DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

FOR

AVANTAGE REPLY LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

AVANTAGE REPLY LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS:	D Angelucci R Lodigiani F Rizzante M Rizzante T Rizzante
REGISTERED OFFICE:	38 Grosvenor Gardens London SW1W 0EB
REGISTERED NUMBER:	05177605 (England and Wales)
ACCOUNTANTS:	Nunn Hayward LLP Chartered Accountants Sterling House 20 Station Road Gerrards Cross Buckinghamshire SL9 8EL

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

PRINCIPAL ACTIVITY
The principal activity of the company continued to be that of the provision of management consultancy and advisory services to financial institutions and corporations. It is expected that this activity will remain constant for the foreseeable future.

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

D Angelucci
R Lodigiani
F Rizzante
M Rizzante
T Rizzante

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

ON BEHALF OF THE BOARD:

R Lodigiani - Director

10 May 2018

AVANTAGE REPLY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
TURNOVER	3	2,791,169	3,052,546
Cost of sales		(1,922,751)	(1,958,053)
GROSS PROFIT		868,418	1,094,493
Administrative expenses		(782,383)	(1,173,381)
OPERATING PROFIT/(LOSS)		86,035	(78,888)
Interest receivable and similar income	5	28,012	27,020
		114,047	(51,868)
Interest payable and similar expenses	6	(28)	-
PROFIT/(LOSS) BEFORE TAXATION	7	114,019	(51,868)
Tax on profit/(loss)	8	391	636
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		114,410	(51,232)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		114,410	(51,232)

The notes form part of these financial statements

AVANTAGE REPLY LIMITED (REGISTERED NUMBER: 05177605)

BALANCE SHEET
31 DECEMBER 2017

	Notes	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible assets	9		8,188		7,226
CURRENT ASSETS					
Debtors	10	2,491,670		3,078,730	
Cash at bank		1,169,439		689,436	
		3,661,109		3,768,166	
CREDITORS					
Amounts falling due within one year	11	595,774		815,888	
NET CURRENT ASSETS			3,065,335		2,952,278
TOTAL ASSETS LESS CURRENT LIABILITIES			3,073,523		2,959,504
PROVISIONS FOR LIABILITIES	12		(773)		(382)
NET ASSETS			3,074,296		2,959,886
CAPITAL AND RESERVES					
Called up share capital	13		5,086		5,086
Retained earnings	14		3,069,210		2,954,800
SHAREHOLDERS' FUNDS			3,074,296		2,959,886

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2017.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2017 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:
(a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
(b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements were approved by the Board of Directors on 10 May 2018 and were signed on its behalf by:

R Lodigiani - Director

The notes form part of these financial statements

AVANTAGE REPLY LIMITED

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

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	5,086	3,006,032	3,011,118
Changes in equity			
Total comprehensive income	-	(51,232)	(51,232)
Balance at 31 December 2016	5,086	2,954,800	2,959,886
Changes in equity			
Total comprehensive income	-	114,410	114,410
Balance at 31 December 2017	5,086	3,069,210	3,074,296

The notes form part of these financial statements

1 STATUTORY INFORMATION

Avantage Reply Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

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

2. ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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

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

- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures.

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

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

Going concern
The financial statements have been prepared on a going concern basis. The ultimate parent, Reply S.p.A., has agreed to provide financial support if and when this is required, consequently, the company and wider group have considerable financial resources together with long-term relationships with a number of customers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of VAT and other sales-related taxes.

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

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2. ACCOUNTING POLICIES - continued

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Office equipment - 20 to 33.33% on cost

Taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date

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

Operating lease agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Employee benefit costs
The company operates a defined contribution scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the income statement in the period to which they relate.

Trade and other receivables
Trade and other receivables are carried at original value less provision for doubtful recovery.

3. TURNOVER

The turnover and profit (2016 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2017	2016
	£	£
United Kingdom	2,159,630	2,452,606
Europe	631,539	599,940
	2,791,169	3,052,546

4 EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	1,124,853	1,117,130
Social security costs	138,521	136,179
Other pension costs	17,369	9,734
	1,280,743	1,263,043

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

	2017	2016
Employees	11	11

A number of the directors of the company are also directors of other group undertakings and their remuneration is paid by those undertakings. 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.

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5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£	£
Bank interest received	28,012	27,020
	28,012	27,020

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Bank interest	28	-

7. PROFIT/(LOSS) BEFORE TAXATION

The profit before taxation (2016 - loss before taxation) is stated after charging/(crediting):

	2017	2016
	£	£
Other operating leases	28,883	97,814
Depreciation - owned assets	3,452	3,753
Foreign exchange differences	(8,329)	(24,998)

8. TAXATION

Analysis of tax income

	2017	2016
	£	£
Deferred tax	(391)	(636)
Total tax income in statement of comprehensive income	(391)	(636)

Factors affecting the tax expense
The tax assessed for the year is lower (2016 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£	£
Profit/(loss) before income tax	114,019	(51,868)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	21,949	(10,374)
Effects of:		
Expenses not deductible for tax purposes	801	1,540
Other short term timing differences	52	95
Group relief surrendered	(9,866)	8,103
Underprovision of tax	(13,327)	-
Tax income	(391)	(636)

continued...

9. TANGIBLE FIXED ASSETS

	Office equipment £
COST	
At 1 January 2017	15,263
Additions	4,414
At 31 December 2017	19,677
DEPRECIATION	
At 1 January 2017	8,037
Charge for year	3,452
At 31 December 2017	11,489
NET BOOK VALUE	
At 31 December 2017	8,188
At 31 December 2016	7,226

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade debtors	664,608	1,173,033
Amounts owed by group undertakings	1,730,483	1,673,077
Other debtors	5,930	5,204
Corporation tax receivable	12,447	1,947
Prepayments and accrued income	78,202	225,469
	2,491,670	3,078,730

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade creditors	47,806	2,360
Amounts owed to group undertakings	285,312	399,818
Social security and other taxes	41,288	156,352
VAT	68,849	-
Other creditors	9,573	4,858
Accruals and deferred income	142,946	252,500
	595,774	815,888

12. PROVISIONS FOR LIABILITIES

	2017 £	2016 £
Other provisions		
Deferred tax	(773)	(382)

	Other provisions £
Balance at 1 January 2017	(382)
Credit to Statement of Comprehensive Income during year	(391)
Balance at 31 December 2017	(773)

continued...

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £	2016 £
35,100	Ordinary A	2.849p	1,000	1,000
10,000	Ordinary B	10p	1,000	1,000
9,911	Ordinary C	10p	991	991
8,444	Ordinary D	10p	844	844
7,576	Ordinary E	10p	758	758
965	Ordinary H	10p	97	97
3,961	Ordinary I	10p	396	396
			5,086	5,086

Any net return of capital is to be made 51% to A and I shareholders and 49% to B, C, D, E and H shareholders.

14. RESERVES

	Retained earnings £
At 1 January 2017	2,954,800
Profit for the year	114,410
At 31 December 2017	3,069,210

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

15. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The only obligation of the company with respect to the pension scheme is to make specific contributions for qualifying employees. The pension cost charge represents contributions payable by the company to the fund and amounted to £17,369 (2016 £9,734). Contributions totalling £2,751 (2016: £1,709) were payable to the fund at the balance sheet date.

16. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption, under FRS 101, not to disclose related party transactions with the ultimate parent undertaking or any wholly owned subsidiaries within the group.

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Alika Srl, a company incorporated in Italy, is deemed to be the ultimate parent undertaking as it owns more than 50% of the shares of Reply S.p.A.

Reply S.p.A. is the immediate parent company and the smallest group in whose financial statements the company is included. The group financial statements can be obtained from Corso Francia, No110, 10143 Torino, Italy.

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18. PRINCIPAL RISKS AND UNCERTAINTIES

External risks:-

Risks associated with general economic conditions
The company's activities are focussed on the provision of management consultancy and advisory services to financial institutions and corporations Unfavourable economic conditions could alter or reduce the growth of demand for consultancy services and consequently could have negative effects on the company's activities and on its economic, financial and earnings position.

Risks associated with competition
A key risk was identified in 2016 whereby the company relied upon one client for 51% of its revenue. In 2017 this risk no longer applies as the client base has diversified.

Risks associated with increasing client needs
The company's consultancy services are provided to clients with increasing requirements in terms of both regulatory compliance and financial performance which can sometimes result in excessive efforts that are not proportional to the economic aspects. This in some cases could cause negative effects on the company's activities and on its economic, financial and earnings position.

Risks associated with key management
The company's success has been largely dependent upon certain key individuals who have made a positive contribution to its development. The loss of any of these key figures without adequate replacement or the inability to attract and retain qualified personnel could therefore have an adverse effect upon the company's business prospects, earnings and financial position.
The board of directors deem that the company has a sufficient operational and managerial structure capable of guaranteeing continuity in the running of the business

Financial risks:-

Credit risk
Credit risk refers to the loss that the company would incur if a customer fails to make payments in accordance with its contractual obligations. The company has policies and procedures in place in order to minimise this risk.

Liquidity risk
Liquidity risk is the risk that the company will not be able to meet its cash outflows as they fall due because of a lack of liquid assets.
To ensure that the company has sufficient funds available on a timely basis in the form of cash and liquid assets to meet its liquidity requirements, the company manages its operations from available working capital.

Foreign currency risk
The company operates internationally and is exposed to exchange risk arising from trading with overseas entities. Foreign exchange risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency that is not the company's functional currency.