior period or may have an effect on future periods:

Recently issued accounting standards

The following are the amendments to the international accounting standards endorsed by the UK Endorsement Board (UKEB), which were already included in the 2022 Annual Report, which are effective from January 1, 2023, in addition to the amendments not yet endorsed by the UK Endorsement Board (UKEB), some of which issued in the first half of the current year.

Accounting Standards and interpretations issued by the IASB/FRIC and endorsed by the UK Endorsement Board (UKEB)

Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities as current and non-current, effective for annual periods beginning on 1 January 2023;
IFRS 17 Insurance Contracts, effective for annual period beginning on 1 January 2023;
Amendments to IAS 1 and IFRS Practice Statement 2 requiring that an entity discloses its material accounting policies, instead of its significant accounting policies, effective for annual period beginning on 1 January 2023;
Amendments to IAS 8 replacing the definition of a change in accounting estimates with a definition of accounting estimates, effective for annual period beginning on 1 January 2023; and
Amendments to IAS 12 clarifying that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, effective for annual period beginning on 1 January 2023.

No significant impacts arose from these amendments, either in terms of amounts or financial statement disclosure.

Accounting standards not yet endorsed by the UK Endorsement Board (UKEB)

On January 23, 2020, the IASB issued the Amendment to IAS 1 "Classification of Liabilities as Current or Non-current" and on October 31, 2022, published the Amendment to IAS 1 "Non-Current Liabilities with Covenants". These amendments provide clarifications on the classification of liabilities as current or non-current. The amendments will be effective on or after January 1, 2024. On September 22, 2022, the IASB issued the Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback", which requires the seller-lessee to value the Right-of-Use asset arising from a sale and leaseback transaction on the basis of the percentage of the previous carrying amount of the asset held by the seller-lessee. Consequently, in a sale and leaseback transaction, the seller-lessee will only recognise the amount of any gains or losses relating to the rights transferred to the buyer-lessor. Therefore, the initial value of the lease liabilities arising from a sale and leaseback transaction is a consequence of the way in which the seller-lessee measures the Right-of-use asset and the gains or losses recorded on the date of the transaction. The amendments will be effective on or after January 1, 2024.

On May 23, 2023, the IASB issued the Amendment to IAS 12 "International Tax Reform - Pillar Two Model Rules", which introduces a mandatory temporary exception to the requirements of IAS 12 for the recognition and specific disclosure of deferred tax assets and liabilities arising from the OECD "Pillar Two Model Rules". By introducing common rules. Details of how this impact the company is outlined in note 10.

On May 25, 2023, the IASB issued the Amendment to IAS 7 and IFRS 7 "Supplier Finance Arrangements", which requires entities to provide additional information on supplier finance contracts allowing the users of the financial statements to assess how these supplier contracts affect liabilities and cash flows and to understand the effect on the exposure to liquidity risks.

On August 15, 2023, the IASB published an amendment called "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document requires an entity to apply a methodology to be applied in a consistent manner in order to verify whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosure to be provided in the notes to the financial statements. The change will apply from 1 January 2025, but an early application is allowed. The amendments will be effective on or after January 1, 2024.

Reply is currently assessing the possible impacts of the above-mentioned amendments on the Group.

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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

Assessment of impairment of Investments

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 man months worked as a percentage of the total estimated man months to completion.

4 Revenue

	2023	2022
	£	£
Revenue analysed by class of business		
Consultancy	184,892,564	174,101,447
Hardware	19,092,590	19,694,153
Support	34,435,090	29,975,695
Recruitment	3,347,393	6,407,672
	<u>241,567,627</u>	<u>230,168,967</u>
	2023	2022
	£	£
Revenue analysed by geographical market		
UK & Europe	234,168,855	222,543,209
Rest of the world	7,398,772	7,625,758
	<u>241,567,627</u>	<u>230,168,967</u>

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

5	Operating profit		
	Operating profit for the year is stated after charging/(crediting):	2023	2022
		£	£
	Exchange losses/(gains)	233,358	(248,369)
	Depreciation of property, plant and equipment	4,759,205	4,988,692
	Profit on disposal of property, plant and equipment	(346,010)	-
	Amortisation of intangible assets (included within administrative expenses)	2,760,000	2,752,500
		<u> </u>	<u> </u>
6	Auditor's remuneration		
	Fees payable to the company's auditor and associates:	2023	2022
		£	£
	For audit services		
	Audit of the financial statements of the group and company	70,600	52,500
	Audit of the financial statements of the company's subsidiaries	71,000	48,000
		<u> </u>	<u> </u>
		141,600	100,500
		<u> </u>	<u> </u>
	For other services		
	Other services	-	62,900
	Tax services	123,000	-
		<u> </u>	<u> </u>
	Total non-audit fees	123,000	69,200
		<u> </u>	<u> </u>
7	Employees and directors		
	The average monthly number of persons (including directors) employed by the group during the year was:		
		2023	2022
		Number	Number
	Directors	12	5
	Administration, sales and management	141	148
	Consultants	1,239	1,211
		<u> </u>	<u> </u>
	Total	1,392	1,364
		<u> </u>	<u> </u>
		2023	2022
		£	£
	Wages and salaries	96,357,145	137,095,728
	Social security costs	11,495,640	11,302,303
	Pension costs	4,169,489	3,087,518
		<u> </u>	<u> </u>
		112,022,274	151,485,549
		<u> </u>	<u> </u>

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

7 Employees and directors

(Continued)

Directors decided not to include some cost of sales expenses in 2023 in order to provide a fair view of personnel costs.

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

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 (2022: nil) were provided with accommodation in the UK by Reply Limited. The total of directors pension contributions paid amounted to £30,000 (2022: nil).

8 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	1,183,677	-
Company pension contributions to defined contribution schemes	30,000	-
	<u>1,213,677</u>	<u>-</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2022: nil)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2023 £	2022 £
Remuneration for qualifying services	652,853	-
Company pension contributions to defined contribution schemes	30,000	-
	<u>682,853</u>	<u>-</u>

The total directors emoluments attributable to the parent company are as follows:

	2023 £	2022 £
Remuneration for qualifying services	1,183,677	-
Company pension contributions to defined contribution schemes	30,000	-
	<u>1,213,677</u>	<u>-</u>

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

9 Finance income	2023	2022
	£	£
Interest income		
Financial instruments measured at amortised cost:		
Bank deposits	348,542	18,153
Other interest income on financial assets	62,503	569,870
Total interest revenue	411,045	588,023
	<hr/>	<hr/>
10 Finance costs	2023	2022
	£	£
Interest on bank overdrafts and loans	-	8,371
Interest on lease liabilities	481,382	543,237
Other interest payable	2,876,533	1,876,784
Total interest expense	3,357,915	2,528,392
	<hr/>	<hr/>
11 Income tax expense	2023	2022
	£	£
Current tax		
UK corporation tax on profits for the current period	3,976,048	2,789,362
Adjustments in respect of prior periods	(761,292)	-
Total UK current tax	3,214,754	2,789,362
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of temporary differences	(335,700)	(120,094)
Benefit arising from a previously unrecognised tax loss, tax credit or temporary difference	1,194,165	-
Arising from write down or reversal of write down of deferred tax asset	(529,300)	-
	<hr/>	<hr/>
	329,165	(120,094)
	<hr/>	<hr/>
Total tax charge	3,543,919	2,669,268
	<hr/>	<hr/>

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

11 Income tax expense (Continued)

	2023 £	2022 £
Profit before taxation	12,105,001	10,793,909
Expected tax charge based on a corporation tax rate of 23.50% (2022: 19.00%)	2,844,675	2,050,843
Effect of expenses not deductible in determining taxable profit	(850,372)	532,226
Income not taxable	1,797,346	678,952
Utilisation of tax losses not previously recognised	(249,630)	-
Unutilised tax losses carried forward	-	51,407
Change in unrecognised deferred tax assets	-	(890,709)
Effect of change in UK corporation tax rate	199,403	-
Permanent capital allowances in excess of depreciation	(69,818)	245,667
Depreciation on assets not qualifying for tax allowances	(121,727)	-
Amortisation on assets not qualifying for tax allowances	1,425	-
Research and development tax credit	235,950	(58,468)
Other non-reversing timing differences	(300,521)	59,350
Other permanent differences	86,263	-
Over provided in prior years	(257,950)	-
Other adjustment	228,875	-
Taxation charge for the year	3,543,919	2,669,268

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 period of reversal is 25% (2022: 25%).

Furthermore, in the Spring Budget 2023, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. For all the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.5%.

OECD Pillar Two model rules

The entity is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the United Kingdom the jurisdiction in which the entity is incorporated and will come into effect from 1 January 2024. Based on the analysis performed by the Group, the Company is not exposed to Top-up Tax under the GloBE Rules which will come into effect from 1 January 2024.

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

12 Discontinued operations

As a result of the war in Ukraine, and as part of our efforts to divest from our holdings in Belarus, the subsidiary WM Reply LLC was disposed as part of a management buy out.

The results of the discontinued business, which have been included in the income statement, were as follows:

	2023 £	2022 £
Profit on sale of discontinued operations	274,792	-
Net profit attributable to discontinuation	274,792	-

13 Goodwill and intangible assets

	Goodwill £	Software £	Other Intangibles £	Total £
Cost				
At 1 January 2023	71,592,910	-	27,525,000	99,117,910
Additions - purchased	869,930	150,000	-	1,019,930
At 31 December 2023	72,462,840	150,000	27,525,000	100,137,840
Amortisation and impairment				
At 1 January 2023	-	-	11,165,700	11,165,700
Charge for the year	-	7,500	2,752,500	2,760,000
At 31 December 2023	-	7,500	13,918,200	13,925,700
Carrying amount				
At 31 December 2023	72,462,840	142,500	13,606,800	86,212,140
At 31 December 2022	71,592,910	-	16,359,300	87,952,210

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

REPLY LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

14 Property, plant and equipment		Leasehold land and buildings	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total
		£	£	£	£	£	£	£
Cost								
At 1 January 2023		32,783,585	78,647	808,362	1,937,398	3,907,304	91,308	39,806,614
Additions		2,347,552	180,273	809,251	316,293	675,772	-	4,309,141
Disposals		(3,500,084)	(24,316)	-	(68,737)	(207,341)	(91,308)	(3,891,786)
At 31 December 2023		31,631,053	214,604	1,617,613	2,135,991	4,424,688	-	40,023,969
Accumulated depreciation and impairment								
At 1 January 2023		14,956,779	76,936	764,969	1,338,411	2,967,961	79,301	20,184,347
Charge for the year		3,887,262	16,954	88,209	177,898	586,984	-	4,759,205
Eliminated on disposal		(2,646,753)	31,005	764,040	377,161	(89,111)	(78,301)	(1,822,959)
Foreign currency adjustments		8,851	25,567	(25,567)	-	-	-	8,851
At 31 December 2023		16,195,717	150,462	1,591,651	1,879,391	3,501,801	-	23,319,022
Carrying amount								
At 31 December 2023		15,435,346	64,142	25,962	256,600	922,997	-	16,704,947
At 31 December 2022		17,826,816	1,711	43,393	598,987	939,353	12,007	19,422,267

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

14 Property, plant and equipment	(Continued)	
Right-of-use assets	2023	2022
	£	£
Net values at the year end		
Property	11,537,307	14,621,366
Computers	1,661	3,979
Motor vehicles	-	12,007
	<u>11,538,968</u>	<u>14,637,352</u>
Total additions in the year	<u>595,262</u>	<u>2,684,761</u>
Depreciation charge for the year		
Property	3,271,857	3,533,100
Computers	2,298	2,298
Motor vehicles	-	27,152
	<u>3,274,155</u>	<u>3,582,550</u>

The total cash outflow relating to right of use leases in the period amounted to £2,788,493 (2022: £3,151,860).

15 Contracts with customers	2023	2022
	Period end	Period end
	£	£
Contracts in progress		
Contract assets	16,854,190	5,508,442
Contract liabilities	(8,535,505)	(3,180,863)
	<u>8,318,685</u>	<u>2,327,579</u>
16 Trade and other receivables		
	2023	2022
	£	£
Trade receivables	42,142,538	43,444,624
Provision for bad and doubtful debts	(56,836)	(686,485)
	<u>42,085,702</u>	<u>42,758,139</u>
Contract assets (note 15)	16,854,190	5,508,442
Accrued income	415,787	-
Amount owed by parent undertaking	3,990,875	1,636,712
Amounts owed by fellow group undertakings	26,757,649	6,403,174
Other receivables	3,584,717	6,381,925
Prepayments and accrued income	4,048,120	3,783,410
	<u>97,737,040</u>	<u>66,471,802</u>

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

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

17 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, the amount of trade receivables recognised as impaired is as follows:

Movement in the allowances for doubtful debts	2023 £	2022 £
Balance at 1 January 2023 and at 31 December 2023	<u>56,836</u>	<u>686,485</u>

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

18 Subsidiaries

Details of the company's subsidiaries at 31 December 2023 are as follows:

Name of undertaking	Address	Principal activities	Class of shares held	% Held	
				Direct	Indirect
Portattech 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	-
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 b	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	6 c	IT Consultants	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
Arianis Reply Limited	1 e	Salesforce consultancy	Ordinary	-	100.00
WM Reply Malaysia Sdn Bhd	5	IT Consultants	Ordinary	100.00	-
Sprint Reply Limited	1	IT Consultants	Ordinary	100.00	-
Spike Reply Limited	1	IT Consultants	Ordinary	100.00	-
Shield Reply Limited	1	IT Consultants	Ordinary	100.00	-
AIM Reply Limited	1	IT Consultants	Ordinary	100.00	-
Atomic Reply Limited	1	IT Consultants	Ordinary	100.00	-

Registered office addresses (all UK unless otherwise indicated):

- 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 7-9 North David Street, Edinburgh, EH2 1AW, Scotland
- 5 UOA Business Park, Tower 3, 9th Floor, 1 Jalan Pengaturcara, U1/51A, Section U1, 40150 Shah Alam, Selangor, Malaysia
- 6 1 Harberfront Avenue 04-09, Keppel Bay Tower, Singapore, 098632

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

18 Subsidiaries

(Continued)

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
- @Logistics Reply Limited
- Cluster Reply Limited
- Glue Reply Limited
- Data Reply Limited
- Blockchain Reply Limited
- Discovery Reply Limited
- eFinance Consulting Reply Limited
- Reply Services Limited
- Storm Reply Limited

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 the following UK registered companies are subject as at 31 December 2023. The following subsidiary companies have claimed audit exemption under Section 479A of the Companies Act 2006 for the year ended 31 December 2023:

<u>Parent Guarantee to subsidiary</u>	<u>Company No.</u>
AIM Reply Limited	11797212
Atomic Reply Limited	07363197
Avvio Reply Limited	02865104
Avantage Reply Limited	05177605
Graymatter Reply Limited	03009242
Lynx Recruitment Limited	04289642
Mansion House Consulting Limited	06792340
MHC Holdings (US) Reply limited	10421599
Portaltech Reply Limited	03999284
Shield Reply Limited	11444268
Solidsoft Reply Limited	02853022
Sprint Reply Limited	12825414
Spike Reply Limited	07285664
WM Reply Limited	07466050
Blowfish Digital Holdings Limited	06400997
AWC Partners Reply Limited	11939414
Airwalk Holdings Reply Limited	10635870

19 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 GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

20 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.

	Less than 1 year £	1 - 5 years £	Over 5 years £	Total £
At 31 December 2022				
	3,233,971	14,691,804	1,435,196	19,360,973
	<u>3,233,971</u>	<u>14,691,804</u>	<u>1,435,196</u>	<u>19,360,973</u>
At 31 December 2023				
	4,029,190	12,918,798	536,323	17,484,311
	<u>4,029,190</u>	<u>12,918,798</u>	<u>536,323</u>	<u>17,484,311</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.

21 Trade and other payables

	Current		Non-current	
	2023 £	2022 £	2023 £	2022 £
Trade payables	6,386,920	3,555,674	-	-
Contract liabilities (note 15)	8,535,505	3,180,863	-	-
Amount owed to parent undertaking	13,991,132	10,940,785	23,772,893	59,509,153
Amounts owed to fellow group undertakings	41,061,069	7,562,335	-	-
Accruals	16,333,493	26,249,398	1,925,130	862,293
Deferred consideration	13,753,563	8,000,000	1,544,001	19,154,090
Social security and other taxation	10,066,595	7,276,846	-	-
Other payables	1,017,625	7,512,563	-	-
	<u>111,145,902</u>	<u>74,278,461</u>	<u>27,242,024</u>	<u>79,525,536</u>

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

21 Trade and other payables

(Continued)

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 nil (2022: £23,545,797) 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 £23,772,893 (2022: £35,963,292) which are subject to an interest charge of 1.6% 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. All balances within 'Amounts owed to group undertakings' are interest free liabilities.

22 Lease liabilities

	2023	2022
	£	£
Maturity analysis		
Within one year	4,029,190	5,589,762
In two to five years	12,916,798	17,012,930
In over five years	536,322	2,240,455
Total undiscounted liabilities	17,484,310	23,843,148
Future finance charges and other adjustments	(757,963)	(4,482,176)
Lease liabilities in the financial statements	16,726,347	19,360,973

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:

	2023	2022
	£	£
Current liabilities	3,679,139	3,233,971
Non-current liabilities	13,047,208	16,127,002
	16,726,347	19,360,973

	2023	2022
	£	£
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	481,382	543,237

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

Other leasing information is included in note 31.

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

23 Deferred tax assets & deferred tax liabilities

	2023 £	2022 £
Deferred tax liabilities	3,032,577	4,150,907
Deferred tax assets	(348,475)	(1,795,970)
	<u>2,684,102</u>	<u>2,354,937</u>
Deferred tax assets are expected to be recovered as follows:		
- Within one year	1,091,221	506,636
- After more than one year	(742,748)	1,254,334
	<u>316,473</u>	<u>1,760,970</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 2022	81,664	-	3,656,300	3,737,964
Asset at 1 January 2022	-	(1,270,355)	-	(1,270,355)
				-
Deferred tax movements in prior year				
Charge/(credit) to profit or loss	942,243	(525,616)	(529,300)	(112,672)
Liability at 1 January 2023	1,023,907	-	3,127,000	4,150,907
Asset at 1 January 2023	-	(1,795,970)	-	(1,795,970)
Deferred tax movements in current year				
Charge/(credit) to profit or loss	(589,030)	1,447,495	(529,300)	329,165
Liability at 1 January 2023 and 31 December 2023	434,877	-	2,597,700	3,032,577
Asset at 1 January 2023 and 31 December 2023	-	(348,475)	-	(348,475)

24 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	4,169,489	3,095,840

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 £873,706 (2022: £908,109).

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

25 Called up share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital <i>Authorised</i> of 5p each	2,300,000	2,300,000	115,000	115,000
<i>Issued and fully paid</i> of 5p each	484,314,390	1,083,490	24,215,720	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.

During the year, the company completed a debt to equity issue of shares to the parent company, Reply S.p.A. The total value of the loans converted were £24,161,545.

26 Share premium account

	2023 £	2022 £
At the beginning of the year	145,753	145,753
Other movements	(100,000)	-
At the end of the year	45,753	145,753

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

27 Currency translation

	2023 £	2022 £
At the beginning of the year	590,283	105,711
Translation (loss)/gain arising in the year	(528,611)	481,572
Translation loss reclassified to profit or loss	(56,194)	-
At the end of the year	5,478	590,283

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 GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

28 Retained earnings

	2023 £	2022 £
At the beginning of the year	62,377,294	54,252,653
Profit for the year	8,835,874	8,124,641
At the end of the year	<u>71,213,168</u>	<u>62,377,294</u>

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.

29 Business disposals

On 2 October 2023 the group disposed of its 100% holding in WM Reply LLC. Included in these financial statements are profits of £783,909 arising from the group's interests in WM Reply LLC up to the date of its disposal.

Net assets/(liabilities) of business disposed of	£
Cash and cash equivalents	145,367
Property, plant & equipment	57,747
Trade and other receivables	25
Trade and other payables	(837,329)
Tax liabilities	(69,420)
CTR - accumulated FX in OCI	(56,194)
	<u>(759,804)</u>
Gain on disposal	783,909
Total consideration	<u>4,105</u>
The consideration was satisfied by:	£
Cash	<u>4,105</u>
Net cash inflow arising on disposal	£
Cash consideration received	4,105
Cash and cash equivalents disposed of	(145,367)
	<u>(141,262)</u>

30 Contingent liabilities

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

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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 office 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:

	2023	2022
	£	£
Expense relating to short-term leases	318,797	564,918
Expense relating to variable lease payments not included in lease liabilities	15,853	-
	<u>334,650</u>	<u>564,918</u>

Information relating to lease liabilities is included in note 22.

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 GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

33 Events after the reporting date

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, 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.

Group Reorganisation

After the year end, as part of a general group restructuring, the following subsidiaries were dissolved via voluntary strike off:

1. Spot Digital Limited
2. G-Force Demco Limited

The process was underway to close down various other subsidiaries. At the date of signing the accounts, the following entities are in the process of being closed down:

1. Blowfish Digital Holdings Limited
2. WM Reply Malaysia Sdn Bhd

Finally, the subsidiary WM Reply LLC was sold during the year. Further details of this are disclosed in note 29.

34 Related party transactions

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

	Other related party		Parent company	
	2023	2022	2023	2022
	£	£	£	£
Revenues	8,773,643	7,860,992	2,599,505	2,207,516
Other income	49,624	181,591	-	-
Interest expense	2,791	(75,976)	(2,925,515)	(1,447,149)
Personnel	(4,200)	(35,370)	(4,345)	-
Purchases	(30,489)	(589,986)	-	-
Service and other costs	(15,847,806)	(11,410,177)	(8,480,291)	(8,243,022)
Rent	(420,282)	(315,212)	-	-
	<u>(7,276,519)</u>	<u>(4,384,136)</u>	<u>(8,810,646)</u>	<u>(7,482,655)</u>

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

34 Related party transactions	(Continued)	
	2023 £	2022 £
Amounts due to related parties		
Parent company	37,764,025	70,449,938
Other related parties	41,061,069	7,562,335
	<u>78,825,094</u>	<u>78,012,273</u>
	2023 £	2022 £
Amounts due from related parties		
Parent company	3,990,875	1,636,712
Other related parties	26,757,649	6,403,174
	<u>30,748,524</u>	<u>8,039,886</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.

REPLY LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

36 Cash generated from operations	2023	2022
	£	£
Profit before income tax from:		
Continuing operations	12,105,001	10,793,909
Discontinued operations	274,792	-
	<hr/>	<hr/>
Profit for the year before income tax	12,379,793	10,793,909
Adjustments for:		
Finance costs	3,357,915	2,528,392
Investment income	(411,045)	(588,045)
Loss on disposal of property, plant and equipment	2,268,827	-
Gain on disposal of business	(763,909)	-
Amortisation and impairment of intangible assets	2,780,000	2,752,500
Depreciation and impairment of property, plant and equipment	4,759,205	4,988,682
Change in other assets and liabilities	267,244	4,318,155
Movements in working capital:		
Increase in contract assets	(11,345,748)	(628,797)
Increase in trade and other receivables	(22,300,911)	(13,409,048)
Increase in contract liabilities	5,354,842	2,004,403
Increase in trade and other payables	8,281,525	13,058,436
	<hr/>	<hr/>
Cash generated from operations	4,607,538	25,818,597
	<hr/>	<hr/>

REPLY LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023		2022	
		£	£	£	£
Non-current assets					
Property, plant and equipment	41		15,667,819		17,610,359
Investments	42		114,999,927		112,150,867
Deferred tax asset	48		-		353,067
			<u>130,667,746</u>		<u>130,114,293</u>
Current assets					
Trade and other receivables	44	44,621,384		46,920,872	
Cash and cash equivalents		16,681,312		13,845,919	
		<u>61,302,696</u>		<u>60,766,791</u>	
Current liabilities					
Trade and other payables	46	106,675,872		55,088,845	
Taxation and social security		3,004,874		3,596,640	
Lease liabilities	47	3,459,207		2,750,114	
		<u>113,139,953</u>		<u>61,435,599</u>	
Net current liabilities			<u>(51,837,257)</u>		<u>(668,808)</u>
Total assets less current liabilities			<u>78,830,489</u>		<u>129,445,485</u>
Non-current liabilities					
Trade and other payables	46	25,423,105		100,811,509	
Lease liabilities	47	12,740,076		15,599,938	
			<u>(38,163,181)</u>		<u>(116,411,447)</u>
Net assets			<u><u>40,667,308</u></u>		<u><u>13,034,038</u></u>
Equity					
Called up share capital	49	24,215,720		54,175	
Share premium account		45,753		145,753	
Retained earnings		16,405,835		12,834,110	
Total equity			<u><u>40,667,308</u></u>		<u><u>13,034,038</u></u>

The notes on pages 50 to 56 form part of these parent financial statements.

As permitted by Section 406 Companies Act 2006, the company has not presented its own income statement and related notes. The company's profit for the year was £3,571,725 (2022: £4,715,802 loss).

REPLY LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

The financial statements were approved by the board of directors and authorised for issue on 23/08/2024 and are signed on its behalf by:



.....
J S Hill
Director

Company registration number 09847202 (England and Wales)

REPLY LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Share premium account	Retained earnings	Total
	£	£	£	£
Balance at 1 January 2022	54,175	145,753	17,549,712	17,749,640
Year ended 31 December 2022:				
Total comprehensive income	-	-	(4,715,602)	(4,715,602)
Balance at 31 December 2022	54,175	145,753	12,834,110	13,034,038
Year ended 31 December 2023:				
Total comprehensive income	-	-	3,571,725	3,571,725
Transactions with owners:				
Redemption of loan	24,161,545	(100,000)	-	24,061,545
Balance at 31 December 2023	24,215,720	45,753	16,405,835	40,667,308

The notes on pages 50 to 56 form part of these parent financial statements.

REPLY LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

37 Accounting policies

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.

37.1 Accounting convention

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 flow and related notes

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 statement, please refer to the group financial statements for disclosure of the relevant accounting policy.

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

37.2 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.

37.3 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.

38 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.

39 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:

REPLY LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

39 Critical accounting estimates and judgements

(Continued)

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.

40 Employees

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

	2023 Number	2022 Number
Directors	2	6
Administration, sales and management	97	78
Consultants	405	370
Total	<u>504</u>	<u>454</u>

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	43,132,417	36,847,494
Social security costs	5,253,201	4,659,256
Pension costs	1,798,650	1,201,835
	<u>50,184,268</u>	<u>42,708,585</u>

REPLY LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

40 Employees

(Continued)

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

During the year, no directors (2022: £nil) were provided with accommodation in the UK by Reply Limited. The total of directors pension contributions paid amounted to £30,000 (2022: £nil).

Refer to note 8 of the group financial statements for the full details of the directors emoluments.

41 Property, plant and equipment

	Leasehold land and buildings	Furniture and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2023	29,753,155	1,507,831	1,560,563	55,148	32,876,797
Additions	2,328,168	8,341	294,594	-	2,631,101
Disposals	(2,035,197)	-	-	(55,148)	(2,090,345)
At 31 December 2023	30,046,124	1,516,272	1,855,157	-	33,417,553
Accumulated depreciation and impairment					
At 1 January 2023	12,948,505	1,172,565	1,104,227	43,141	15,268,438
Charge for the year	3,441,297	95,615	267,304	-	3,804,216
Eliminated on disposal	(1,277,779)	-	-	(43,141)	(1,320,920)
At 31 December 2023	15,110,023	1,268,180	1,371,531	-	17,749,734
Carrying amount					
At 31 December 2023	14,936,101	248,092	483,626	-	15,667,819
At 31 December 2022	16,806,650	335,366	456,336	12,007	17,610,359

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

Right-of-use assets	2023	2022
	£	£
Net values at the year end		
Property	11,146,571	13,657,306
Motor vehicles	-	12,007
	11,146,571	13,669,313
Depreciation charge for the year		
Property	3,105,997	3,006,374
Motor vehicles	-	27,152
	3,105,997	3,033,526

The total cash outflow relating to right of use leases in the period amounted to £2,294,006 (2022: £2,604,696).

REPLY LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

42 Investments

	Non-current 2023 £	2022 £
Investments in subsidiaries	95,142,706	84,293,646
Other investments	19,857,221	27,857,221
	<u>114,999,927</u>	<u>112,150,867</u>

Movements in non-current investments

	Shares in subsidiaries £	Other investments £	Total £
Cost or valuation			
At 1 January 2023	84,293,646	27,857,221	112,150,867
Additions	8,869,930	-	8,869,930
Other movements	3,039,909	-	3,039,909
Disposals	(98,880)	(8,000,000)	(8,098,880)
At 31 December 2023	<u>96,104,605</u>	<u>19,857,221</u>	<u>115,961,826</u>
Impairment			
At 1 January 2023	-	-	-
Impairment losses	(961,899)	-	(961,899)
At 31 December 2023	<u>(961,899)</u>	<u>-</u>	<u>(961,899)</u>
Carrying amount			
At 31 December 2023	<u>95,142,706</u>	<u>19,857,221</u>	<u>114,999,927</u>
At 31 December 2022	<u>84,293,646</u>	<u>27,857,221</u>	<u>112,150,867</u>

REPLY LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

42 Investments

(Continued)

Additions during the year

Included in the additions for the year was £325,930 of additional compensation for Threepipe Reply Ltd.

Additionally, an increase in investments in subsidiaries was recognised due to further compensation of £544,000 being payable for Mansion House Consulting Ltd in line with the share purchase agreement.

Disposals during the year

The disposals of the investments during the year were entirely comprised of an adjustment to the stamp duty paid for G-Force Demco Group.

Other movements

During the year, the company received a dividend in specie of £3,039,909 from Blowfish Digital Holdings Ltd as part of a group restructuring. As Blowfish held the investments directly of Threepipe Reply Ltd, the carrying amount of the investments are now deemed to transfer to Reply Limited.

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.

43 Contracts with customers

	2023 Period end £	2022 Period end £
Contracts in progress		
Contract assets	9,041,140	1,761,027
Contract liabilities	(1,387,706)	(607,142)
	<u> </u>	<u> </u>

44 Trade and other receivables

	2023 £	2022 £
Trade receivables	14,025,420	17,558,036
Contract assets (note 43)	9,041,140	1,761,027
Corporation tax recoverable	347,672	-
Amount owed by parent undertaking	299,082	453,850
Amounts owed by fellow group undertakings	15,480,884	20,398,612
Other receivables	2,324,344	2,124,396
Prepayments	3,102,842	3,182,251
	<u> </u>	<u> </u>
	44,621,384	45,478,172

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.

REPLY LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

45 Fair value of financial liabilities

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

46 Trade and other payables

	Current		Non-current	
	2023	2022	2023	2022
	£	£	£	£
Trade payables	3,238,702	11,981,904	-	-
Contract liabilities (note 43)	1,387,708	807,142	-	-
Amount owed to parent undertaking	13,810,520	-	23,484,831	59,509,153
Amounts owed to fellow group undertakings	67,251,106	17,364,272	-	21,636,075
Accruals	7,162,950	17,096,559	394,473	512,191
Deferred consideration	13,753,563	8,000,000	1,544,001	19,154,090
Other payables	71,325	58,968	-	-
	<u>106,675,872</u>	<u>55,088,845</u>	<u>25,423,105</u>	<u>100,811,509</u>

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

- Parent undertaking loans of nil (2022: £23,545,797) 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 £23,484,831 (2022: £35,983,292) 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 nil (2022: £21,636,076) 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 £17,810,000 (2022: nil) subject to an interest charge of 2.5% above the European Central Bank base rate calculated quarterly.
- Subsidiary undertaking loans of £25,952,043 (2022: £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.

47 Lease liabilities

	2023	2022
	£	£
Maturity analysis		
Within one year	3,797,895	4,589,762
In two to five years	12,811,133	17,012,930
In over five years	536,322	2,240,456
	<u>16,945,350</u>	<u>21,602,692</u>
Total undiscounted liabilities	16,945,350	21,602,692
Future finance charges and other adjustments	(746,067)	(3,252,640)
	<u>16,199,283</u>	<u>18,350,052</u>
Lease liabilities in the financial statements	<u>16,199,283</u>	<u>18,350,052</u>

REPLY LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

47 Lease liabilities

(Continued)

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:

	2023 £	2022 £
Current liabilities	3,459,207	2,750,114
Non-current liabilities	12,740,076	15,590,938
	<u>16,199,283</u>	<u>18,341,052</u>

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

48 Deferred tax asset

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 £
Asset At 1 January 2023	(353,067)
Deferred tax movements in current year	
Charge to profit or loss	353,067
Asset At 31 December 2023	<u>-</u>

49 Called up share capital

Refer to note 25 of the group financial statements.