Redleaf Polhill Ltd
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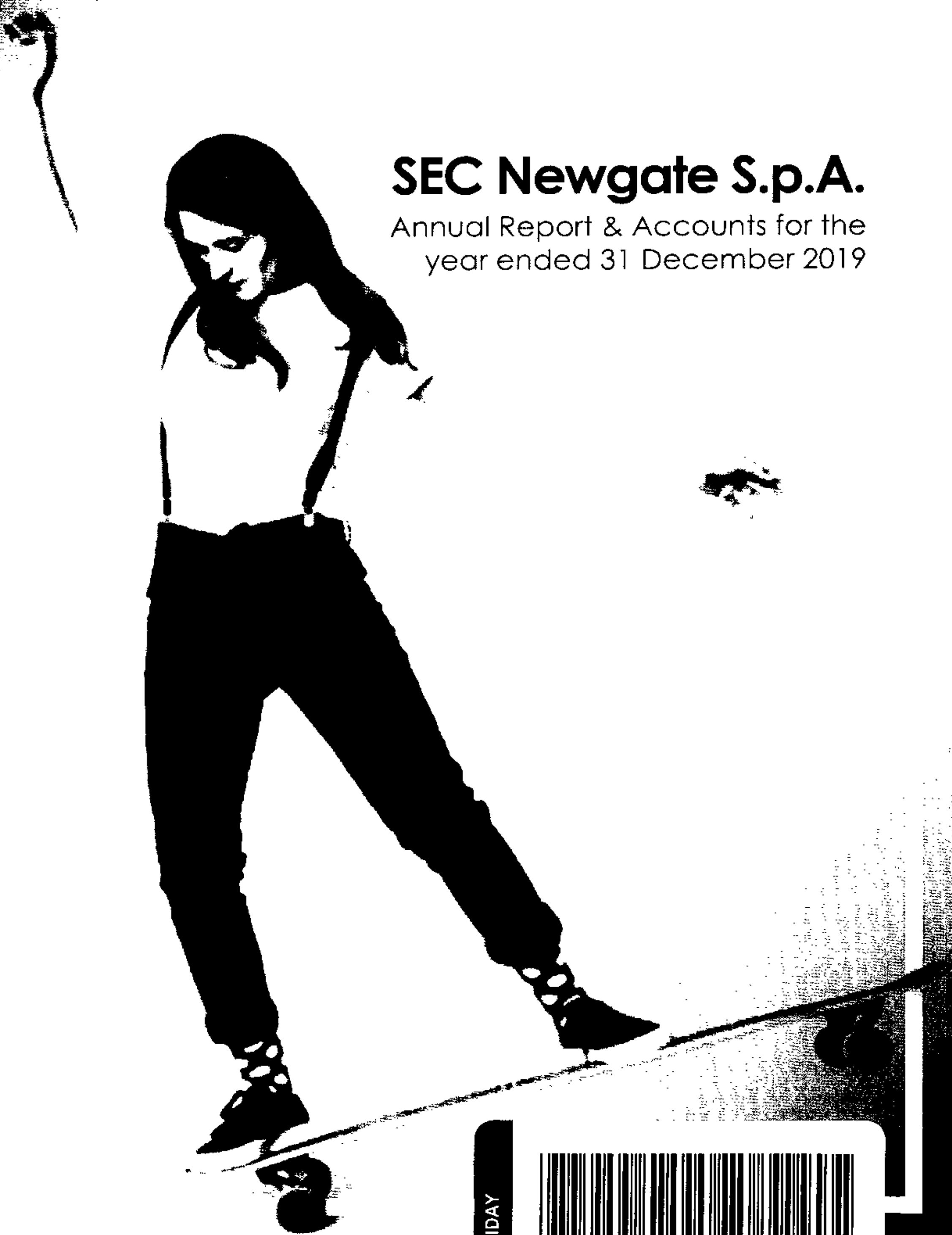
SECNewgate
Communications. Advocacy. Research.

SEC Newgate S.p.A.

Annual Report & Accounts for the year ended 31 December 2019



Katarzyna Hajdan
Office Manager, Martis Consulting
Warsaw, Poland

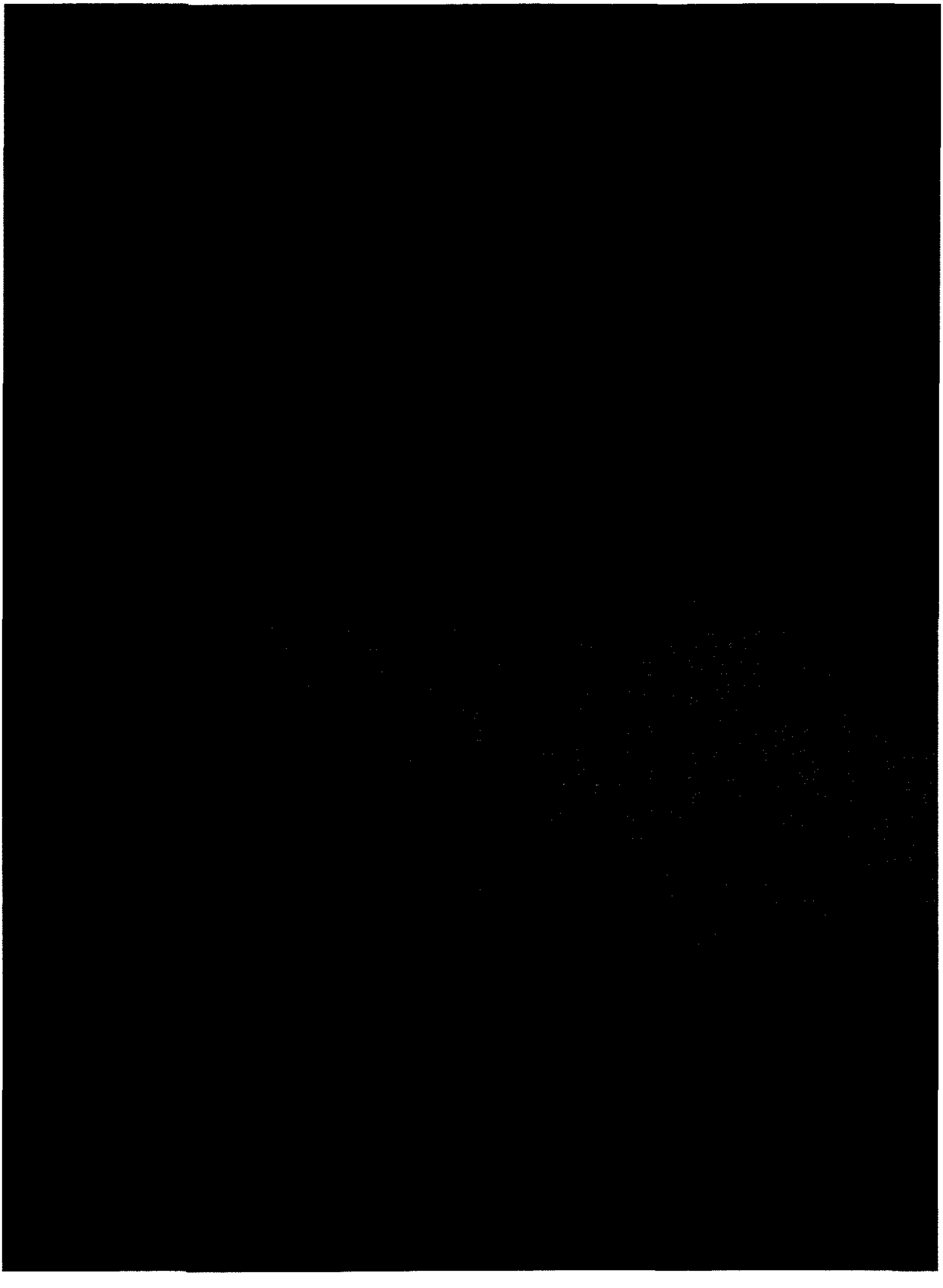
SEC Newgate S.p.A
Consolidated Financial Statements 2019

The theme of the SEC Newgate S.p.A. annual report & accounts for 2019 revolves around two of the Group's core values – 'difference' and 'excellence'.

SEC Newgate celebrates the difference we make when we bring our individual life experience to our work.

Each member of our team is passionate and takes pride in their ambition to be the best – excellence, every day in every way.

We are a Group of people with great personality both inside and outside of the office; the images in this year's Report & Accounts aim to capture the spirit of SEC Newgate S.p.A.



Contents.

About Us

Our Business

We are a strategic communications group offering a fresh approach locally, nationally and internationally inspired by our entrepreneurial heritage and by our philosophy of constructive dialogue across all stakeholders.

We're the people you come to, to build and protect your brand, reputation and business using strategic communications, advocacy and research. Our difference is that we achieve positive change for our clients.

With over 600 people working across five continents, we are able to manage even the most complex crisis communication issues around the clock.

Our Values

Our Values.

Difference

We celebrate difference and what our individual life experience brings to our work.

Respect

We value our colleagues, clients, partners, communities and environment and are responsible for our actions.

Fun

We place great importance on physical and mental health and making work fun.

Curious

We are open to new ideas and better ways of achieving the best results.

Excellence

We hire passionate people, each committed to delivering work to the highest standards.

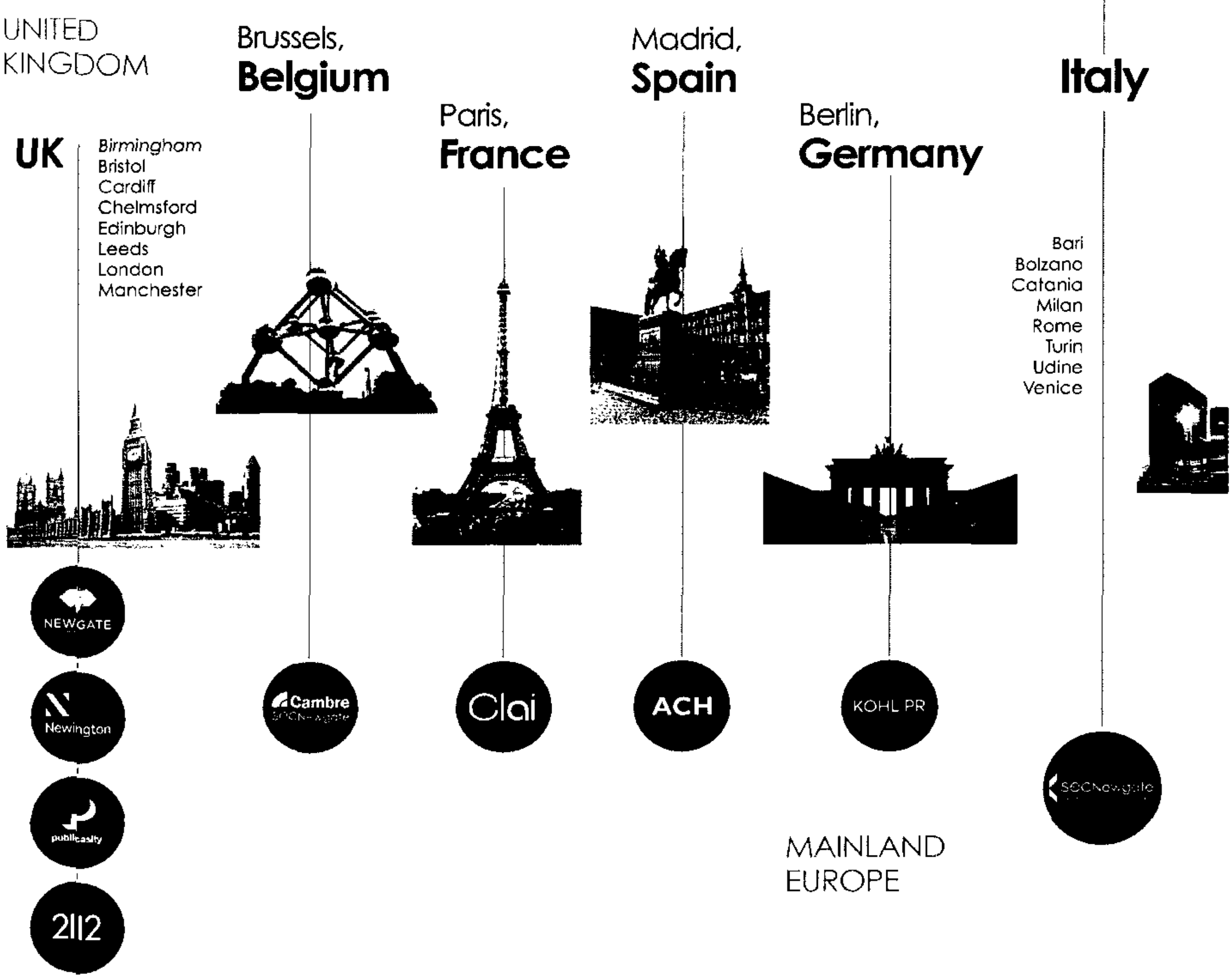
Collaborative

We work as a team to achieve the best outcome.

Our Story

On 3 September 2019, SEC S.p.A. and Porta Communications Plc merged to create SEC Newgate S.p.A. Together we created a top 30 global communications group with approximately 600 SEC Newgate entrepreneurs based at 34 offices, in 15 countries and five continents – from London to Sydney, from Milan to Bogota, and Berlin to Shanghai.

The enlarged group is listed on the Alternative Investment Market (AIM) of the London Stock Exchange under the symbol SECG.



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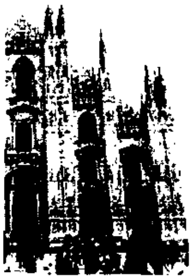


Milan
HEADQUARTERS

MIDDLE EAST

GREATER CHINA

Abu Dhabi, **UAE**

Australia
Adelaide
Brisbane
Canberra
Melbourne
Perth
Sydney

Greater China
Beijing
Hong Kong
Shanghai

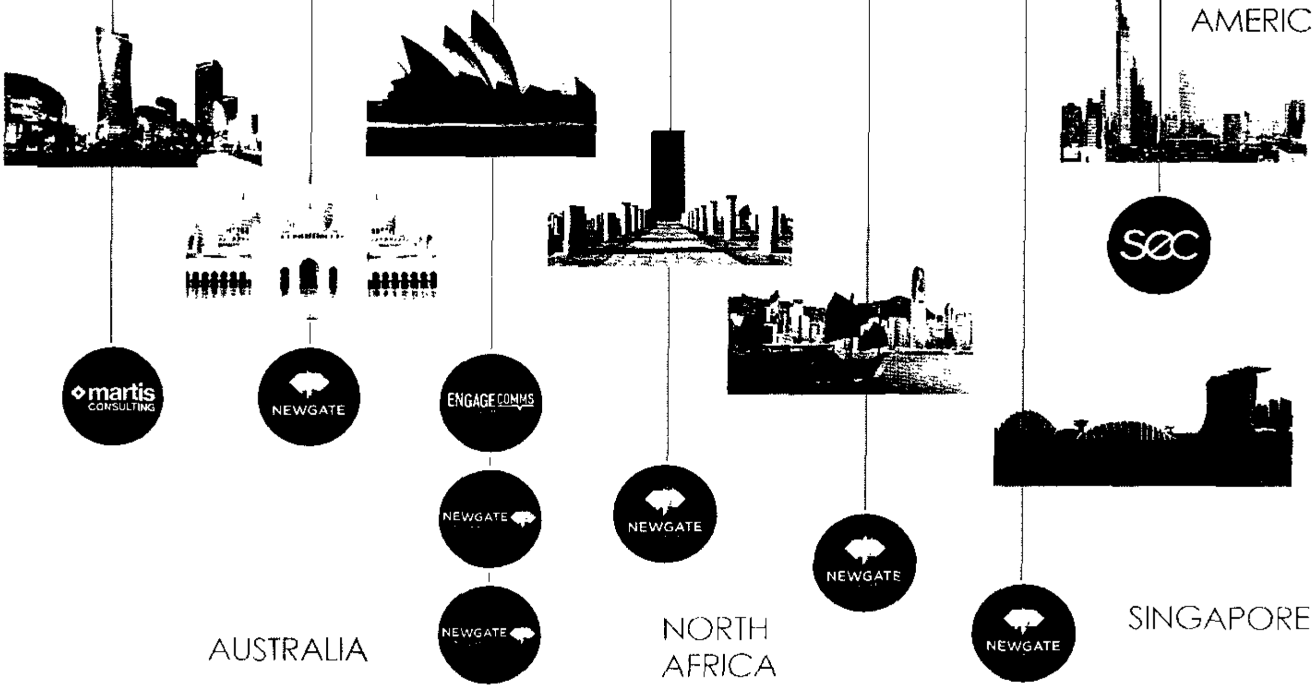
Bogotá, **Colombia**

Warsaw, **Poland**

Rabat, **Morocco**

Singapore

SOUTH AMERICA



AUSTRALIA

NORTH AFRICA

SINGAPORE

Highlights

OUR PURPOSE

TO CREATE POSITIVE CHANGE FOR OUR PEOPLE, CLIENTS AND SHAREHOLDERS BY BUILDING AND PROTECTING BRANDS, REPUTATIONS AND BUSINESS.

Our Financial Highlights

2019 results include the consolidated results of SEC S.p.A. until 3 September 2019 and the consolidated results of the enlarged SEC Newgate S.p.A. for the final four months of 2019. This coupled with the change in accounting treatment under IFRS16 (which primarily impacts the treatment of leases in our case) means that the relevance of the prior year's results is limited.

Our financial highlights are (€'000):

	2019	2018
Revenues	47,550	28,972
Gross profit	37,605	22,192
Operating profit	1,812	2,309
Profit before Tax	1,271	2,211
Net debt (excl. leases)	8,740	1,743

- Annualised cost savings of c. €0.5m achieved within first four months following merger.
- New banking facility of €3m secured with Deutsche Bank S.p.A. to replace Revolving Credit Facility with Clydesdale Bank to Porta Communications in 2017; preferable terms and no covenants reflecting improved financial stability of the Group.

Cost savings

- Immediately following the merger, the Group's management team started work on driving revenues and delivering costs synergies. Among the first areas identified for improvement were the operations and functions at the UK headquarters (Porta Communications). These were streamlined and this resulted in c. €0.45m of net annualised savings in terms of employment costs. The refinancing of the Revolving Credit Facility provided by Clydesdale Bank to Porta Communications Plc in 2017 was replaced by a new 48-month facility. This was provided by Deutsche Bank with interest payable quarterly at 3-month EURIBOR (with a floor at 0%) + 1.70%; this action resulted - based on current exchange, LIBOR and 3M EURIBOR rates - in yearly savings of approximately €70k per annum.
- The management team is continuing to work on other areas of potential savings, primarily related to the UK and Italian offices; if achieved, these would further improve the Group's margins.

Our Operational Highlights

Branding

The Group was renamed SEC Newgate S.p.A on 4 September 2019.

Governance structure

Shortly after the merger, the Group's governance framework was established:

- **The Board** – the new Group board *appointed (see pages 62-65) is* focused on overall control and financial management tasks, it meets 11 times a year.
- **Executive Committee** – the Committee focuses on all key strategic operational matters and comprises seven senior managers from both original groups and includes all the executive directors who sit on the Group's Board. The Committee meets monthly and has been instrumental in a number of key initiatives such as the definition of the three-year Strategic Plan, and the formation of strategic committees in areas such as positioning and marketing.
- **Management Committee** – comprises all agency heads and focuses on the Group's global commercial effort. Its scope is to implement the global strategy, adapting it for each region. It first met in November 2019 after the approval of the Strategic Plan by SEC Newgate's Board. A two-day meeting was held at the Group's HQ in Milan where the priorities, targets and strategies were shared for both global and local levels. The Committee set the rationale for the Group's positioning, discussed the global service offerings and innovative tools, as well as how best to manage and train our talent under the new global framework. This Committee meets twice a year (once in person and once virtually). The exceptional event of the Covid-19 pandemic resulted in virtual meetings being held every three weeks from April 2020.

"

OUR GOAL

TO BE THE MOST DESIRED COMMUNICATIONS AGENCY IN THE WORLD.

Best practice sharing and cross selling initiatives

- A consistent feature of the output from the Group's new executive committees is the sharing ways to improve best practice and commercial capabilities across the Group. Some of the key decisions taken (and approved by the Executive Committee) before the end of 2019 included:

Best practice

- The reorganization of a central commercial function reporting directly with the Group's CEO
- The launch of two permanent committees focused on positioning and marketing issues respectively
- Creation of a log of all the products and services offered by every agency at each location (operation on going)
- Definition of a global case history *template and collection of credential* decks from each of the Group's agencies (action to be completed by Q2 2020)

Cross selling

- Significant new business has been generated from cross referrals such as Italian real estate listed company COIMA and Nestlé's Baci Perugina brand both cross selling from Italy to other entities in the Group. Some of these actions were completed during Q1 2020 while some others are still under development given their ongoing nature

- The following are examples of some of the most significant events:
  - Nomination of a network of commercial back stops across the whole Group to tackle joint new business opportunities
  - Definition of a tracking tool to record all new business and commercial opportunities at each operation level
  - Tracking of all agencies' client lists to address new business approaches towards clients existing in some market/regions aiming at promoting SEC Newgate on a global scale (action to be completed by Q2 2020)
  - Identification of international corporations to target to secure introductory meetings (action to be completed by Q2 2020)

KPI setting

- The Group's Strategic Plan includes specific targets for each agency at a Group level such as: Gross Profit (GP) and Profit Before Tax (PBT). These targets were set over the next three years (2020-2022) and subject to yearly update/revision. Growth KPIs for 2020 were +3.5% in terms of GP and +3% for PBT

Customer wins and retention rates

- Every one of the Group's agencies has benefitted from the synergies and enlarged scale that the merger delivered. Examples of significant new business wins include Amazon and Bridgestone in France, Apple in Hong Kong, Avexis Pharma in Belgium and Aia the major poultry business in Italy
- Client retention rates have remained stable

Geographical expansion

- Establishment of a start-up operation in Morocco; the first step in SEC Newgate's plan to achieve a strong presence on the African continent

Product & service innovations

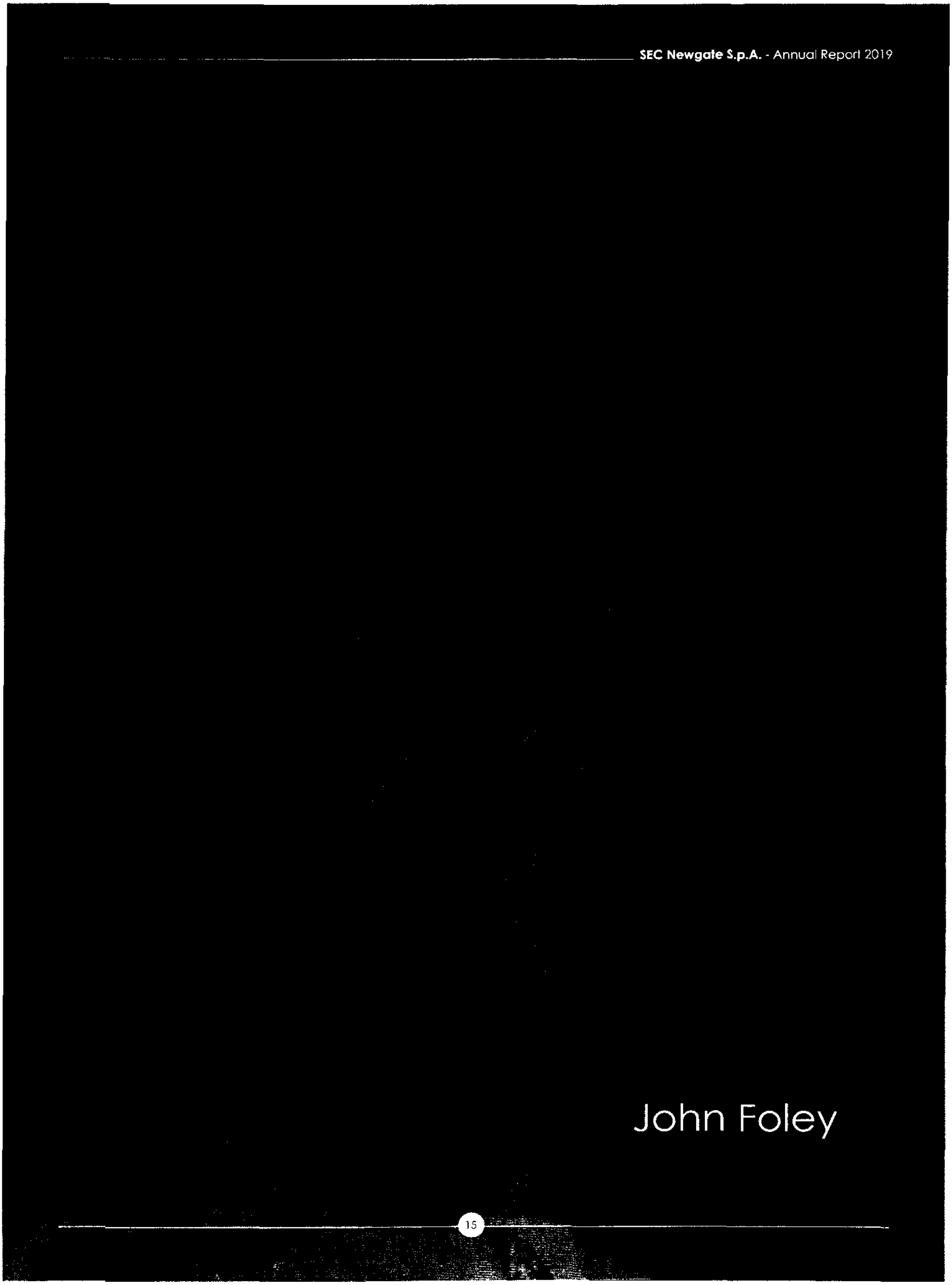
- AI investment in excess of €1.2m completed and soft launch of AI tool to clients in Italy
- Definition of new global offerings such as seamless crisis communications, internal communications, international trade diplomacy, research and ESG under the coordination of a global practice leader

Chairman's Statement

It is a rare opportunity to be able to bring together two like-minded groups with entirely complementary geographical footprints, products, services and client bases. It is even rarer to find that they share a similar culture, outlook and passion to succeed. This is what was achieved on 3 September 2019 through the merger of the two AIM-quoted companies, SEC S.p.A. and Porta Communications Plc (whose primary trading business was Newgate) and the creation of SEC Newgate S.p.A.

2019 was truly a transformational year. The Group is now of a scale to provide research backed strategic consultancy and advocacy services seamlessly across our extensive, owned footprint in five continents with 34 offices in 15 countries and with the professional support of nearly 600 people - global excellence through local experts.

> “
>
> *IT IS A RARE OPPORTUNITY TO BRING TOGETHER TWO LIKE-MINDED GROUPS WITH ENTIRELY COMPLEMENTARY FOOTPRINTS, PRODUCTS, SERVICES AND CLIENT BASES.*



John Foley

Financial and Operational Overview

Our 2019 results were in line with management's expectations which were formulated as part of the merger evaluation process. Prior year comparisons only include results of the previous SEC S.p.A Group; results for the year ended 31 December 2019 only contain four months of the enlarged Group's trading performance. Results for the year ended 31 December 2019 also reflect the impact of IFRS16;

Our financial highlights are (€' 000):

	2019	2018
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Profit before Tax	**1,271**	2,211
Net debt (excl. leases)	**8,740**	1,743

- As at 31 December 2019, the Group's net debt was €8.7m
- Annualised cost savings of €0.5m achieved within first four months following merger
- New committed banking facility of €3m secured with Deutsche Bank S.p.A. to replace Revolving Credit Facility with Clydesdale Bank to Porta Communications in 2017; the new facility has preferable terms and no financial covenants reflecting the improved financial stability of the Group

Strategy

On 21 November 2019, we announced that the SEC Newgate Board had approved the new Group's Strategic Plan for the years 2020 to 2022. Our Plan will be updated annually and will be our navigation system to direct towards financial results which we are confident we can achieve. The core areas in our Plan are:

- Improved profitability and strengthening of the balance sheet
- Cultural integration and harmonisation of SEC and Porta organisations, now SEC Newgate
- Raising of the Group's visibility and reputation worldwide
- Developing a carefully selected acquisition plan to strengthen and increase capabilities in key markets
- Implementing incentives and reward schemes to retain key talent
- A focus on high margin and/or high growth opportunities across our global footprint, as defined by service offering and geography
- Establishing centres of excellence around practice areas where the Group has market distinguishing expertise or where we anticipate significant growth opportunity – (social and market research, global 24/7 crisis communications offering)
- Investing across the Group in our digital offering with a particular focus on AI, hiring people with non-traditional communication backgrounds and expanding our digital toolkit
- Seeking to lead the market at the interface of business, politics, markets and media, our proven methodology is based around objective research, which guides strategy and campaign development and implementation

IN NOVEMBER 2019, THE BOARD APPROVED THE NEW GROUP'S STRATEGIC PLAN FOR THE YEARS 2020 TO 2022

Acquisitions & Disposals

On 15 November 2019, SEC Newgate, via subsidiary Newgate PR Holdings Limited, acquired a further 5% of the equity in Newgate Greater China under the terms of the shareholders' agreement for that business.

On 4 December 2019, SEC Newgate established a new office in Morocco under the brand Cambre Maroc.

Markets and the Environment

There were a number of external national factors during the year that impacted our agencies such as Brexit, Elections and the ongoing civil unrest in Hong Kong. Our businesses have, however, showed their resilience, as evidenced by Newgate Australia where the business experienced a significant uplift in trading at the conclusion of the May 2019 Federal election.

Board Changes

Following completion of the merger, the Board now comprises, six executive and four non-executive directors; a full list of directors who were all appointed to the board in September, is set out on pages 62-65.

Subsequent to this, Federico Vecchio was appointed non-board Group CFO with effect from 30 September and Andrea Cornelli was appointed to the board as Chief Innovation Officer with effect from 9 December 2019.

People

I would like to thank our wonderful team whose hard work is equally matched by their ambitions. It has been a year of positive change and our success would not be possible without the commitment of everyone across the organisation at every level. We are proud of the diversity we benefit from across our teams and are committed to ensuring that our team reflects the diversity of the communities we are communicating with.

Post Balance Sheet Events

On 25 February 2020, SEC Newgate secured a €2.5 million convertible bond with the Spanish institutional investor Inveready which was subscribed on 4 March 2020. Additionally, the subscription of another €1 million facility with a leading Italian bank in February 2020 and the refinancing of Clydesdale facility in December 2019, the Group has committed banking facilities available with maintainable covenants and continues to enjoy excellent relationships with its lenders to support the Group through this difficult period.

Since the outbreak of the global pandemic, Covid-19, the Group's agencies have all implemented business continuity plans, working remotely under varying levels of lockdowns in their markets around the world. The Group has taken all necessary steps to reduce any discretionary spend and ensure strong cashflow generation whilst ensuring it continues to develop and support its 600 people around the world, service its clients and build market share. The Group continues to operate profitably with teams working collaboratively and sharing best practice initiatives and experiences. All businesses have quickly adapted to the changed working environment and continue to provide first class service to clients through online and digital engagement capabilities.

On 6 April 2020, the Group announced the appointment of Sergio Penna as Group Financial Officer. This followed the decision of Federico Vecchio to step down from the role for personal reasons. Mr Vecchio was not a member of the Group Board. Mr Penna will join the Group on 1 June 2020 in order to ensure an effective handover with Mr Vecchio, who will be leaving on 30 June 2020. *It is intended Mr Penna will join the* Board of SEC Newgate during the Autumn of 2020. Mr Penna qualified as a chartered auditor in 2005 with Mazars S.p.A. and holds a degree in economics from Luigi Bocconi University in Milan. He brings to the Group extensive financial experience gained in a number of multinational organisations.

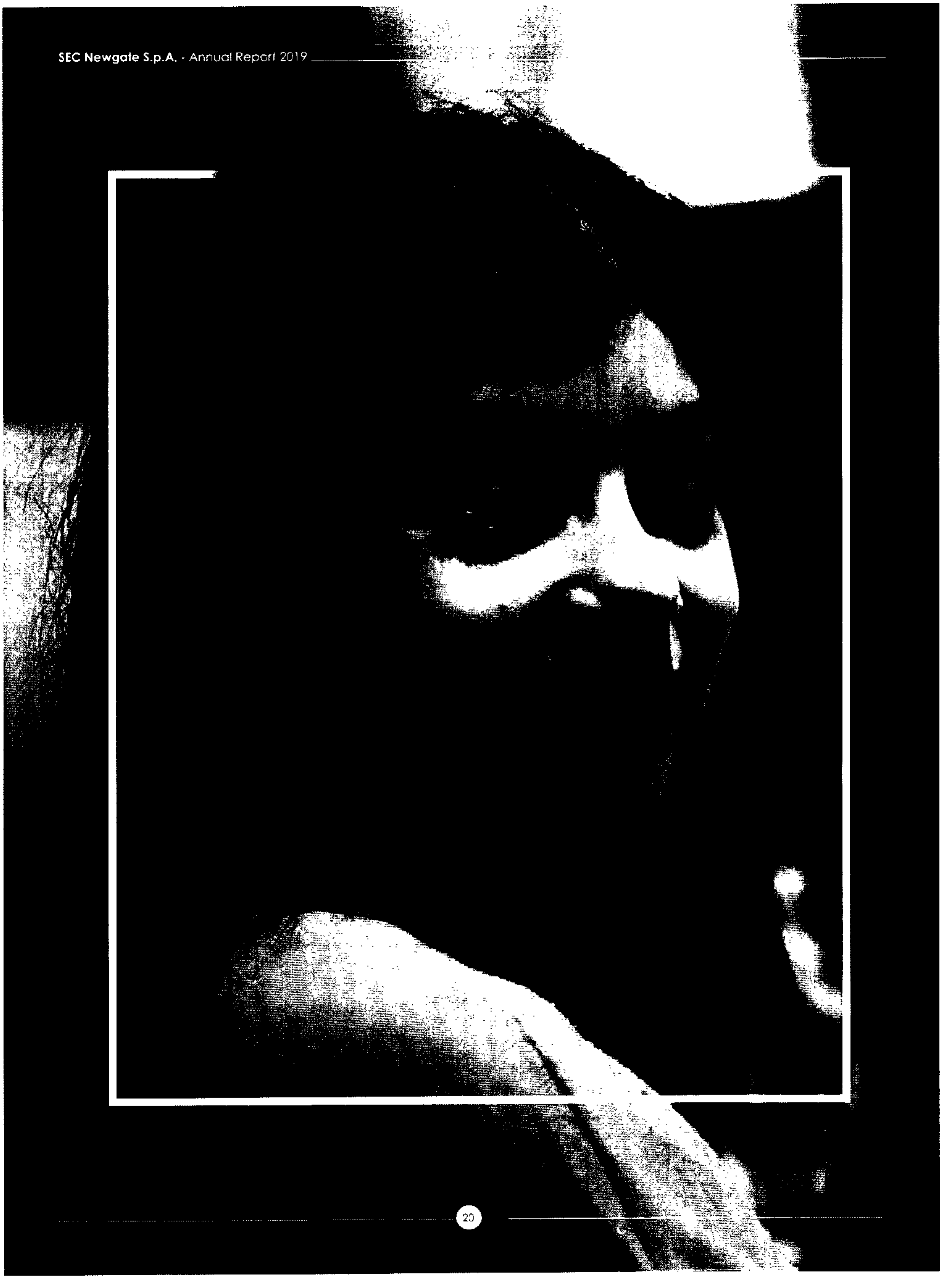
Outlook

The Group formulated its three-year Strategic Plan after extensive dialogue had taken place amongst our senior management team. The creation of a new Group, which is already within the top 30 global communications service providers, is a great opportunity to build a strong, profitable Group for the benefit of all our stakeholders.

Covid-19 certainly makes it harder to achieve our goals and we recognise that timescales may need to change from the original plan. However, the direction of travel is clear to us and that certainty will prove to be of great benefit especially in uncertain economic times.

The first quarter of 2020 started very well, and the Group's profitability was ahead of our budget. The Group's liquidity position is strong enough to withstand uncertain business demand for the foreseeable future. Our acquisition plans can be scaled accordingly to reflect the availability of finance. We therefore remain confident and enthusiastic about the prospects for the recently enlarged Group.

John Foley
Chairman
28 May 2020




ACROSS OUR GLOBAL FOOTPRINT WE ARE BUILDING A DISTINCTIVE BUSINESS MODEL THAT CREATES VALUE WITHIN OUR GROUP.

Chief Executive's Review

Fiorenzo Tagliabue

> *I WOULD LIKE TO THANK OUR WONDERFUL PEOPLE WHOSE HARD WORK IS EQUALLY MATCHED BY THEIR AMBITION.*

Group Chief Executive's Review

4 September 2019 was a historic milestone marking the creation of a fresh and exciting entity in strategic communications on the world stage. SEC Newgate, the merger of SEC S.p.A. and Porta Communications Plc, brought together two strong and successful businesses with complementary skill sets to create a top 30 global brand with ambitions to become a world leader.

As the Chairman has noted in his introduction, 2019 was indeed a crucial and very significant year in our combined history. As a consequence, today SEC Newgate ranks 26th in the PRovoke (formerly Holmes Report) 2020 Global Top 250 PR Agency Rankings which was released at the beginning of May. It is an impressive result that exceeds the estimate we made at the time of the merger in September last year. Since we began working as a combined group, both former entities have benefitted through increased scale and reach, as well as shared experience and expanded services in every region. Reaching the 26th position from 53rd in 2019, is a long journey to have made within a single year. Today's table, in fact, demonstrates that all the potential we identified in the merger is already bearing fruition, turning the rationale and reasons behind the deal into concrete facts and growth.

After successfully bringing together the two entities and some early achievements as a united group, within months the world was hit by Covid-19. As a result, it would be remiss of me not to reference the current year, at the start of my statement, given its significance to us will undoubtedly be as crucial as the prior year given it is the greatest crisis the whole world has faced in decades.

Covid-19 outbreak and our business

The Covid-19 outbreak has refocused our attention and efforts from our original plan onto delivering the best response and preparing the Group for the aftermath of the pandemic. Whilst, at this stage, it is almost impossible to predict and measure with any certainty what the overall impact of this emergency will have on our industry and more specifically on our business, across our agencies, we responded quickly and implemented a consistent set of protective measures and new initiatives.

These measures were our top priority and once we had achieved our primary objective of ensuring the safety and wellbeing of our people, I am pleased to say all operations successfully applied technology and embraced home working with positivity and a significant amount of creativity.

LOCAL.

NATIONAL.

INTERNATIONAL.

The main goal of our emergency measures programme was to define a strategy to put a 'handbrake' on spending across all our operations. The aim was to secure savings, protect the Group's cash position and liquidity, assess costs and renegotiate payment schedules wherever possible. Moreover, we are taking advantage of all the initiatives offered by different national governments to help companies facing this crisis with the objective of reducing costs, preserving liquidity and being well positioned for the recovery. This sound strategy was also underpinned by a number of key principles such as enhancing our service delivery levels to support our clients while protecting jobs to maintain a focus on commercial opportunities for both the crisis and recovery period ahead.

I am confident the Group will navigate these difficult times safely and with a united and shared vision. It is clear the quality and level of our response has benefitted from the strong foundations established as a result of the incredibly positive work during Q4 of 2019, shortly after the merger was completed.

The scale of our efforts has prepared us well to tackle 2020 – the first full operational year for the new Group. We have in place a clear vision and sound foundation to move forward.

2019: preparing for the future of our new Group

From 4 September, the new governance structure became effective: the board of directors comprises four non-executive directors, including the Chairman, John Foley, and six executive directors, some of the key Group's managers: Emma Kane, Tom Parker, Brian Tyson were appointed Deputy Group CEOs and Mark Glover, Andrea Cornelli and Anna Milito as Executive Directors. Eric Giuily, Chairman of CLAI, the French partner, now chairs the Group's Management Committee on which all the regional Managing Directors sit.

Our senior team was ready to hit the ground running in 2020, our first full year together, and roll out our business strategy and engage with the market. During the last quarter of 2019, the management team focused on three areas of activity:

- Drafting a three-year Strategic Plan for the years 2020-2022
- Identifying all synergies and savings to be implemented within the shortest timeframe
- Setting a development plan to improve the Group's footprint in strategic markets that were missing at the time of the merger

The Strategic Plan was approved on 5 November after extensive discussion with the management team. The Plan provides the Group and its subsidiaries with a roadmap to establish SEC Newgate in the top 20 global PR groups in the world. The Plan's main focus is increasing profitability from the first full financial year. The Plan includes detailed targets, the strategy by which we meet those targets, namely organic growth, improved efficiency and acquisitions, and the human resources policies by which we manage and reward our staff. Outside the company it will be the main tool used to promote a new offering to the market.

The majority of the Plan is in the process of being implemented and is driving the Group's activities, despite the Covid-19 emergency.

On the synergies and savings side, the work was immediate and extensive. Results were not limited to short term savings, with emphasis also on medium term issues in order to generate the greatest possible impact. In the short term, the substitution of the Porta credit facility with Clydesdale to a new one secured with Deutsche Bank S.p.A. that offered lower interest rates, cancelled all covenants and released security over Porta subsidiaries' shares is worthy of mention. In the medium term, an example worth mentioning is the proposed merger of our UK operations Newgate and Newington into the Group's primary London offices in Basinghall Street. This will be executed once the Covid-19 lockdown is behind us.

Finally, regarding the acquisition strategy the aim is to fill in gaps in SEC Newgate's global footprint, beginning with the US, key markets in the Far East and expanding into Africa, which has commenced with the establishment of a new entity in Morocco. In addition to these targets, the strategy seeks to improve and strengthen the Group's presence in several of our existing key geographic areas such as Latin America, the Middle East and Greater China.

Due to Covid-19 investments have, however, been put on hold with the significant exception of the US given the crucial strategic nature of this market. Discussions are consequently still ongoing with potential partners there.

For our Greater China offering, we are continuing our search for a potential key individual to enable the business to fully exploit our well-established presence in Hong Kong, Shanghai and Beijing.

A distinctive business model

Across our global footprint we are building a distinctive business model that creates value within our group while recognising that our world of peer-to-peer communication requires flexible partnership and networks to mobilise the expertise our clients' need. Based on the peer-to-peer relationships with our clients, we seek to be advisors and partners rather than just another service provider. Coupled with our unique culture, we are a group of entrepreneurs and local business leaders that value difference and embrace diversity. Our focus on building leadership in emerging areas that are profoundly changing communication e.g. AI, market research and political risk puts us on an exciting and ambitious path that differentiates ourselves in the market.

We have prioritised the development of proprietary technologies, research and analytics in which we have made significant investments over the recent years, such as:

- The Artificial intelligence platform in Milan
- The new release of the "EUessential" app in Brussels
- The rollout of Australia's Newgate Research business into the UK and Europe

The intelligence and the broader tool base that these have generated will further strengthen our competitive edge. In particular, the application of Artificial Intelligence models to our core services, are now going through the pre-sale testing phase and are already beginning to generate promising results.

More broadly, the commercial strategy is being implemented across three parallel pillars:

- The commencement of a Group marketing plan
- Growth in inter-company business and cross-selling
- Raising awareness among larger potential *clients at a global level*

At the end of November 2019, the first Management Committee took place at the Group's Milan headquarters, bringing together managing directors from across the Group's operations. At the summit, internal discussions were held with the aim of refining *the position and mission for the Group, to* set commercial strategy and build a plan to leverage all the skills and know-how across our 34 offices, in the 15 countries where we operate.

Post Balance Sheet Events

Since the year end, in line with the objectives set out at the time of the merger and reiterated in the Strategic Plan, the Group has been successful in:

- Restructuring its €3 million debt facility with Unicredit Bank
- Negotiating a new loan facility with BPM Bank, an Italian Financial institution, that is worth €1 million
- On 25 February 2020, SEC Newgate secured a €2.5 million convertible bond with Inveready Convertible Finance Capital I FCR with a maturity of seven years from issuance, with interest payable quarterly at 3.50%

Outlook

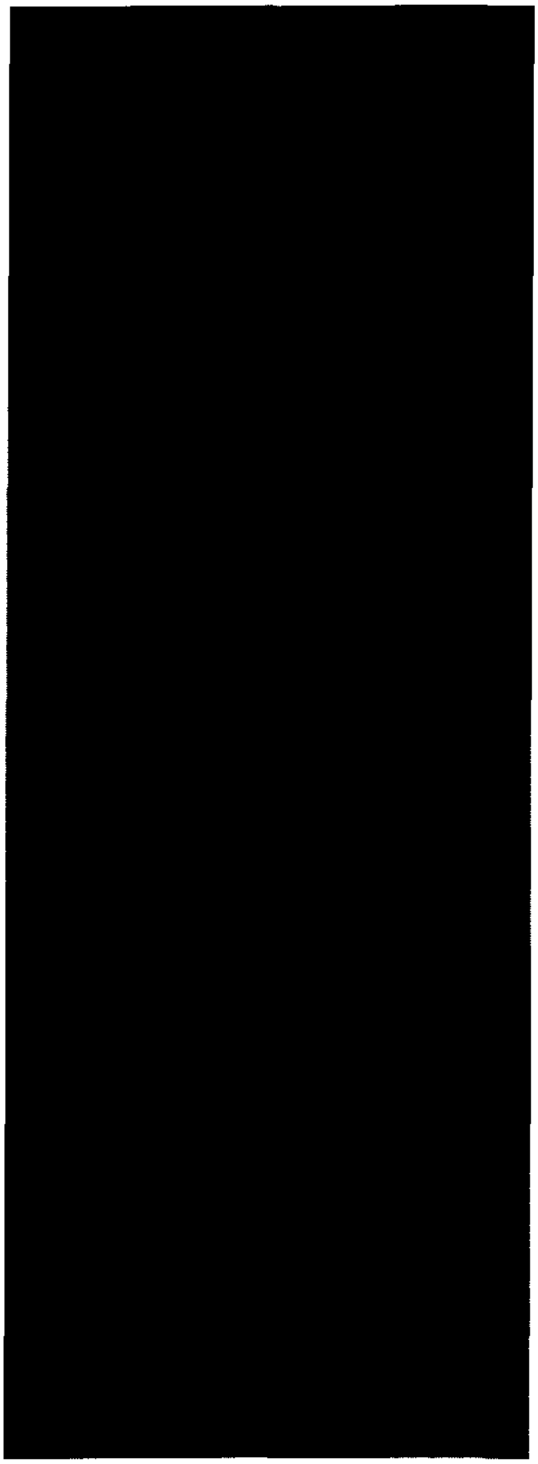
The Group's growth plans, both organic and by acquisition, remain contingent on the Group's ability to achieve the positive results expected from the implementation of its Strategic Plan in the year ahead.

Q1 2020 numbers are positive, but as with the *wider economy Covid-19 will have an impact* on the business. Steps to reduce our exposure and reposition our offering within this context have been proactively taken as previously mentioned.

As we grow, our vision is getting more clearly focused: to build a worldwide group that pairs the skills of our talent with the strength of technology to be at the side of our customers to increase, measure and defend their reputation.

We believe that the Covid-19 crisis will bring significant and lasting changes impacting everyday life, the way we work as well as the communications industry itself. However, with our strength of culture and resilient attitude, openness to change and innovation, and forward-thinking business model, we are confident we will not only cope with this change but will be ready to move forward with strength and a positive outlook.

Fiorenzo Tagliabue
Group CEO
28 May 2020



Group Agencies

"

TOGETHER WE CREATED A TOP 30 GLOBAL COMMUNICATIONS GROUP WITH APPROXIMATELY 600 SEC NEWGATE ENTREPRENEURS BASED AT 34 OFFICES, IN 15 COUNTRIES AND FIVE CONTINENTS – FROM LONDON TO SYDNEY, FROM MILAN TO BOGOTA, AND BERLIN TO SHANGHAI.

ASIA PACIFIC

Deputy Group CEO Brian Tyson

Australia

Newgate

Newgate Australia achieved its highest ever net revenue of AUD$21.4 million in the sixth year of its operation as the leading integrated communications company in the Australian market.

With the addition of an Adelaide office, the business now operates out of six offices across the continent (Sydney, Melbourne, Canberra, Brisbane, Perth and Adelaide) with total staff numbers now over 90.

> *NEWGATE AUSTRALIA ACHIEVED ITS HIGHEST EVER NET REVENUE OF AUD$21.4 MILLION.*

On the business front, providing communications for the delivery of large infrastructure projects continued to be a significant part of the business – Sydney Metro, Cleanaway Energy from Waste, Snowy Hydro 2.0, one of the world's largest pumped hydro renewable energy projects amongst our biggest clients of 2019. After a slow start leading up to the two major elections (NSW in March and Federal in May), the return of the incumbent political parties signalled a back to business surge in new client projects and increased activity on those that were in a pre-election holding pattern.

The Financial Communications team had a very strong year as well taking advantage of an uptick in M&A activity post the elections. A key cross border transaction that reflected the benefit both of our network as well as our integrated offering was a highlight of the year. Working for Mengui, a Hong Kong listed Chinese company with significant state-owned shareholding, we managed to gain FIRB approval for the takeover of two Australian companies in the beverage industry. Continuing from our 2018 performance we were again represented (alongside our colleagues in Singapore and Hong Kong/China) in the Holmes Report APAC Financial Communications and Merger Market awards.

Newgate Research continued to develop new products, with a specialised social media audit product and undertook a large piece of research into the ABC, Australia's national broadcaster.

A large crisis brief for one of the major domestic banks in November and December turned a historically breakeven summer Christmas period profitable.

Looking forward, the strong finish to 2019 has led to a strong new business pipeline into 2020 with a large stakeholder engagement project for Air Services Australia and the opening of a new stadium in North Queensland.

We assisted the Minderoo Foundation which is independent, forward thinking and seeks effective, scalable solutions and one of Asia's largest philanthropies, with AUD $1.5 billion committed to a range of global initiatives. We also supported a number of companies advancing the Uluru Statement on constitutional recognition of Aboriginal and Torres Strait Islanders.

On the pro-bono front, we continued to support a number of organisations including Thrive, Ovarian Cancer Australia, Aurora and the Clontarf Foundation.

Greater China

Newgate

Newgate's business in Greater China had a slow start to 2019, as trade tensions between the US and China noticeably impacted corporate investment activity and decision making. This situation worsened in the middle of the year when protests in Hong Kong cast a further shadow over investment decisions involving assets or businesses in the city. In particular this caused much work on M&A deals and lucrative brand-building mandates, which the company had won, either to be halted mid-process or indefinitely postponed.

Notwithstanding this exceptionally tough trading environment the Hong Kong business achieved a single digit profit margin for the full year, particularly benefitting from a marked improvement in performance in the second half when it won several new retainer and project mandates, across a diverse range of areas including litigation, private equity and government relations.

Notable new mandates for the Hong Kong office included work for funds in connection with a fraudulent creditor default in Vietnam, litigation support for a global fashion brand around intellectual property abuse in China, work in China for insurance group AXA, whom the company supported on its acquisition of Tianping and with a major corporate brand-building campaign, research work for Apple, as well as a variety of projects in the technology and fintech sectors.

In Shanghai, however, the business was unable to gain traction beyond a few small mandates and consequently incurred significant losses. Since the year end this situation has resolved itself with the departure of the Shanghai office head, allowing the company to stem those losses and focus on identifying new leadership for that business with the necessary network, skills and experience required to establish a successful offering.

With the advent of Covid-19 and an effective shut-down of all relevant business activity in China the timing of this significant reduction in cost has enabled the firm to avoid the significant losses being experienced by many others operating in that market.

From a broader regional perspective Newgate continues to be recognised for the quality of its work, being shortlisted for the PR Week Asia-Pacific PR Consultancy of the Year award.

Singapore

Newgate

In 2019, Newgate Singapore continued to build on its track record as the leading communications advisor on capital markets transactions, advising on a number of high-profile M&A, fundraising and shareholder engagement mandates during the year. Towards the end of 2019, we decided to consolidate some of our service and product offerings, as well as restructure part of our team, with a view to increasing our digital and research capabilities and staffing in 2020.

Building on the experience we gained from advising on the first, ground-breaking merger of two Singapore-listed REITs in 2018, we won two additional mandates during 2019 for mergers of other Singapore-listed REITs, which were amongst the largest M&A transactions for the year.

"

ADVISED ON SOME OF THE LARGEST M&A TRANSACTIONS FOR THE YEAR.

We also advised on a number of privatisation bids, as well as on the successful restructuring of one of the largest regional property groups. Also building on experience from the past year, we advised on another successful bond issuance during the middle of 2019.

On the corporate communications front, we further diversified our service offering to our core groups of real estate and financial services. During the year, we also won a number of new litigation support and crisis communications mandates.

EUROPE, MIDDLE EAST, AFRICA.

"

FROM A BROADER REGIONAL PERSPECTIVE NEWGATE CONTINUES TO BE RECOGNISED FOR THE QUALITY OF ITS WORK, BEING SHORTLISTED FOR THE PR WEEK ASIA-PACIFIC PR CONSULTANCY OF THE YEAR AWARD.

Deputy Group CEO
Tom Parker

Abu Dhabi

Newgate

Newgate Abu Dhabi, in its sixth year, experienced a shifting market environment in the Middle East region. Despite this, the agency was successful in winning some prestigious client accounts: United Nations/ World Urban Forum, the UAE Embassy to China and Abu Dhabi Securities Exchange.

These client wins resulted from a concerted effort emanating from a strategic plan focused on driving growth and profitability in areas where the agency has true expertise and a proven track record - expanding the agency's core business with Government entities; developing business opportunities cross border; and, consolidation of the agency's team of experts.

Belgium and EU

Cambre

2019 was a year of consolidation for Cambre, after a challenging 2017 and recovery in 2018. Cambre experienced a steady flow of new business across sectors and retained or grew existing client assignments (notably in the external relations and trade areas). The tech, trade and energy practices gained market recognition and association management services are back on track. Sustainability and competition practices are emerging and look promising for 2020. The SEC Newgate launch upped the agency's profile and drew attention to its global footprint.

The consultancy's fee income was significantly ahead of the prior year and ahead of forecast; EBITDA also almost doubled. Covid-19 aside, the outlook for 2020 is good and the focus will be on reviving Cambre's healthcare practice, showcasing its climate/sustainability expertise, including strengthening its chemical industry practice and enhancing its digital capabilities.

France

CLAI

Despite a slow start to 2019, activity levels for the last nine months of the year rose and the recovery was such that the last quarter was 40% ahead of the first quarter. The decisive action taken by the team to reduce costs resulted in significant improvements year on year at both EBITDA and gross margin levels. Key highlights for the year included winning long-term contracts from Acoss (the financial agency for all public welfare institutions in France), ANSM (the public agency controlling medicines), and being hired by prestigious international clients such as Amazon, International Papers and Bridgestone.

"How to make others speak for yourself", a book written by Elisabeth Coutureau and Eric Giuily, which explains and develops their specific strategic approach to communication, the "Corporate Advocacy ®", was published in April and received widespread, positive endorsements in the media. It is now the key element of the agency's marketing strategy with a "Monthly point of view" published on the agency's blog.

Germany

Kohl PR

2019 marked the turnaround of the agency following a difficult situation in 2018. The agency was repositioned with the change of its General Manager, a new corporate design and the recruitment of new high-profile senior consultants. These actions laid the foundations for positive developments in 2019 and triggered new business opportunities.

A number of important new assignments were secured and the financial situation recovered despite the strained economic situation in Germany due to market insecurities relating to Brexit and strained international trade relations.

New client wins included Edwards Lifesciences and Blauer Engel and 12 project assignments. As a result, the consultancy was profitable on revenues significantly ahead of the prior year supported by a reduction in operating expenses.

Italy

SEC celebrated its 30th anniversary in 2019, in the same year that the group merged to create SEC Newgate whilst retaining its premium market positioning in Italy and with revenues significantly ahead of the previous year. Across the different local businesses highlights included: SEC Mediterranea S.r.l saw significant improvement in top and bottom line financials through projects such as the Edison Group IGI Poseidon gas pipeline project; SEC and Partners S.r.l worked on major projects including LVMH, the ongoing dispute between Vivendi and Telecom Italia and the acquisition of ABB solar inverter business by Fimer; SEC & Associati S.r.l delivered a positive performance from both ongoing and new clients, much of this growth coming from the agency's expansion in the ICT and Health sectors; Finally, HIT S.r.l. significantly improved performance in 2019 with activities including ongoing work at Milan Malpensa and Linate airports and services in La Triennale.

Other key highlights during the year included: Management of significant infrastructure (Terna, A2A) and urban requalification projects including being appointed by AC Milan and FC Inter to advise on community relations; handling major crisis communication situations such as restructuring at Ikea and the rail disaster for Trenord; financial communications for organisations such as the Chartered Accountant fund; and client wins for brands such as Maxi Zoo and Autotorino. Our events business successfully handled the Linate Air Show on behalf of SEA, the airport management company in Milan, attended by over 200,000 people.

2019 was also a crucial year with respect to the finalization of our Artificial Intelligence based proprietary tool to deliver new to market applications for reputation and advocacy services. Closing a very time-consuming project initiated nearly two years ago, and with an investment of nearly €1.5 million, we ended 2019 ready to pre-market test the first applications at the beginning on 2020.

Along the same path of innovation and digital integration, at the end of 2019 a dedicated team of PR, digital and visual professionals underpinned by software engineers was incorporated to create a new business division named Accelerate. The team took on board staff and know-how from our existing event division which had, earlier in 2019, incorporated the staff and business of Curious Design, our visual and content agency which was liquidated at the end of the year. This large and multidisciplinary team will work across all divisions to develop innovative integrated solutions in the digital, brand experience and e-marketing fields for organisations that aim to improve their engagement capabilities.

Morocco

Cambre Advocacy Maroc was established on 4 December 2019 following a successful initial project with Cambre supporting the Kingdom of Morocco in engaging with the European Union. The new agency is owned by SEC Newgate and AvantScene, the leading event and communications agency in Morocco. The agency is led by Driss Benhima, former member of the Moroccan Government and former CEO of some of the biggest state-owned companies in Morocco.

The agency is focused on strategic communications and advocacy for public and private decision makers in Morocco as well as consultancy services to foreign investors and organisations wishing to focus on Morocco, the wider French speaking Africa market and those who need assistance with their stakeholder engagement programmes.

Poland

Martis Consulting

In 2019 Martis focused on crisis consultancy in relation to the deepening decline in trust in institutions and companies operating on Polish capital markets. In the wake of this crisis, which started with the Get Back scandal, all those investing in shares, bonds and investment fund units suffered considerable losses. The agency's consultants provided communications support to both banks and investment fund companies, as well as distressed businesses.

The Company continued to develop its research and market analysis activities and published a report "Analysis of European Public Listed Companies with (Partial) State Ownership" in May 2019. The report was very well received by the market and commentators. It was published in both Polish and English and included comments of experts representing different SEC Newgate Group companies.

In December 2019, Martis Consulting presented the results of its second report "Valuation of Polish Managers". The publication of this edition of the report was widely covered in the nationwide media, including on the front pages of two leading general and business dailies "Rzeczpospolita" and "Gazeta Parkiet".

Spain

ACH

During 2019, ACH focused on restructuring the business including the creation of a market leading Digital & Creative team focused on social media, influencer campaigns, advertising and reputation management. The agency continued to be highly regarded for its Public Affairs and institutional and media relations skills.

The agency was successful in securing new client project mandates from organisations such as Afinity, Knight Frank, ProColombia and Silicones.

UK AND AMER
(NORTH, CENTRAL AND SOUTH AMERICA)

> "INVESTMENT IN MORE SOPHISTICATED MANAGEMENT INFORMATION SYSTEMS HAS SIGNIFICANTLY ENHANCED THE QUALITY OF THE WORK DELIVERED AND HAS IMPROVED THE PROFITABILITY OF THE BUSINESS.

Deputy Group CEO
Emma Kane

Colombia

SEC Newgate Colombia

The agency is now the second largest PR agency in the country and, in 2019, was successful in sustaining the growth it had achieved in 2018.

Revenues were positively impacted by the consolidation of the healthcare practice with the entry of Sanofi Pasteur and Cruz Verde which is one of the most important pharmacy networks in the region.

The agency's expertise in the extractive industry was also strengthened as AngloGold Ashanti and Continental Gold joined our portfolio in the second semester.

The Brand PR business unit delivered strong results through key clients such as Diageo, Huawei and AB Inbev, with an increased scope during the year.

In addition, the Creative and Digital unit led important projects complementing our service offer in the market.

The agency's focus on generating new business through international clients with pan regional potential was successful and will be a key focus for the business going forward.

United Kingdom

The UK market remained challenging during 2019 due to the uncertainty surrounding the timing of Britain's exit from the European Union. Despite this, the overall performance of the majority of the UK agencies was significantly improved on the prior year.

Newgate Communications

2019 was the first full year for combined entities of the former Redleaf Communications, Publicasity and Newgate Communications which were all merged under Newgate Communications in November 2018.

The focus during the year was very much on improving bottom line performance rather than purely on fees billed. A fundamental branch and root review was undertaken across all areas of the business following the merger.

A new way of working, under one P&L was implemented to ensure that the best team for the client challenge is always used which often comprises people working together from across the agency, in different teams, with different skill sets. This approach coupled with investment in more sophisticated management information systems has significantly enhanced the quality of the work delivered and improved the profitability of the business – the combined business is now trading profitably and margins are improving.

A strategic review was undertaken of Newgate's community engagement business and new leadership was also put in place. This business areas has since gone from strength to strength winning numerous important mandates included several significant Development Consent Orders, an area in which the agency has significant expertise.

New mandates secured during the year included: Ballymore, JM Finn, Jury's Inn, Leonardo Hotels, Openreach, Urban & Civic, and Vanguard.

The business is now trading profitably and has a clear path continuing to drive performance over the coming year.

Newington Communications

Newington's revenues and thus profitability were impacted by wider market issues and a major client's decision, at the start of the year, to take its public affairs activity in-house. The agency's management team took the necessary steps to reduce its costs commensurate with the reduction in fees. By the end of the year, fees had risen to their target levels as a result of the team securing significant new mandates across all consultancy practice areas – for both retained and project work.

New clients include Energy Networks Association, Cadent Gas, Harlow and Gilston Garden Town, Office of the Rail Regulator, Keolis, Sodexo, Swansea University, Transport for London and Taylor Woodrow.

Newington won the Public Affairs Europe Award 2019 for its campaign with the Crisis Prevention Institute.

2112

During 2019, 2112 Communications continued to strengthen relationships with key clients, attract new clients, build reputation and expand capabilities to be able to deliver exceptional creative solutions. The agency's client base was solidified by blue chip clients such as HSBC Asset Management, Lombard International Assurance, Alliance Bernstein, T Rowe Price and The United Nations all engaging 2112 during the year.

The senior management team was strengthened with the appointment of Andrew Golding in November 2019. Andrew joined the agency as Head of Strategy and Innovation and has been appointed to the Board.

2112 continued to expand its reach and increase its revenues from international activities with the establishment of 2112 Asia, a joint venture with Hong Kong based agency, Chord Asia.

The quality of 2112's work was recognised by receiving the award for best content at The Financial Services Forum Awards for Marketing Effectiveness 2019.

Group CFO's Review

This year, the creation of SEC Newgate, which is the result of the merger of leading European communications firm SEC with Porta, has represented a turning point for the entire Group, which can now rely on c.600 people working out of 15 countries and five continents.

Following the merger, we have immediately focused on aligning reporting procedures throughout the enlarged Group and have worked towards achieving savings, especially with regards to the UK business and its headquarters, where, after the merger, €0.5m of net annualised costs were removed. Moreover, thanks to the restructuring, even before the merger, of the UK companies during 2019 (which led to €0.8m of net savings related to employment and other operating expenses), these entities were able to join SEC Newgate with a much stronger and more profitable position.

We have also worked on our three-year Strategic Plan, focusing on key goals for the coming years including, but not limited to, a return to profitability for the former Porta group, cultural integration of the enlarged Group and increased visibility and reputation in the market which will represent our main guidance for the coming years.

For the year ended 31 December 2019, the Group delivered another year of positive Operating Profits and Profit before Tax (PBT). These figures are not easily comparable to the prior year due to the implementation of IFRS 16, the consolidation of the Porta Group from 4 September 2019 and the full-year contribution of our French subsidiary CLAI (which was acquired in November of 2018).

Federico Vecchio

Key financials

GROSS PROFIT WAS €37.6M
(2018: €22.2M)

OPERATING PROFIT WAS €1.8M
(2018: €2.3M)

PBT WAS €1.3M
(2018: €2.2M)

In 2019 we updated the Consolidated Income Statement to disclose gross profit as this is a measure used internally to monitor our performance at a Group and subsidiary level (please refer to the explanatory note included in the Consolidated Income Statement). Furthermore, we have moved away from using EBITDA as a performance metric since the transition to IFRS 16 on 1 January 2019. The main impact of IFRS 16 is to increase EBITDA in 2019 as the rental expenses have now been replaced by depreciation and interest which falls below EBITDA. Given that the Group has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions, EBITDA is less comparable between the years. For this reason, and given that EBITDA no longer includes a key operating expense (rentals), our focus has shifted towards PBT. Further details on the impact of IFRS 16 can be found in note 33.

Gross profit was up by c. €15.4m with the increase mainly attributable to the following:

CONSOLIDATION OF THE NEWLY ACQUIRED PORTA GROUP AND ITS SUBSIDIARIES FROM SEPTEMBER 2019 (EXPLAINING C.70% OF THE INCREASE)

FULL YEAR CONSOLIDATION OF CLAI (ACQUIRED IN NOVEMBER 2018) (EXPLAINING C.20% OF THE INCREASE)

ORGANIC GROWTH OF THE OTHER COMPANIES WITHIN OUR GROUP (EXPLAINING C. 10% OF THE INCREASE)

Employee expenses were up both in absolute terms (by c. €10.8m, €8.8 of which related to the consolidation of Porta entities) and in relative terms when compared to GP (by 6%). This increase was partially due to the fact that on average former Porta entities had a much higher employee expense to GP ratio (c. 78%, including however some ceasing expenses as described in the section "Subsidiaries Restructuring") compared to SEC companies (c. 56%). In terms of total staff, the Group employed 592 people at the end of 2019 (327 at the end of 2018).

Service costs were up by €2.2m (33% increase) even though this class of costs has been impacted by the implementation of IFRS 16 which has seen a decrease in rental expenses (since the long-term lease effect is now allocated to depreciation and interest expenses). Most of the increase in service costs is attributable to an increase in overhead expenses (which include items such as utilities, marketing expenses and staff travel) which increased by almost €2.3m in 2019. Also, other operating costs (which include, among the others, listing costs and software licences costs) have increased in 2019 by c. €1.0m.

Whilst amortisation of intangibles was in line with 2018 (€0.1m), depreciation was €1.9m higher than in 2018 mainly due to the implementation of IFRS 16. After performing impairment tests on each of our subsidiaries, we concluded that no impairment or write-off was needed.

Finance expenses were up in the year; however c. €0.5m of this increase was as a result of the implementation of IFRS 16. The other main reasons were a net loss on foreign exchange movements by c. €0.1m[1] and an increase in Group financial debts (part of which was as a result of the merger). As part of the merger, there was a deed of variation with Hawk in relation to the deep discounted bond granted to Porta Communications extending the redemption date referred to in the bond from 14 April 2021 to 14 April 2023 and, as a consequence, to increase the nominal value of the Hawk Bond to £4.8m. Whilst this reduced the implied interest rate from 8% to 6% per annum the interest incurred on this bond is now consolidated within the Group's results. Moreover, in December 2019, SEC Newgate signed a new four-year €3.0m banking facility with Deutsche Bank S.p.A. which was used to replace the Revolving Credit Facility provided by Clydesdale Bank to Porta Communications Plc in 2017. There has been a significant saving in terms of interest expenses since the new facility has an interest rate of 3-month 1.70%+EURIBOR (while Clydesdale RCF had an interest rate of 3.85%+LIBOR).

As a consequence of the comments highlighted above, the Group PBT in 2019 decreased to €1.3m (40% fall on 2018).

Also the total comprehensive income for the year, due to the items above and also due to losses on investments held at fair value (as a result of the revaluation of Porta Communications shares held by SEC before the merger) and losses on exchange rates movements, registered a decrease of c. €0.8m.

[1]Given the expansion of the Group and the increased interborder trading, the size of this movement is likely to occur going forward

Subsidiaries restructuring

We are aware that some of our subsidiaries have a huge growth potential and, throughout 2019, we have been working on setting up a clear strategy and the necessary resources in order to deliver it.

Among these subsidiaries includes Newgate Communications in the UK, which has undergone significant restructuring, started in 2018 (when the merger between Newgate Communications, Redleaf and Publicasity happened) and completed towards the end of 2019. In terms of net annualised savings for this company (related to staff costs, one-off expenses and other operating expenses), management has been able to save c. €0.8m in 2019, which, combined with the net annualised savings realised in 2018 (c. €2.9m), brings the total figure over the last two years to €3.7m.

2112, another UK subsidiary, has substantially completed its restructuring process, which has been an ongoing activity which started at the end of 2016. In particular, the company has completely reshuffled its management team and reduced its staff numbers from 44 to 28, which has led to a net annualised saving at the end of 2019 (compared to 2016 when the process started) equal to c. €0.6m while focusing on maintaining a constant level of fees.

Another company which has faced a profound restructuring is our Spanish subsidiary ACH SEC Newgate. Indeed, starting from mid-2019, the local management has implemented a strong reduction of the company's labour costs (which are now c. 23% lower), incurring one-off costs in terms of compensations. However, also thanks to the creation of a Digital & Creative department during 2019, the company is now better positioned to be able to return to profitability going forward.

2019 has also marked the turnaround for our German subsidiary Kohl, which, thanks to the change of its General Manager, a new corporate design and the recruitment of a new high-profile senior consultant has been able to secure important new assignments and recover its financial situation, delivering a positive PBT in 2019 despite the strained economic prospect in Germany due to insecurities of the markets regarding Brexit and burdened international trade relations.

Post-merger, Porta Communications has also undergone the first phase of its restructuring process, which led to net annualised savings of c. €0.45m. Management has decided to simplify the operations and activities of this company and this ongoing process, which will continue into 2020, has the clear goal to turn Porta Communications into a purely centralised finance function for the enlarged Group.

Finally, in Italy the Group also streamlined its activities during 2019, with Della Silva (which has not traded throughout 2019) and Curious' (which has stopped its business activity in the second half of 2019) operations and activities now transferred to SEC Newgate.

Group finance operations

Following the merger, we have focused on improving the operating effectiveness of the financial reporting within the Group to enable *the board of directors and management* to make quicker informed decisions based on true underlying performance and data. On top of that, the Group finance function has immediately started to work on the implementation of new processes throughout the enlarged Group in order to align reporting and facilitate the collaboration among all the subsidiaries in sharing information and best practice.

Whilst a significant amount of work has already been done in terms of aligning the management accounts reported monthly by each subsidiary, the next step, in terms of Group reporting, is to implement a new consolidation system for the enlarged Group in order to produce timely consolidated reports and KPIs whilst also ensuring the consistent use of the same chart of accounts across the Group. This will result in a quicker turnaround of information enabling decisions, both internally and externally, to be made more efficiently and timely.

> *WE HAVE WORKED ON OUR THREE-YEAR STRATEGIC PLAN, FOCUSING ON KEY GOALS FOR THE COMING YEARS.*

Net debt

Following the merger in September 2019, the Group's debt position has reached a considerable level (c. €8.7m of net debt as at 31 December 2019), even though a relevant portion (£5.3m) of former Porta group's *debt has been converted in shares upon* completion of the merger.

Besides what has been highlighted above in relation with the Hawk discounted capital bond, after the completion of the merger, the Group has also focused on refinancing the Clydesdale facility and it has been able to do so in December 2019 thanks to a new financing facility from Deutsche Bank S.p.A., which also allowed SEC Newgate to obtain important savings in terms of interest. The new facility has an interest rate of 3-month EURIBOR (with a floor at 0%) + 1.70%, while the previous revolving credit facility with *Clydesdale Bank included a margin of 3.85%* over a 3-month LIBOR.

The increase in debt outstanding, part of which, as explained above, was linked to the high level of Porta's net debt pre-merger, caused a negative net debt impact of €7.0m. From a total capital perspective, the merger and the movement in retained earnings in the year have resulted in an increase of c. 65% of total equity, which when taken in conjunction with the net debt movement, has caused the Group's debt to equity ratio to increase from 0.1 in 2018 to 0.4 at the end of 2019.

Whilst the Group is now in a better position to compete in international markets, the condition of the net debt position cannot be ignored, and now that the merger is effective it is the immediate focus of management to improve and strengthen the Group's capital structure.

Post Balance Sheet Events

On 25 February 2020 SEC Newgate secured a €2.5 million convertible bond which was subscribed on 4 March 2020 by Inveready Convertible Finance Capital I FCR and Inveready Convertible Finance Capital SCR S.A., each a fund set up or managed by Inveready Asset Management S.G.E.I.C., S.A ("Inveready").

This convertible bond, together with the further financing from an Italian bank secured in February 2020, will help the Group in financing the implementation of its strategic plan, announced in November 2019, as well as in supporting the Company's working capital requirements.

The convertible bond has a maturity of seven years from issuance, with interest payable quarterly at 3.50%. The bond, which has been issued as 25 bonds with a nominal value of €100,000 each and are freely transferable, may be converted (at a conversion price of approximately 55 pence per SEC Newgate share) starting from the 3rd anniversary from the issuance. If the conversion of any of the bonds does not occur prior to maturity, an additional non-conversion fee is payable by SEC Newgate equivalent to a 2.5% annual return on top of the interest paid.

Another important event which has impacted the Group in the first few months of 2020 is the Covid-19 outbreak, which affected markets all across the world. The Group and its subsidiaries, after a good start to the year in line with management expectations, have inevitably been impacted by this, mainly in terms of delays in cash receipts and temporary suspension of contracts by clients, even though normal origination and execution activity has continued throughout all the offices as far as possible.

All of the companies in the Group have implemented specific actions to reduce the impact of Covid-19 by using measures such as reducing all discretionary spend in order to cope with this extraordinary situation, as well as taking advantage of all possible measures provided by the governments around the world.

As highlighted above, the Group has the benefit of the recently issued €2.5m Convertible Bond, together with available committed banking facilities, with maintainable covenants, and good relationships with its lenders, as highlighted by the new €3m four-year banking facility with Deutsche Bank S.p.A. announced in December 2019, to support the Group through this difficult time.

Conclusion

Thanks to the actions already implemented at the end of 2019, the Group is well positioned to deliver operationally and financially and, whilst Group management is aware of the further improvements needed in terms of processes and systems and of the ongoing work needed to drive bottom line growth together with top line growth, the operating foundations of the Group are firm, despite the short-term issues caused by the Covid-19 outbreak.

In the short-term, our focus will be to implement all necessary processes to *make the Group operate smoothly and* to potentially review the Group's capital structure to provide a solution that works for both shareholders and other stakeholders so that the performance and quality of the underlying businesses can be converted in a stronger bottom line.

Following the merger, we are confident that the newly established Group is now in a much stronger position to improve operating performances going forward than it has ever been before.

Federico Vecchio
Group CFO
28 May 2020

THE NEWLY ESTABLISHED GROUP IS NOW IN A MUCH STRONGER POSITION.

Corporate Governance Statement

AIM companies are required to comply with a recognized corporate governance code. SEC Newgate has chosen the Quoted Companies Alliance ("QCA") Corporate Governance Code published in April 2018 for this purpose.

High standards of corporate governance are a priority for the Board. A prescribed set of rules does not itself determine good governance or stewardship of a company and, in fulfilling their responsibilities, the Directors believe that they govern the Company in the best interests of the shareholders, whilst having due regard to the interests of all the 'stakeholders' in the Group.

Details of how SEC Newgate addresses the QCA Code's ten key governance principles are published on the Investors section of the SEC Newgate website, which can be found **www.secnewgate.com/investors**

Principal Risks and Uncertainties

The Group is exposed to various risks which may affect its performance. The Group's management team performs regular exercises to identify and evaluate new risks facing the business as well as reviewing the appropriateness and progress of previously identified risks. The process is designed to manage these risks and ensure all necessary steps taken to mitigate them are considered and undertaken in a timely manner. However, no system of control or mitigation can completely eliminate the risks inherent in achieving the Group's business objectives. The existing risk management process adopted by the Board of Directors can therefore provide only reasonable, and not absolute, assurance against material misstatement or potential loss.

The Directors identified a number of risks and uncertainties which they believe may affect the Group's ability to deliver its strategic goals in the future. A list of these risks is summarised below. This list does not purport to be an exhaustive summary of the risks affecting the Group, is given in no particular order of priority and contains risks considered to be outside the control of the Directors.

Additionally, there may be risks not mentioned in this document of which the board are not aware or believe to be immaterial, but which may, in the future, adversely affect the Group's business and the market price of the Company's ordinary shares.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA which specialises in advising on the acquisition of shares and other securities in the UK or another appropriate financial adviser in the jurisdiction in which such investor is located who specialises in advising on the acquisition of shares and other securities.

The below scale has been used to indicate the estimated level associated with each specific risk:

LOW – 1 | 2 | 3

LEVEL OF RISK	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Acquisitions and disposals (strategic risk)			
3	**The Group acquires companies which are not complementary and/ or result in a negative impact to the Group once integrated** **Potential strain on the Group's financial resources as a result of acquisitions** **Companies are disposed of, leaving the Group exposed to gaps in its service offering**	• Reputational damage • Negative impact on the Group's financial performance • Additional support and funding being required • Unable to raise sufficient funds for the acquisition • Diversion of management resources whilst integrating new subsidiaries • Loss of clients and negative impact on revenue and profitability due to disposal	• The Group's focus is both on organic growth and acquisitions. In the event of a new acquisition, rigorous internal and external due diligence would be performed on the company and its market in order to identify potential risks and to ensure the acquisition is complementary and in markets where the Group is currently not present or underperforming • Where a new service of integrated offering is required, the Group would initially look to hire key staff and to develop the service internally before considering the acquisition of an external company • Earn-out mechanisms will be used in the majority of future acquisitions made by the Group in order to reduce cash tensions • Only non-core or risk exposed companies would be considered for sale, and only done so after careful analysis as to the impact of divestment

LEVEL OF RISK	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Management of growth (strategic risk)			
3	**The Group is unable to support the growth areas of the business sufficiently, through either lack of funds, resources or focus**	• Hiring decisions that lead to the recruitment of staff misaligned with strategy or ahead of revenue • Staff leave through lack of support and/or resources • Incur unnecessary costs • Required systems and processes aren't in place leading to inefficiencies and inaccurate information reported to management	• Processes and systems in place to help identify need and fulfilment of resource • The production and monitoring of budgets against performance and hiring plans • Targeted and specific staff training • Systems implemented to support staff in maintaining visibility on key metrics • Company and Group KPIs monitored by Executive Directors on a monthly and, where possible, weekly basis
New markets and channels of service offering (strategic risk)			
2	**New market and/or channel of service offering isn't sufficiently understood or researched prior to entry** **Achieving lower than expected revenues and/or higher costs and resource requirements when setting up new operations** **A new offering doesn't gain sufficient traction, is loss making or not complementary to other Group services**	• Negative impact on Group profitability and cash flows • Negative impact on integrated offering • Reputational and brand damage	• Fully research and market test any new services before formally launching • The Board pursues a strategy of organic growth in existing companies • Any entry into a new market would be with the support of local expertise • Use of qualified and experienced advisers where necessary • Continuously assess performance in new markets and the related opportunities and risks

LEVEL OF RISK	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Future funding and existing debt (strategic risk)			
2	**The Group net debt position increases at a rate in excess of the Group's performance**	• *Unattractive for* subordinated debt or equity funding • Creates a problematic platform from which to grow • Working capital diverted to interest payments • Difficult to find further funding at a competitive rate or without restrictive covenants	• *Executive Directors* closely monitor net debt position and continue negotiations with lenders • Closely manage costs so to de-risk the Group creating a more manageable platform from which to drive profitability • Improve the internal structure and strategic direction of the business to make it more investable • Where further financing is required, the Board looks to achieve this in a manner that is best suited to the Group and shareholders
Restructuring activities (strategic risk)			
2	**Business units, teams or individuals deemed not to be adequately supporting their cost base are exited from the business without sufficient analysis being undertaken**	• Incorrect decisions are made in the restructuring process causing a negative impact on revenues and/or staff morale, as well as incurring unnecessary additional costs	• The Group performs ongoing detailed analysis of companies, business units and individuals' performance against approved budgets and KPIs • Any restructurings undertaken are signed off by the Group and/or company boards after detailed discussions and presentation of analysis and with the support of external consultants where necessary • Group seeks to remain fair towards all members of staff affected by the changes through transparent and regular consultation

LEVEL OF RISK	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Overseas operation (strategic and economic risk)			
3	**A significant proportion of the Group's revenues is generated overseas. The Group's business is therefore susceptible to adverse changes in local and regional economic, political and social conditions as well as the policies of the relevant government, including changes in laws and regulations, taxation and the imposition of restrictions on currency conversion**	• The occurrence of war, public disorder, economic sanctions, terrorism and local or national strikes or labour unrest in any of the overseas locations in which the Group operates may disrupt or permanently prevent the Group from operating in these locations or from recovering its investment in whole or in part	• SEC Newgate maintains a balanced portfolio in terms of geographical locations to minimise the impact on the Group's overall results • Group performs a thorough analysis of economic, political and social conditions before entering new markets to minimise any unexpected turmoil

LEVEL OF RISK	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Global economic trends and political instability (economic risk)			
	Local and political landscape causes a slowdown in client spending **In 2020 particularly, Brexit in the UK, the political tensions in the Middle East and the trade war between the USA and China could contribute to significant uncertainty in key markets for the Group** **Covid-19** **The pandemic which impacted businesses and their employees around the world**	• A reduction in new client contracts • Resource heavy procurement processes • Margin pressure • Regulatory changes • New tax and other legislation • Fall in market confidence • A reduction in client contracts • A reduction in new client contracts • Fall in market confidence • Significant disruption to operations	• The Group disperses its risk and reliance on any particular economic environment through a wide and diverse client base in both industry and geography • Significant political events have been factored into 2020 budgets and company strategies have been re-focussed as a result • The Group and subsidiary boards monitor new business wins/losses and track committed fees and new business pipeline against budgets on a monthly and, where possible, a weekly basis and manage expenditure accordingly • The Group has business continuity plans in place • All employees are able to work remotely • All discretionary spend cancelled • All government schemes accessed where appropriate

LEVEL OF RISK	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Client dependency (economic risk)			
2	**That the Group, or any subsidiary, is overly dependent**	• Loss of a client materially impacts overall profitability • Company becomes too focussed or specialised in a single industry • The client monopolises company resources	• The Group performs weekly reviews of new business wins/losses across all Group companies which highlights any client dependencies • Systems have been put in place to enable staff to monitor profitability, servicing and staffing of clients • Continued diversification of industry expertise across the Group resulting in specialisms but no reliance on a single sector • No single client represents more than 5% of the Group's total Gross Profit
Competition (economic risk)			
2	**• The Group may face significant competition from both domestic and international competitors who have greater capital, greater resources and superior brand recognition and who may be able to provide better services, adopt more aggressive pricing policies or pay higher prices to acquire businesses and resources. There is no assurance that the Group will be able to compete successfully in such an environment**	• Lower margins and profitability • Loss of key employees and/or clients • Inability to provide appealing services	• The Group provides tailored and highly value-added services in order to minimise the pricing competition from bigger players • SEC Newgate focuses on retaining employees and is constantly committed to enhancing retention by employing the key mitigations discussed below under the retention of key employees risk • The Group focuses on anticipating major trends in the industry and on being among the first players in the industry to invest in new services and technologies (evidenced by the investment and development of its AI platform)

LEVEL OF RISK	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Revenue growth and profitability (economic and operational risk)			
3	**The Group cannot guarantee that it will be able to achieve or sustain revenue growth and/or profitability in the future**	• Fluctuation of operating results as a result of a number of factors, many of which are beyond Group's control (growth rate of markets in which the Group operates, *market acceptance* of and demand of its services and products and those of its customers, problems in the introduction of its services or products) • Requirement of additional working capital and financing in the medium term, which may not be available on attractive terms or at all	• The Group has budgeting and reforecasting processes in place and continually monitors expectations highlighting any cost control or financing *needs* • As soon as results, and especially fees, appear to be lower than budgeted, Group and local management immediately implements specific actions in order to drive business (for instance encouraging new pitches, training and hiring of new staff) and, when necessary, reviews the cost structure in order to minimise the impact on Group's profitability

LEVEL OF RISK	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Attraction and retention of key employees (operational risk)			
3	**The key to a Group of communications, marketing and advertising businesses is its employees. An inability to successfully attract and/or retain key staff is therefore fundamental to the Group's longevity**	• High staff turnover impacting client service • Additional unplanned cost and time incurred to replace staff • Competitors benefit through staff moving • Loss of key staff-client relationships and resulting impact on revenue • Loss of key skills, knowledge and expertise	• Recruit senior management and staff of the highest quality through a robust and thorough process, and remunerate them accordingly and, where possible, succession plans are developed in advance • Create an ethos of being "proud to work for" the Group • Promotion opportunities and long-term career plans are available • Continued review of all employment benefits and training and development needs • Mental and physical health is taken seriously, with appropriate resources and processes in place to monitor and address any issues accordingly
Working capital (operational risk)			
3	**Poor or delayed cash collections from clients** **Rapid organic growth at Group or subsidiary level leading to the tying up of working capital**	• Reduced liquidity • Working capital shortfalls in the short-term • Difficulty in maintaining supplier terms • Breach bank covenants	• Ensure strict credit terms as part of contract negotiations and agree advanced billing terms whenever possible • Strong credit control processes are in place with dedicated credit controllers • The Group monitors and manages cash flow on a weekly basis and for some of the subsidiaries a 13-week rolling forecast is performed and submitted on a weekly basis. Where potential shortfalls are identified, the Group will work with the relevant finance team to help ensure sufficient funds are available

LEVEL OF RISK	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Reliance on subcontractors (operational risk)			
2	**The Group utilises subcontractors on a project-by-project basis to meet its contractual obligations. Such projects rely on subcontractors to perform in a timely manner and in line with the project's performance obligations. There is a risk of this not being met**	• Non-performance may result in time and/or cost over-runs on projects reducing expected margins • Reputational damage which could lead to client and/or staff losses	• Group minimises reliance on subcontractors by utilising internal staff where possible and by hiring full time employees as replacements where feasible • Subcontractors are carefully selected (in most cases through tender processes) with their performance being periodically reviewed
Timing of large contracts (operational risk)			
2	**The Group's revenues are generated from a mix of longer and shorter lead time orders** **The timing of order placement and delivery of the larger orders are inherently difficult to predict; hence the Group may experience downtime between orders and/or receive an abundance of orders at once**	• Material fluctuations in actual results compared with expectations • Adverse impact on cash collectability, profitability and staff utilisation • Employees being overworked to meet demands impacting staff welfare and potential reputational damage if performance is poor • Alternatively, a loss of clients due to internal capacity not being able to satisfy demands	• The Group constantly monitors its project pipeline in order to avoid an excessive reliance on large projects • Periodic assessment of internal resources to assess capacity within teams, bringing work forwards where possible during quiet periods, and alternatively using subcontractors during busy periods

LEVEL OF RISK	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Information systems (IT) and data security (operational and business risks)			
3	**The Group's business operations, like most other businesses, are highly dependent upon IT. Therefore, any IT failure could present a considerable risk** **Access to confidential information due to inadequate security of data by unauthorised persons either internally or externally**	• Delays to client work and compromise to client relationships • Opportunity for potential fraud • Data loss • Confidentiality breaches	• Third party IT specialists, monitored by internal resources maintain Group IT systems • Business and IT disaster recovery plans exist in each company and are tested frequently to minimise any disruption in the event of an IT failure • Anti-malware and other *IT security software* is used to prevent cyberattacks and computer viruses. This software is constantly updated and tested • Staff training is provided, and IT updates communicated to staff • Access to data is restricted internally on a person by person basis as appropriate

LEVEL OF RISK	RISK DESCRIPTION	POTENTIAL IMPACT	KEY MITIGATIONS
Failure to maintain an acceptable standard of business ethics (business risk)			
2	**The Group engaging in actual or perceived unethical client work** **Staff violating the Group's Code of Business Conduct and Ethics**	• External reputational damage which could affect future and existing client relationships • Staff dissatisfaction if clients' work is not aligned with their personal ethics	• New business opportunities are shared with all, creating a culture of openness and transparency • Code of Business Conduct and Ethics is communicated to all employees, in addition to having appropriate training programmes in place • Confidential communication channels to management or Group HR are in place to support staff reporting violations • Any perception or questions over ethical standards in relation to potential client work or behaviour is immediately raised to the relevant company board, and if deemed relevant, the Group board also
Legal and regulatory compliance (compliance risk)			
2	**The risk of breaching an Italian, UK or international law, AIM listing rule or any regulatory rules to which the Group, or any of its subsidiaries, must adhere to**	• Penalties and fines • Reputational damage which could lead to client and/or staff losses	• External legal counsel in each country is sought as necessary • A SEC Newgate staff hand-book and share dealing code is in place and is communicated to all staff • Regular staff training is provided • Nominated advisors are consulted with respect to any actions taken which are regulated by the AIM listing rules

Financial risk management

Details of the Group's approach to financial risk management are disclosed in detail in note 10 to the financial statements.

The Board of Directors

BIOGRAPHIES

JOHN FOLEY

AGE 63

NON-EXECUTIVE CHAIRMAN

John is a Chartered Accountant and barrister. John is a co-founder and Chairman of AIM quoted niche services provider, Premier Technical Services Group Plc.

John is also Chairman of Servoca plc, the AIM quoted staffing solutions and outsourcing provider.

He was previously Chief Executive of MacLellan Group plc, a facilities services company, from 1994 until it was acquired by Interserve plc for an enterprise value of £130 million in June 2006. John was appointed as Non-Executive Chairman of Porta in May 2017.

LUIGI PIERGIUSEPPE FERDINANDO ROTH

AGE 79

DEPUTY NON-EXECUTIVE CHAIRMAN

Luigi was appointed to the Board as its Non-Executive Chairman in June 2016. He has significant board experience and his current roles include being President of Alba Leasing S.p.A. (since 20 May 2012), President of Equita SIM S.p.A. (since October 2014), President of Italiana Valorizzazioni Immobiliari S.r.l. (since September 2013), President of Arriva Italia Srl (since June 2017), President of Fincantieri SI (since August 2019).

Noteworthy previous experience includes roles as President of Terna S.p.A., Consorzio Città della Salute e della Ricerca di Milano, Fondazione Fiera Milano and Ferrovie Nord Milano Esercizio S.p.A., as well as various positions held on the boards of Pirelli, Cassa Depositi e Prestiti S.p.A., Ansaldo Trasporti S.p.A. and Breda Costruzioni Ferroviarie S.p.A..

Luigi Roth is also a Knight Grand Cross of Merit of the Italian Republic, Knight of Labour and a Papal Gentleman.

FIORENZO VITTORIO TAGLIABUE

AGE 70

CHIEF EXECUTIVE OFFICER

Fiorenzo is the founder and largest individual shareholder of SEC Newgate. He has been in this business for thirty years transforming a one-man PR agency into a multinational Group.

He has significant expertise in different industries and practices; more specifically he was the advisor to many urban regeneration projects, such as Porta Nuova in Milan (for Coima Group), regeneration of the Fiera di Milano area, today Citylife (for Generali-Allianz Group), development plan for Bovisa (for Euromilano) and construction of Fiera in Rho-Pero (for Fiera Milano Foundation).

He was the CEO of Nuova Editoriale Italiana S.p.A. from 1983 to 1989 and, in 1985, he founded and became General Secretary for the first three years of Centro Televisivo Vaticano.

Fiorenzo was a member of the Board of Directors of Teatro La Scala (Milan) Foundation from 2005 until January 2015 and is a member of the board of directors of Banco Alimentare Foundation and of Venice University Institute of Architecture.

EMMA VICTORIA KANE (ROSENBLATT)

AGE 53

SEC Newgate Deputy Group CEO and Chief Executive of Newgate Communications Ltd

Emma has over 30 years of communications' experience gained working both in agencies and in-house at organisations such as ProShare as its first Head of Marketing Communications, and as Head of Investor Services at Charles Schwab. She founded Redleaf in January 2000 and led the agency until 2018 when its sale to Porta was completed.

She specialises in financial and corporate communications and crisis management. She is also the Chair of Target Ovarian Cancer, *Chair of the Barbican* Centre Trust and a trustee of Nightingale Hammerson. She was awarded the Freedom of the City of London in 2017.

Emma is Chief Executive of Newgate Communications Ltd. Emma was appointed Deputy Chief Executive of SEC Newgate in September 2019.

BRIAN WILLIAM TYSON

AGE 56

SEC Newgate Deputy Group CEO & Managing Partner Newgate Australia

Brian is Deputy CEO of SEC Newgate and the Managing Partner of Newgate Australia (being Newgate Communications Pty Limited) and co-founder of Newgate Research (the market and social research arm of Newgate Communications).

In a consulting career spanning three decades, Brian has come to be regarded as one of Australia's leading communications practitioners with expertise in crisis and strategic issues management, financial transactions, government relations, media management and community campaigning. He has led a number of high profile and complex public affairs campaigns and financial transactions in the infrastructure, transport, banking, energy, agriculture and media sporting/arts sectors.

Brian is a Director on the board of the Sydney Swans Australian Football Club and the Committee for Sydney as well the Clontarf Foundation, supporting educational opportunities for young Indigenous Australians.

Prior to his career in consultancy Brian was a media and political adviser to the Greiner Government in New South Wales. He started his career as a journalist with The Land newspaper. Brian was appointed Deputy Chief Executive of SEC Newgate in September 2019.

THOMAS EDWARD PARKER

AGE 47

SEC Newgate Deputy Group CEO and Chairman of Cambre Associates – Brussels

Tom co-founded Cambre Associates SA in 2013, based in Brussels, and was appointed to the SEC Board in June 2016. Mr Parker was the Managing Director at Interel PR & PA from 2006 to 2007 and the Managing Director of Interel Cabinet Stewart in 2008.

Mr Parker is the President of the British Chamber of Commerce in Brussels. He is a regular commentator on lobbying practice and the future of the advocacy profession. Mr Parker works with organizations at the highest levels across a wide range of Sectors, counselling on EU affairs and pan–European advocacy campaigns and has advised on some of Europe's highest profile reputational challenges and counselled on issues management and crisis communication at European and global levels.

Mr Parker is also on the boards of the SEC subsidiaries Kohl PR and ACH Cambre.

MARK HENRY GLOVER

AGE 53

SEC Newgate Executive Director and Chief Executive of Newington

Mark founded the award-winning consultancy Newington in 2006. For over 20 years Mark has provided senior counsel to a range of corporate clients. Mark sits on the PRCA Public Affairs Board, is a former Chairman of the Board, is a Fellow of the PRCA and sits on the PRCA PR Council. A member of the Executive of SME4Labour, Mark was a Labour Councillor in Southwark 2002-14, including six years as Chairman of the Labour Group. He is a published author of articles on Labour, Politics, Public Affairs and Business. He also sat on the Federal Executive of the Liberal Democrats in the early 1990s.

Mark was an expert witness to the Council of Europe on lobbying transparency and is a regular conference speaker and awards judge. He sits on the fundraising board of Humanity and Inclusion, a member of the Court of the Company of Communicators and spent five years as a Non-Exec on Marston Holding Group's Ethical Advisory Board.

ANDREA CORNELLI

AGE 57

Executive Director and CIO of SEC Newgate

Andrea joined the Board as Chief Innovation Officer in December 2019. His experience spans communications technology systems, design information, PR and strategic advice.

Throughout his career, Andrea has led some of Italy's leading firms at the forefront of digital marketing and transformation.

In 1981, Andrea founded C&T, one of the first Italian companies dedicated to design information and communication technology systems. He was appointed CEO of Digital Market Strategy business, Telemacus, in 1995. He has collaborated with leading PR firm, Ketchum Italy (formerly RP Partners), since 1986, and was appointed Vice President and CEO in 1999. In 2013 he was appointed Global Partner of the Ketchum international network. After the merger between Ketchum, Fleishmann Hillard and Porter Novelli, in June 2017, he became Executive President of the new entity, Omnicom Public Relations Group (OPRG).

From 2014 to 2015 he was President of Assorel. From 2019, Vice President of UNA, the most important Italian Association of Communication Agencies.

ANNA MILITO

AGE 48

Deputy Group Chief Financial Officer, Italy

Anna Milito joined SEC in 2003 and since then has worked in the administrative team, becoming Chief Financial Officer in 2014. Her role includes coordinating a team composed of seven finance and administration professionals.

Prior to joining SEC, Mrs Milito worked for an Italian accountancy firm from 1998-1999 and from 2000-2002 she was consultant to a provincial consortium on regional, national and communitarian financing laws for enterprises in Parma. Anna Milito has a degree in Business Economics from the University of Parma and is a chartered accountant.

DAVID CARR MATHEWSON

AGE 72

Non-Executive Director

David was appointed to the Board in June 2016. David has experience in advising private and public companies on strategy plus implementation of mergers, acquisitions, debt and equity fund raising and capital reconstructions. David has spent much of his executive career as Senior Director of Noble Grossart Ltd, a leading Scottish merchant bank. More recently, he was Finance Director of Playtech plc, between 2010 and 2013, which moved from AIM to the main market of the London Stock Exchange during his tenure.

Prior to being Finance Director, he was a Non-Executive Director and chaired the audit and risk committees of Playtech plc. David is a member of the Institute of Chartered Accountants of Scotland. He is currently Chairman of ECSC Group plc, also listed on AIM.

PAOLA BRUNO

AGE 53

Non-Executive Director

Paola is the founder and Managing Director of Augmented Finance Ltd, an advisory company based in London and specialising in M&A, financial and corporate advisory for financial institutions, investment funds and European/North America industrial and tech companies. She is an independent Director, Chairman of Remuneration Committee, and a member of the Nomination Committee in Banca Creval S.p.A.; independent Director, Chairman of Control and Risk Committee, and a member of the Remuneration Committee and Related Party Committee in Alerion Clean Power S.p.A.; and, independent Director, Chair of the Nomination and Remuneration Committee, Member of the Risk Committee and Related Party Committee and Investment Committee in Retelit S.p.A..

Paola joined the Board as Non-Executive Director in February 2017.

Consolidated Financial Statements

SEC Newgate S.p.A and subsidiaries

Company information

SEC Newgate S.p.A. (the Company) was incorporated in March 1989 and is based in Milan. On 4 September 2019, the Company name was changed from SEC S.p.A to SEC Newgate S.p.A. The registered office and principal executive office of SEC Newgate S.p.A. is located at Via Ferrante Aporti 8, Milano 20125.

The Consolidated financial statements for the two years ended 31 December 2019, represent the result of the Company and its subsidiaries (together referred to as Sec Newgate Group or the Group).

The principal business of the Group is a comprehensive range of public relations, advocacy, communications and public affairs services provided to national and multinational clients.

The subsidiaries of the Company included in the Consolidated financial information, can be found in note 29.

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Independent Auditor's Report to the members of SEC Newgate S.p.A.

Opinion

We have audited the financial statements of SEC Newgate S.p.A. and its subsidiaries (The "Group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the Group financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of the Group's profit for the year then ended; and
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.

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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How we addressed the matter in our audit
Revenues *See accounting policy in note G, and Revenues note (note 3).* We considered there to be a significant audit risk arising from inappropriate or incorrect recognition of revenue, including relating to management override, appropriate application of agent verses principal accounting, cut-off of revenue transactions at the year end and whether the accounting policy is not aligned with IFRS. Furthermore, the presumed risk of improper recognition of revenue due to fraud has also been identified as a significant risk. Revenue recognition is one of the primary focuses of the engagement team. Due to this focus, revenue recognition is considered to be a key audit matter.	Our procedures included reviewing the group's adopted revenue recognition policy to ensure that it complies with accounting standards and has been consistently applied *throughout the year giving particular* attention to IFRS 15. We tested material revenue transactions recorded near the end of the year and subsequent to the year end to confirm appropriate recognition in the year under audit. We selected a sample of key contracts for testing. We assessed whether the revenue recognised was in line with the contractual terms, the group's revenue recognition policy and the relevant accounting standards.
Impairment of goodwill *See accounting policy in note H, and the Intangibles Assets note (note 11).* The group has material intangible assets, mainly goodwill, arising from acquisitions as part of business combinations. The group has determined that the single subsidiaries that generated goodwill are a single cash generating unit. We considered there to be a significant audit risk arising in relation to the accuracy and valuation of all intangibles. The group is required to assess, at each reporting date, such assessment should include consideration of information from both internal and external sources. Further, notwithstanding whether indicators *exist, the recoverability of Goodwill and* intangible assets with indefinite useful lives are required to be tested at least annually. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, we therefore identified the impairment of goodwill as a Key audit matter.	Our audit procedures over the impairment of goodwill included general procedures on the methodology adopted and the related controls, in addition to substantive testing: General procedures included, but were not limited to: • review of the methodology used by the Directors for the impairment review, and • consideration of the review and approval processes adopted. Substantive procedures included, but were not limited to: • review of the financial projections underpinning the impairment review, including consideration of the key assumptions on revenue and cost, and the discount rate used; • testing, on a sample basis the calculations; • sensitivity analysis. We also evaluated the Group's disclosures relating to its evaluation of impairment indicators and the annual impairment testing as provided in *"Note 11 – Intangible assets"*.

Key audit matter	How we addressed the matter in our audit
Business Combination *See accounting policy in note E and H, and the Intangibles Assets note (note 11)* The management reported that in September 2019 SEC Newgate ("SEC"), who previously held 16,9% of Porta Communication PLC (*Porta"), purchased the remaining share capital resulting in 100% of Porta. As a result, SEC Newgate, also indirectly controls the subsidiaries of Porta which have been consolidate at the year end. As said by the management of the group, the consideration transferred consists entirely of SEC issuing equity interests to Porta shareholders calculated at the fair value of the SEC equity interests transferred. On 3 September 2019, n. 420.810.829 Porta shares were exchanged at a rate of 88.495 *into n. 4.755.162 new SEC shares as well* as n. 5.993.212 SEC shares being issued to Retro Grand Limited ("RGL"), a shareholder of Porta, following the conversion of a convertible loan currently owned by RGL. In total, n. 10.748.374 SEC shares were issued as a result of the acquisition at a fair value of Euro 1,0174 per share. The management said that goodwill of Euro 14.995 thousands arising on the acquisition of the Porta group represents the strategic benefits of the acquisition that will help to enhance the Group's ability to strengthen its media presence through expansion into other geographical areas as well as the economies of scale expected from combining the operations of the group. Goodwill has been attributed by the management to each CGU of the Porta Group based on the anticipated future profitability of each CGU. The mentioned business combination represented a key audit matter due to the complexity of the valuation methods adopted and the *consequent accounting treatment.*	Our audit procedures regarding the business combination included: • analysis of all the relevant documents about the transaction; • discussions with the company's management regarding the valuation methods used to determine the fair value of the net assets transferred; • assessment of the valuation methods used by the company to identify the fair value of the net assets transferred; • the analysis of the transaction's accounting treatment and of the related notes as required by IFRS 3; • check on the adequacy and appropriateness of the information provided in the Notes to the Consolidated Financial Statements.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole

We determined materiality for the Group financial statements as a whole to be Euro 713 thousands which represents 1.5% of revenues. We agreed with the audit committee that we would report to them misstatements identified during our audit above Euro 36 thousands.

Revenue has been concluded as the most relevant performance measure to the stakeholders of the Group, while also providing a more stable measure year on year when compared to the Group profit before tax.

Performance materiality is the application of materiality at the individual account or balance *level set at an amount to reduce to an appropriately low level the probability that the* aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set as a percentage of materiality. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting unit in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results. We also considered the changes to the overall Group because of the acquisition of Porta Communication PLC and where the key business activities and transactions reside.

We instructed BDO UK, BDO Poland, BDO Colombia, BDO Germany, BDO Spain, BDO Belgium, ESV Business Advice and Accounting, Karen Chung & CO., Rohan Mah & Partners LLP, Mrs Naulin - Chartered Certified Accountants and Hewitt Card - Chartered Certified Accountants as component auditors, to perform full scope audits of financial information of the significant components accounted for locally in those territories.

We performed specific procedures of financial information of the non-significant reporting units accounted for locally in Italy. This, together with the additional procedures performed at Group level over the acquisition accounting and consolidation process gave us the evidence we needed for our opinion on the financial statements as a whole.

Summary of audit scope

Based on the above scope we were able to conclude that sufficient and appropriate audit evidence had been obtained as a basis to form our opinion on the Group financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Alessandro Fabiano (Partner – Chartered Accountatns)

For and on behalf of BDO Italia S.p.A., Statutory Auditor

Milan, 28 May 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Notes	2019 €' 000	Restated 2018 €' 000
Continuing operations			
Revenue	3	**47,550**	28,972
Cost of sales		**(9,945)**	(6,780)
Gross profit		**37,605**	22,192
Employees expenses	4	**(23,386)**	(12,560)
Service costs	5	**(8,982)**	(6,749)
Depreciation & amortisation	6	**(2,154)**	(260)
Other operating costs	7	**(1,271)**	(314)
Operating profit		**1,812**	2,309
Finance income	8	**188**	97
Finance expense	8	**(729)**	(195)
Profit before taxation		**1,271**	2,211
Taxation	9	**(1,271)**	(639)
Profit for the year		**-**	1,572
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(99)**	1,232
Non-controlling interests	30	**99**	340
		-	1,572
(Loss)/Earnings per share attributable to the equity holders of the Company			
Basic, per share	27	**(€0.006)**	€0.091
Diluted, per share	27	**(€0.005)**	€0.083

' As a result of the acquisition of Porta Communications Plc detailed in note 29, the Board has decided to report cost of sales and gross profit as a separate line item going forwards. This is to ensure consistent reporting across all group entities and as a result the comparative has been restated. Costs recharged to clients are now recorded within cost of sales. Costs recharged to clients at the same rate as the cost incurred were previously recorded in revenue (4,378 €'000). Costs recharged to clients at a different rate than the cost incurred were previously recorded in service costs (1,829 €'000) and other operating costs (573 €'000). These costs have been reclassified to cost of sales (6,780 €'000). Historically, 'other operating income and charges' and 'other operating costs' were disclosed separately. Going forward these amounts will be combined within the single line item 'other operating costs' above. The breakdown of this figure can still be found within note 7.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	Notes	**2019** **€' 000**	2018 €' 000
Continuing operations			
Profit for the year		**-**	1,572
Items that may be subsequently reclassified to profit or loss:			
Loss on revaluation of investments held at FVOCI		**(625)**	(1,747)
Loss on exchange rates		**(346)**	(44)
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension plans	25	**(84)**	1
		(1,055)	(218)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(1,120)**	(551)
Non-controlling interests		**65**	333
		(1,055)	(218)

There were no discontinued operations in the year.

The accompanying notes are an integral part of these consolidated financial statements.

The Group has initially applied IFRS 16 at 1 January 2019 and the impact on comparative information can be *found in note 33. The accompanying notes are an integral part of these consolidated financial statements.*

Consolidated Statement of Financial Position
For the year ended 31 December 2019

	Notes	2019 €' 000	Restated 2018 €' 000
Non-current assets			
Intangible assets	11	**30,768**	15,614
Tangible assets	12	**8,984**	780
Investments	13	**16**	1,252
Other financial assets	14	**21**	66
Other assets	15	**3,490**	971
Total non-current assets		**43,279**	18,683
Current assets			
Trade receivables	16	**15,094**	9,630
Other receivables	17	**4,562**	1,822
Financial investments	18	**280**	583
Cash and cash equivalents	19	**6,138**	5,220
Total current assets		**26,074**	17,255
Total assets		**69,353**	35,938
Current liabilities			
Trade payables	20	**7,462**	4,953
Other payables	21	**9,399**	2,739
Borrowings	22	**2,447**	2,371
Lease liabilities	23	**2,861**	-
Provisions	24	**1,645**	565
Total current liabilities		**23,814**	10,628
Non-current liabilities			
Employee benefits	25	**2,013**	1,950
Borrowings	22	**12,431**	4,592
Lease liabilities	23	**5,607**	-
Other non-current liabilities	26	**5,637**	6,803
Total non-current liabilities		**25,688**	13,345
Total liabilities		**49,502**	23,973
Net assets		**19,851**	11,965

	Notes	2019 €' 000	Restated 2018 €' 000
Equity			
Share capital	27	**2,425**	1,350
Share premium	28	**12,456**	3,741
Legal reserve	28	**148**	58
Revaluation reserve	28	**(3,076)**	(2,030)
Retained earnings	28	**6,321**	5,681
(Loss)/profit for the year		**(99)**	1,232
Total equity shareholders' funds		**18,175**	10,032
Non-controlling interests	30	**1,676**	1,933
Total equity		**19,851**	11,965

[1] Previously share premium, legal reserve, other reserves and retained earnings were all combined within one line item called 'Reserves'. Going forward these reserves will be shown separately in the Consolidated Statement of Financial Position.

The Group has initially applied IFRS 16 at 1 January 2019 and the impact on comparative information can be found in note 33.

The accompanying notes are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 28 May 2020 and authorised for issue on 1 June 2020.

Florenzo Tagliabue

Director

SEC Newgate S.p.A (09628510159)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital	Share premium	Legal reserve premium
	€ 000	€ 000	€ 000
At 1 January 2019	**1,350**	**3,741**	**58**
Total comprehensive income			
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transactions with owners			
Issue of Ordinary shares in relation to business combinations	**1,075**	**9,861**	-
Issue costs	-	**(1,146)**	-
Dividends declared to non-controlling interests	-	-	-
Dividends declared to non-controlling interests (CLAI)[1]	-	-	-
Share based payments	-	-	-
Transfer between reserves	-	-	**90**
Acquisition of non-controlling interest	-	-	-
Acquisition of non-controlling interest without a change in control	-	-	-
Total transactions with owners	**1,075**	**8,715**	**90**
At 31 December 2019	**2,425**	**12,456**	**148**

	Share capital	Share premium	Legal reserve
	€ 000	*€ 000*	*€ 000*
At 1 January 2018	1,222	2,627	58
Total comprehensive income			
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transactions with owners			
Proceeds from shares issued	128	1,114	-
Dividends declared to non-controlling interests	-	-	-
Others	-	-	-
Total transactions with owners	128	1,114	-
At 31 December 2018	1,350	3,741	58

[1] SEC Newgate S.p.A holds preferred shares in CLAI SAS which represent 10% of the ordinary share capital and 50% + 0.1 of the voting rights. SEC Newgate also holds options which would allow the company to acquire the remaining 90% of the share capital in CLAI SAS within the earn out period. The financial statements of the subsidiary have been consolidated at 100% on this basis. Given that there is no non-controlling equity interests attributable to CLAI, the dividend declared to the the 90% minority has been allocated to retained earnings. See note 29 for more details.

The accompanying notes are an integral part of these consolidated financial statements.

Retained earnings	Other reserves	Total equity shareholders' funds	Non-controlling interests	Total equity
€' 000	**€' 000**	**€' 000**	**€' 000**	**€' 000**
6,913	**(2,030)**	**10,032**	**1,933**	**11,965**
(99)	**-**	**(99)**	**99**	**-**
25	**(1,046)**	**(1,021)**	**(34)**	**(1,055)**
(74)	**(1,046)**	**(1,120)**	**65**	**(1,055)**
-	**-**	**10,936**	**-**	**10,936**
-	**-**	**(1,146)**	**-**	**(1,146)**
-	**-**	**-**	***(406)***	***(406)***
(429)	**-**	**(429)**	**-**	**(429)**
32	**-**	**32**	**-**	**32**
(90)	**-**	**-**	**-**	**-**
-	**-**	**-**	**98**	**98**
(130)	**-**	**(130)**	**(14)**	**(144)**
(617)	**-**	**9,263**	**(322)**	**8,941**
6,222	**(3,076)**	**18,175**	**1,676**	**19,851**

Retained earnings	Other reserves	Total equity shareholders' funds	Non-controlling interests	Total equity
€ 000	€ 000	€ 000	€ 000	€ 000
5,693	(246)	9,354	2,042	11,396
1,232	-	1,232	340	1,572
-	(1,784)	(1,784)	(7)	(1,791)
1,232	(1,784)	(552)	333	(219)
-	-	1,242	-	1,242
-	-	-	(444)	(444)
(12)	-	(12)	2	(10)
(12)	-	1,230	(442)	788
6,913	(2,030)	10,032	1,933	11,965

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 €' 000	2018 €' 000
Cash flows from operating activities			
Profit before tax on continuing activities		**1,271**	2,211
Adjusted for:			
Changes in fair value investments to profit or loss	8	**(119)**	(55)
Finance expense	8	**729**	195
Finance income	8	**(69)**	(43)
Depreciation of tangible assets	6	**2,059**	142
Amortisation of intangible assets	6	**95**	118
Impairment of trade receivables	7	**243**	123
Pension provisions		**(69)**	351
Long-term provisions		**-**	4,668
Share based payment expense	4	**32**	-
Other non-cash movements		**-**	(44)
Loss on disposal of tangible assets		**6**	-
Changes in working capital:			
Decrease in trade and other receivables		**(460)**	(1,589)
Increase in trade and other payables		**2,525**	44
Cash generated from operating activities		**6,243**	6,121
Income tax paid		**(1,149)**	(753)
Net cash inflow from operating activities		**5,094**	5,368
Cash flows from investing activities			
Acquisition of tangible assets		**(355)**	(427)
Proceeds from sale of tangible assets		**8**	-
Acquisition of intangible assets		**(94)**	(892)
Acquisition and earn-out payments		**(577)**	(5,359)
Cash from acquisitions		**1,824**	999
Proceeds from sale of financial assets		**-**	2,131
Proceeds from sale/(acquisition) of investments		**409**	(1,191)
Interest received		**49**	-
Net cash inflow/(outflow) from investing activities		**1,264**	(4,739)

	Notes	2019 €' 000	2018 €' 000
Cash flows from financing activities			
Interest paid		**(248)**	(152)
Acquisition of non-controlling interests	29	**(121)**	-
Payments of finance lease liabilities		**(1,907)**	-
Proceeds from loans and borrowings		**7,323**	984
Repayment of loans and borrowings		**(7,414)**	(1,701)
Dividends paid to non-controlling interests		**(835)**	(444)
Loan issued to related company		**(1,160)**	-
Proceeds from issue of share capital		**-**	1,242
Issue costs relating to business combinations		**(1,155)**	-
Minorities		**-**	(10)
Net cash outflow from financing activities		**(5,517)**	(81)
Net cash increase in cash and cash equivalents		**841**	548
Cash and cash equivalents at 1 January		**5,220**	4,672
Effect of exchange rate changes		**77**	-
Cash and cash equivalents at 31 December	19	**6,138**	5,220

The accompanying notes are an integral part of these company financial statements.

Notes to the Finance Statements.

1. Accounting policies

A. BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial information has been prepared in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (adopted IFRSs).

The financial information has been prepared under the historical cost convention, except for financial instruments that have been measured at fair value.

The Consolidated financial statements are presented in Euros (EUR), the Company's functional and presentation currency.

The financial statements have been prepared on a going concern basis in accordance with IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated financial statements are disclosed under accounting policy (u).

New and amended standards adopted by the Group

The Group has applied the following standards, amendment and interpretation for the first time for their annual reporting period commencing 1 January 2019:

IFRS 16 Leases – replacing IAS 17 Leases.

- The Group has amended its accounting policies following the adoption of IFRS 16 and has provided additional disclosures, as required, which can be found in note 23. The impact of adopting IFRS 16 has been further explained in note 33.

The adoption of the above did not have any impact on the amounts recognised in prior periods.

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Group

Certain new standards, amendments to standards and interpretations have been published that are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these Consolidated financial statements. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

B. GOING CONCERN

The Directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the Group is a going concern. As part of its normal business practice, the Group prepares annual plans and Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Notwithstanding the impact of Covid-19, the Group continues to adopt the going concern basis in preparing the Consolidated financial statements.

C. BASIS OF CONSOLIDATION

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019 and present comparative information for the year ended 31 December 2018.

Subsidiaries are all entities over which the Group has control. A company is classified as a subsidiary when the Group has the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The financial information includes the results of the Company and its subsidiary undertakings made up to the same accounting date.

Profit or loss and each component of other comprehensive income ('OCI') are attributed to the equity holders of the parent of the Group and to non-controlling interests. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

D. FOREIGN CURRENCY TRANSLATION

Amounts included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The Consolidated financial statements are presented in Euros, the Company's functional and presentation currency. Transactions in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from 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 Consolidated Statement of Comprehensive Income.

The results and financial position of all Group companies that have a functional currency other than euros are translated as follows:

- income and expenses are translated at average exchange rates;
- assets and liabilities are translated at the closing exchange rate at the Consolidated Statement of Financial Position date; and
- all resulting exchange differences are recognised as other comprehensive income which is a separate component of equity.

1. Accounting policies (continued)

E. BUSINESS COMBINATIONS

The results of subsidiary undertakings acquired during the period are included in the Consolidated Income Statement from the effective date of acquisition.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the date of acquisition, and the amount of any non-controlling interest in the acquired entity.

Non-controlling interest are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Acquisitions costs incurred are expensed and included in operating expenses except where they relate to the issue of debt or equity instruments in connection with the acquisition.

When the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in determination of goodwill.

F. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors that makes strategic decisions.

The Board considers that the Group's activity constitutes one operating and one reporting segment, as defined under IFRS 8. Management reviews the performance of the Company and its subsidiaries by reference to total results against budget.

G. REVENUE

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue represents the fees derived from services provided to clients and is reported net of discounts, VAT and other taxes.

Revenue is recognized in the period in which the service is performed, in accordance with the terms of the contractual arrangements. Income billed in advance of the performance of the service is deferred and recognized in the Consolidated Income Statement when the service takes place. Income in respect of work carried out but not billed at period end is accrued.

H. INTANGIBLE ASSETS

Intangible assets comprise goodwill, website development costs, software and licences.

Goodwill

Goodwill represents the excess of fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill on acquisition of an entity is included in intangible assets.

Goodwill has an indefinite useful life and therefore not amortized. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the net present value of future cash flows derived from the underlying assets using a projection period of up to five years for each cash-generating unit. After the projection period a steady growth rate representing an appropriate long-term growth rate for the industry is applied. Any impairment in carrying value is recognized as an expense and is not subsequently reversed.

Website development costs and software

Expenditure on website development and software is initially stated at cost. Amortisation is calculated to write down the cost of these assets to their estimated residual value over their expected useful lives of 3 years on a straight-line basis.

Licenses: Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be available for use or sold;
- adequate technical, financial and other resources are available to complete the development;
- there is an intention to complete and sell or use the product;
- there is an ability for the Group to sell the product;
- sale of the product will generate future economic benefits;
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over 3 years. The amortisation expense is included within the depreciation and amortisation expenses line in the Consolidated Income Statement.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the Consolidated Income Statement as incurred.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Consolidated Income Statement.

Licenses: Other

Externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives. Licenses are amortized over the term of the license agreement.

I. TANGIBLE ASSETS

Property, furniture and equipment are initially recognized at cost and subsequently stated at cost less accumulated depreciation and, where appropriate, impairment losses.

Depreciation is calculated to write down the cost of all tangible fixed assets to estimated residual value over their expected useful lives as follows:

- Furniture and machinery **12%**
- Office equipment **20%**
- Computer equipment **20%**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the *asset's carrying value is greater than its estimated recoverable amount.*

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognized within "other operating costs" in the Consolidated Income Statement.

For right-of-use assets recognised see accounting policy (n) for details on initial and subsequent recognition.

1. Accounting policies (continued)

J. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investments included in non-current assets are stated at cost less any impairment charges.

K. FINANCIAL ASSETS

Recognition and initial measurement

Trade receivables are initially recognised when they originate. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets are classified on initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), or FVTPL.

Financial assets at amortised cost - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The Group classifies its financial assets into one of the categories above, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets at fair value through profit or loss, except for financial investments.

Investments

Financial investments (note 18) are categorised as a Level 1 investment for the purpose of the IFRS 13 fair value hierarchy and are valued using quoted prices in active markets for these investments at the reporting date.

IFRS 13 sets out the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements are required/used.

IFRS 13 requires certain disclosures which require the classification of assets and liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

Other investments (note 13) are designated as FVOCI and are shown at fair value with any movements in fair value taken to equity. On disposal, the cumulative gain or loss previously recognized in this equity reserve is not recycled to retained earnings.

Trade and other receivables

Trade receivables arise through the provision of services to customers. Other receivables incorporate other types of contractual monetary assets. These assets are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently measured at amortized cost using the effective interest rate method, less any provision for impairment.

Impairment of financial assets

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net of any provision for impairment, the provision is recorded in a separate allowance account with the loss being recognized within other operating costs in the Consolidated Income Statement. Trade receivables are written off when there is no reasonable expectation of recovery. The gross carrying value of the asset is written off against the associated provision. Subsequent recoveries of amounts previously written off are credited against the same line item.

L. CASH AND EQUIVALENTS

Cash and cash equivalents comprise cash, deposits held at call with banks and other short-term liquid investments with an original maturity of up to three months or less.

In the Consolidated Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

M. FINANCIAL LIABILITIES

Recognition and initial measurement

Financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or fair value through the profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group's loans and trade and other payables are measured at amortized cost using the effective interest method.

The fair value of financial liabilities of the Group together with their carrying values can be found in note 10.

N. LEASES

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately below. The effect of initially applying IFRS 16 is described in note 33.

The Group leases various offices and equipment. Rental contracts are typically for fixed periods of 1 to 10 years but may have extension and termination options.

1. Accounting policies (continued)

N. LEASES (CONTINUED)

Policy applicable from 1 January 2019

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys, throughout the period of use, the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

This policy is applied to contracts entered into, on or after 1 January 2019.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The cost of the right-of-use asset is comprised of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred by the Group and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset and site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated over the length of the lease term from the commencement date if the asset is not retained by the Group. Otherwise the estimated useful lives of the right-of-use assets are determined on the same basis as tangible assets (see accounting policy (i)). The right-of-use assets are 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 incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- amount expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the 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, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its original 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 presents right-of-use assets within "Tangible assets". Lease liabilities are presented in its own separate line item in the Consolidated Statement of Financial Position.

Lease payments for short-term leases, leases payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. For all other lease liability payments, the Group has classified the principal portion of lease payments within financing activities and the interest portion within operating activities.

Short-term leases and leases of low value

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months of less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, leases where the lessor retains a significant portion of the risks and rewards of ownership were classified as operating leases. Rentals payable under operating leases (net of any incentives received) were charged as operating costs to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

O. SHARE CAPITAL AND SHARE PREMIUM

SEC Newgate S.p.A.'s Ordinary shares are classified as equity. Share premium represents the amounts received in excess of the nominal value of the Ordinary shares less costs of the shares issued and is classified as equity.

P. DIVIDENDS

Dividends are recognized when they become legally payable, which is when they are approved for distribution. In the case of interim dividends to equity shareholders, this is when declared by the directors and paid.

Q. TAXATION

The tax expense for the period comprises current and deferred tax.

Current income tax

The current tax is based upon the taxable profit for the year together with adjustments, where necessary, in respect of prior periods, and calculated using tax rates that have been enacted or substantively enacted at the end of the financial year. Italian Corporate entities are subject to a corporate income tax (IRES) and to a regional production tax (IRAP).

Current tax is recognized in the Consolidated Income Statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the Consolidated Statement of Financial Position differs from its tax base.

Deferred tax assets are recognised to the extent that the Group believes it is probable that future taxable profit will be available against which temporary timing differences and carry forward of unused tax credits/ *losses can be utilised.*

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled/ recovered.

1. Accounting policies (continued)

R. EMPLOYEE BENEFITS

The only form of post-employment benefit provided to staff by Group companies is represented by Staff Termination Benefits "TFR". In light of the amendments made to the relevant regulations by the "2007 Finance Act" (law no. 296 of 27 December 2006) with regard to enterprises with more than 50 employees, staff termination benefits are accounted for in accordance with the following rules:

(i). For defined benefit plans, as regards the portion of staff termination benefits accrued as at 31 December 2006, through actuarial calculations which do not include the item related to future salary increases;

(ii). Lor defined contribution plans, as regards the portion of staff termination benefits accrued from 1 January 2007, both in case of election of supplementary pension scheme, and in the event of allocation to the INPS Treasury Fund.

Staff termination benefits for Group companies with fewer than 50 employees are recognized in accordance with the regulations for defined benefit plans in accordance with IAS 19; liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities.

S. PROVISIONS

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount.

T. SHARE BASED PAYMENTS

The cost of stock options, together with the corresponding increase in shareholders' equity, is recognized under personnel costs over the period in which the conditions relating to the achievement of objectives and / or provision of the service are met. The cumulative costs recognized for these operations at the end of each year up to the vesting date are commensurate with the expiry of the vesting period and with the best estimate of the number of participating instruments that will actually mature. The cost or revenue in the Consolidated Income Statement for the year represents the change in the cumulative cost recorded at the beginning and end of the year.

Service or performance conditions are not taken into consideration when the fair value of the plan is defined at the grant date. However, the probability that these conditions will be satisfied in defining the best estimate of the number of capital instruments that will accrue is taken into account. Market conditions are reflected in the fair value at the grant date. Any other condition related to the plan, which does not involve an obligation of service, is not considered as a condition of vesting. The non-vesting conditions are reflected in the fair value of the plan and involve the immediate accounting of the cost of the plan, unless there are also conditions of service or performance.

U. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Areas subject to estimation uncertainty and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are combined and discussed below.

Impairment of goodwill

The carrying value of goodwill is subject to an impairment review both annually and when there are indications that the carrying value may not be recoverable, in accordance with accounting policies (h) stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of estimates. See note 11 for further details.

Impairment of trade receivables

Management performs an assessment of the recoverability of debtors when evidence arises that demonstrates the collection is uncertain. Management periodically reassesses the adequacy of the allowance for doubtful debts in conjunction with its credit policy and discussions with each specific customer. Judgement is applied at the point where recoverability is deemed uncertain and thus when a provision is to be recognized (see note 16).

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available (see note 10).

Useful lives of depreciable assets

Useful lives of depreciable assets are based on the expected utilization of each asset. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Consolidated Statement of Comprehensive Income in specific periods (see notes 11 and 12).

Employee benefits

For actuarial assumptions on severance indemnity refer to note 25.

Lease liabilities

Lease payments are discounted at the incremental borrowing rate where the interest rate implicit in the lease cannot be readily determined. To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

For further details on lease liabilities refer to note 23.

2. Segmental reporting

Business segments

The Board considers that the principal activity of the SEC Newgate Group constitutes one operating and one reporting segment, as defined under IFRS 8. Management reviews the performance of the SEC Newgate Group by reference to total actual result against the total budgeted result in order to make strategic decisions.

Geographical segments

Services provided by Group entities located in each of the following countries are as follows:

		2019		2018
	€' 000	**%**	€' 000	%
Italy	**16,879**	**35%**	12,838	44%
United Kingdom	**9,111**	**19%**	4,441	15%
Belgium	**4,205**	**9%**	4,064	14%
Colombia	**4,052**	**9%**	4,347	15%
Spain	**941**	**2%**	1,204	4%
Poland	**965**	**2%**	1,080	4%
France	**4,148**	**9%**	545	2%
Germany	**674**	**1%**	453	2%
Australia	**5,152**	**11%**	-	0%
Hong Kong	**651**	**1%**	-	0%
China	**42**	**0%**	-	0%
Singapore	**431**	**1%**	-	0%
Abu Dhabi	**299**	**1%**	-	0%
Morocco	**-**	**0%**	-	0%
	47,550	**100%**	28,972	100%

No individual client sales were greater than 10% of Group revenue (2018: None).

3. Revenue

The nature of services provided can vary significantly depending on the requirements of the customer. The Group provides a range of communications, public affairs and integrated services specialising in corporate and financial communications, consumer PR, investor relations, financial communications, B2B PR, public affairs, digital services, research, analytics and media planning and buying.

Services provided by Group entities has been split into the following categories:

	2019	Restated 2018
	€' 000	€' 000
Communications	**23,678**	14,467
Advocacy and public affairs	**13,038**	7,946
Integrated services	**10,834**	6,559
	47,550	28,972

1 As a result of the acquisition of Porta Communications Plc detailed in note 29, the Board has decided to report cost of sales and gross profit as a separate line item going forwards. This is to ensure consistent reporting across all group entities and as a result the comparative has been restated. Costs recharged to clients are now recorded within cost of sales. Costs recharged to clients at the same rate as the cost incurred were previously recorded in revenue (4,378 €'000). These costs have been reclassified to cost of sales.

Communications and public relations revenue includes services relating to mergers and acquisitions, crisis communications and planning, corporate positioning, consumer PR, IPOs, investor relations and media training to name a few.

Advocacy and public affairs revenue relates to positioning events and strategies, policy development, government relations and national and local government coverage amongst other services offered.

Integrated services revenue which includes research, innovation and digital relates to a number of services including reputation research, advanced modelling and analytics, creative design and concepts, digital development and video animation and production.

The split of client based revenue as a percentage of Group revenue for the year was as follows:

		2019
Client based revenue	**€' 000**	**%**
Europe	**35,418**	**74%**
Australia & Oceania	**4,914**	**10%**
South America	**3,669**	**8%**
Asia	**2,232**	**5%**
North America	**944**	**2%**
Africa	**373**	**1%**
	47,550	**100%**

4. Employees expenses

	2019	2018
	€' 000	€' 000
Wages, salaries and non-executive fees	**18,414**	10,059
Social security costs	**3,087**	1,924
Severance indemnity and pension contributions	**1,473**	461
Share based payments[1]	**32**	37
Other employment related welfare costs	**380**	79
	23,386	12,560

[1]On 28 of May 2018, the Board of Directors, in line with resolutions passed at the shareholders' meeting on 27 October 2017, established a stock option plan for managers of the investee companies and the parent company. Stock option costs, previously included in 'other employment related welfare costs', of circa 32 €'000 (2018: 37 €'000) above have a corresponding tax impact of 8 €'000 (2018: 9 €'000).

The average monthly number of employees during the year, including Executive Directors, was as follows:

	2019	2018
	Number	Number
Fee earners	**464**	250
Management	**44**	28
Administration	**84**	49
	592	327

Salaries to key managers of the Group, including the Board of Directors' fees, was:

	2019	2018
	€' 000	€' 000
Salaries of key managers	**1,010**	3,611
End of mandate allowance	**18**	45
	1,028	3,656

In the prior year key managers included a number of managers from each subsidiary, however given the growth of the Group and the recent acquisition (see note 29) key managers who have the responsibility of directing the Group are now considered to be the Board of Directors seen below.

Directors' remuneration

31 December 2019	Fees and Salaries	Pension Contributions	Bonus	Other benefits[2]	Total
	€ 000	€ 000	€ 000	€ 000	€ 000
Executive Directors					
Fiorenzo Tagliabue	**145**	**23**	-	-	**168**
Emma Kane[1]	**152**	**7**	-	**1**	**160**
Brian Tyson[1]	**124**	**4**	-	-	**128**
Anna Milito	**76**	**29**	-	-	**105**
Thomas Parker	**140**	-	**25**	-	**165**
Mark Glover[1]	**160**	-	-	-	**160**
Andrea Cornelli	**5**	-	-	-	**5**
Non-executive Directors					
John Foley[1]	**11**	-	-	-	**11**
Luigi Roth	**38**	**1**	-	-	**39**
David Mathewson	**34**	-	-	-	**34**
Paola Bruno	**35**	-	-	-	**35**
	920	**64**	**25**	**1**	**1,010**

31 December 2018	Fees and Salaries	Pension Contributions	Bonus	Other benefits[2]	Total
	€ 000	€ 000	€ 000	€ 000	€ 000
Executive Directors					
Fiorenzo Tagliabue	145	23	-	-	168
Cesare Valli	202	97	-	-	299
Anna Milito	65	26	-	-	91
Thomas Parker	139	-	40	-	179
Mark Glover	216	-	38	-	254
Non-executive Directors					
Luigi Roth	42	-	-	-	42
David Mathewson	34	-	-	-	34
Paola Bruno	34	-	-	-	34
	877	146	78	-	1,101

[1] Remunerated in British pounds and Australian dollars, figures above have been translated into Euros at the year to date average exchange rate.

[2] Other benefits comprise of payments in respect of healthcare, life insurance and other similar benefits.

5. Service costs

	2019 €' 000	Restated[1] 2018 €' 000
Consulting	**1,645**	1,488
Internal Consulting and Directors	**908**	1,105
Overheads	**4,030**	1,688
Rental expenses	**721**	1,287
Services	**1,678**	1,181
	8,982	6,749

[1]As a result of the acquisition of Porta Communications Plc detailed in note 29, the Board has decided to report cost of sales and gross profit as a separate line item going forwards. This is to ensure consistent reporting across all group entities and as a result the comparative has been restated. Costs recharged to clients are now recorded within cost of sales. Costs recharged to clients at a different rate than the cost incurred were previously recorded in service costs (1,829 €'000). These costs have been reclassified to cost of sales.

Overheads principally comprise costs incurred with subcontractors in order to manage extraordinary workload activity not directly provided internally, as well as other costs such as utilities, insurance, subscriptions and general office costs.

Services comprise professional fees, marketing and advertising, travel expenses, phone costs, office maintenance expenses, car expenses and bank charges.

6. Depreciation and amortisation

	2019 €' 000	2018 €' 000
Amortisation of intangible assets	**95**	118
Depreciation of tangible assets	**2,059**	142
	2,154	260

7. Other operating costs

	2019 €' 000	Restated 2018 €' 000
Impairment of trade receivables	**243**	123
Tax local	**139**	113
Other operating costs	**1,004**	790
Other operating income	**(164)**	(733)
Other operating charges	**49**	21
	1,271	314

'As a result of the acquisition of Porta Communications Plc detailed in note 29, the Board has decided to report cost of sales and gross profit as a separate line item going forwards. This is to ensure consistent reporting across all group entities and as a result the comparative has been restated. Costs recharged to clients are now recorded within cost of sales. Costs recharged to clients at a different rate than the cost incurred were previously recorded in other operating costs (573 €'000). These costs have been reclassified to cost of sales.

Other operating costs include subscriptions, magazines, books and newspapers, consumption of materials.

Other operating income and charges in 2019 and 2018 are mainly generated by non-recurring adjustments and miscellaneous items. In 2018, other operating income includes an extraordinary income for 502 €'000 tax credit reimbursement on the investment made from SEC in an Artificial Intelligence project.

Tax local primarily includes chamber of trade costs and stamp duty taxes; the remaining costs comprise waste tax, motor vehicle tax and irrecoverable VAT.

8. Finance expense and finance income

	2019 €' 000	2018 €' 000
Interest income on bank deposits	**68**	-
Dividend income	**1**	11
Fair value gains on financial assets at fair value through profit or loss	**119**	86
Finance income	**188**	97
Interest expense	**337**	151
Interest on lease liabilities	***265***	-
Fair value losses on financial assets at fair value through profit or loss	-	43
Net foreign exchange loss	**127**	1
Finance expense	**729**	195
Net finance expense	**541**	98

9. Taxation

	2019	2018
	€' 000	€ 000
Current tax charge	**1,366**	596
Deferred tax (credit)/charge	**(95)**	43
Total income tax charge	**1,271**	639

The activities of the Group are located across a number of geographical locations including Italy, UK, Spain, Germany, Belgium, Poland, Columbia, France, Australia, Hong Kong, China, Singapore and Abu Dhabi. Activities within Italy are subject to the two following corporate taxation regimes:

-IRES is the state tax which was levied at 24% of taxable income

-IRAP is a regional income tax, for which the standard rate is 3.9%, with certain local variations permitted.

The tax assessed for the year differs from the standard rate of tax in Italy at 24% (2018: 24%) for the reasons set out in the following table:

	2019	2018
	€' 000	€ 000
Profit before taxation on continuing activities	**1,271**	2,211
Income tax expense computed at the statutory tax rate on loss before taxation on all activities	**(305)**	(508)
Temporary differences subject to tax @ 24.0%	**(533)**	(126)
Non-deductible expenses subject to tax @ 24.0%	**(411)**	(88)
Non-taxable incomes subject to tax @ 24.0%	**31**	240
Tax loss carry forward (use) subject to tax @ 24.0%	**254**	120
Tax loss carry forward (set-up) subject to tax @ 24.0%	**(225)**	-
Recovery of IRAP taxable amounts on IRES purposes subject to tax @ 24.0%	**7**	11
Tax incentives (tax allowance on retained earnings increases - ACE)	**17**	33
IRAP on Italian entities	**(94)**	(105)
Non-Italian jurisdictions tax rates reconciliation	**(12)**	(7)
Differences on non-Italian jurisdictions taxable loss	**-**	(166)
Total current income taxation	**(1,271)**	(596)
Deferred tax expense	**-**	(43)
Total tax charge for the year	**(1,271)**	(639)

Deferred tax balances were as follows:

	Notes	**2019** €' 000	2018 €' 000
Deferred tax assets	15	**2,053**	483
Deferred tax liabilities	21	**(224)**	605

Movements in deferred tax balances during the year were as follows:

	2019 €' 000	2018 €' 000
At 1 January	**1,088**	267
Recognised in income statement	**95**	37
Acquisition through business combination	**456**	-
Other movements	**155**	35
Translation differences	**35**	-
At 31 December	**1,829**	339

10. Financial instruments and risk management

FINANCIAL INSTRUMENTS

Financial assets are classified on initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss depending on the purpose for which the asset was acquired. The Group has classified its financial investments (note 18) as fair value through profit or loss, its other investments (note 13) as fair value through OCI and all other financial assets are held at amortised cost.

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial investment at fair value

IFRS 13 sets out the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements are required/used.

IFRS 13 requires certain disclosures which require the classification of assets and liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

The fair value used for evaluating the financial investments are based on quoted prices in an active market (level 1). The Group has estimated relevant fair values on the basis of publicly available information from outside sources.

Other investments are designated as fair value through other comprehensive income and are shown at fair value with any movements in fair value taken to equity. On disposal, the cumulative gain or loss previously recognized in equity is included in the profit or loss for the year.

10. Financial instruments and risk management (continued)

The Group's financial assets and liabilities, as defined by IAS 32, are as follows:

	Notes		**2019 €' 000**		2018 €' 000
		Carrying Value	**Fair Value**	Carrying Value	Fair Value
Investments	13	**16**	**16**	1,252	1,252
Other financial assets	14	**21**	**21**	66	66
Other assets	15	**1,437**	**1,437**	488	488
Trade and other receivables	16, 17	**16,467**	**16,467**	9,720	9,720
Financial investments	18	**280**	**280**	582	582
Cash and cash equivalents	19	**6,138**	**6,138**	5,220	5,220
Financial assets		**24,359**	**24,359**	17,329	17,329
Trade and other payables	20, 21	**8,876**	**8,876**	5,173	5,173
Lease liabilities	23	**8,468**	**8,468**	-	-
Provisions	24	**1,645**	**1,645**	565	565
Other non-current liabilities	26	**5,344**	**5,344**	6,786	6,786
Borrowings	22	**14,878**	**14,878**	6,963	6,963
Financial liabilities		**39,211**	**39,211**	19,487	19,487

Management have assessed that the fair value of cash and short term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate to their carrying amounts as those items have short term maturities.

Maturity profile of financial liabilities	**2019 €' 000**	2018 €' 000
Due in six months or less	**13,221**	7,132
Due between six months and 1 year	**2,609**	977
Due between 1 year and 2 years	**3,741**	4,905
Due between 2 and 5 years	**16,041**	1,664
Due in 5 years or more	**3,599**	4,809
	39,211	19,487

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-todate information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Board of Directors. The Board is responsible for the identification of the major business risks faced by the Group and for determining the appropriate courses of action to manage those risks. The most important types of risk are credit risk, liquidity risk, and market risk. Market risk includes currency risk, interest rate and other price risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Group's trade receivables. As at 31 December 2019 the Group had amounts due from sixteen major customers amounting to 20% (2018: ten amounting to 20%) of the trade receivables balance.

The Group is exposed to credit risk in respect of these balances such that, if one or more of these customers encounters financial difficulties, this could materially and adversely affect the Group's financial results. Management addresses the Group's exposure to credit risk by assessing the credit rating of new customers prior to entering contracts and by entering contracts with customers on agreed terms. Management consider all relevant facts and circumstances, including past experiences with a customer or customer class when assessing the credit risk of clients. See accounting policy (k) for details on the impairment methodology of trade receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above.Management reviews the recoverability of trade receivables regularly and based on this analysis a provision for trade receivables is recognised to cover any expected credit loss. Details of exposure to trade receivables is given in note 16.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due.The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this, the Group finances its operations through a mix of equity and borrowings. The Group's objective is to provide funding for future growth and to achieve a balance between continuity and flexibility through its bank facilities and future intergroup loans.

The Board receives cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Market risk

(a) Currency translation risk

The Group's subsidiaries operate in Europe, Australia, Singapore, Hong Kong, Columbia, Poland and Abu Dhabi and revenues and expenses are denominated in Euro (EUR), Pound Sterling (GBP), Australian Dollar (AUD), Singapore Dollar (SGD), Hong Kong Dollar (HKD), United Arab Emirates Dirham (AED), Colombian Peso (COP), Polish Zloty (PLN) and United States Dollar (USD). The Group's Euro (EUR) Consolidated Statement of Financial Position is not protected from movements in the exchange rate between these currencies and Euros. The overall exposure to foreign currency risk is considered by management to be low.

10. Financial instruments and risk management (continued)

FINANCIAL RISK MANAGEMENT (continued)

The following table demonstrates the sensitivity to reasonable possible change in significant currencies to the Group such as GBP, AUD, SGD, HKD, AED, COP, PLN and USD to EUR exchange rates, with all other variables held constant. The impact on the Group profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group exposure to possible changes in all other foreign exchange currencies is not deemed material.

		2019
	+5%	-5%
Effect on profit before tax	**€' 000**	**€' 000**
British Pound	(56)	56
Australian Dollar	55	(55)
Singapore Dollar	2	(2)
Hong Kong Dollar	(8)	8
UAE Dirham	1	(1)
Colombian Peso	6	(6)
Polish Zloty	4	(4)
Chinese Yuan	1	(1)
US Dollar	19	(19)

		2019
	+5%	-5%
Effect on equity	**€' 000**	**€' 000**
British Pound	1,311	(1,311)
Australian Dollar	78	(78)
Singapore Dollar	61	(61)
Hong Kong Dollar	7	(7)
UAE Dirham	8	(8)
Colombian Peso	12	(12)
Polish Zloty	7	(7)
Chinese Yuan	(2)	2
US Dollar	29	(29)

(b) Interest rate risk

SEC Newgate Group has previously been funded through borrowings from UBS (Italy) S.p.A., Deutsche Bank S.p.A., Unicredit S.p.A., BPM Banco Popolare di Milano, Carige. Please refer to note 22 for details of the facilities including interest rates, repayment dates and repayment terms.

Capital Management

The capital structure of the Group comprises the equity attributable to equity holders of the parent company, which includes issued share capital, reserves and retained earnings. Quantitative data on these is set out in the Consolidated Statement of Changes in Equity.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

11. Intangible assets

	Goodwill	Websites, software and licences	Total
Cost	**€' 000**	**€' 000**	**€' 000**
At 1 January 2018	9,205	322	9,527
Additions in the year	5,154	1,176	6,330
At 31 December 2018	14,359	1,498	15,857
Additions in the year	**14,995**	**94**	**15,089**
Acquisition through business combination	-	**568**	**568**
Disposals in the year	-	**(4)**	**(4)**
Translation differences	-	**37**	**37**
At 31 December 2019	**29,354**	**2,193**	**31,547**
Depreciation			
At 1 January 2018	-	(125)	(125)
Charge for the year	-	(118)	(118)
At 31 December 2018	-	(243)	(243)
Charge for the year	-	**(95)**	**(95)**
Acquisition through business combination	-	**(417)**	**(417)**
Eliminated on disposal	-	**4**	**4**
Translation differences	-	**(28)**	**(28)**
At 31 December 2019	-	**(779)**	**(779)**
Net book Value			
At 1 January 2018	9,205	197	9,402
At 31 December 2018	14,359	1,255	15,614
At 31 December 2019	**29,354**	**1,414**	**30,768**

Refer to note 29 for details of business acquisitions during the year.

11. Intangible assets (continued)

IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

For the purpose of impairment testing, the aggregate carrying amount of goodwill is allocated to each cash generating unit (CGU). Management identifies each subsidiary as a single CGU. The carrying value of goodwill is compared to the net present value of future cash flows derived from the underlying assets for each CGU.

The aggregate carrying amount of goodwill is allocated to each CGU as follows:

	Entity acquired	2019 €' 000	2018 € 000
ACH Sec Global (previously known as ACH Cambre SL)	2014	**492**	492
CLAI SAS	2018	**5,010**	5,010
Cambre Associates SA	2013	**1,548**	1,548
Kohl PR & Partners GMBH	2015	**761**	761
Martis Consulting Sp. z o.o.	2017	**1,196**	1,196
Newington Communications Limited[1]	2016	**2,058**	2,058
Sec & Partners S.r.l.	2014	**100**	100
SEC+Latam Communications Estrategica SAS	2017	**2,143**	2,143
Newgate Communications Pty Limited	2019	**8,235**	-
Newington Communications Limited	2019	**4,411**	-
Newgate Communications (HK) Limited	2019	**976**	-
21:12 CommunicationsLimited	2019	**713**	-
Newgate Communications (Singapore) Pte. Ltd	2019	**617**	-
Newgate CommunicationsFZ-LLC	2019	**43**	-
CLAI SAS (local ledger goodwill)[2]	N/A	**418**	418
Martis Consulting Sp. z o.o. (local ledger goodwill)	N/A	**1**	1
Sec & Partners S.r.l. (local ledger goodwill)	N/A	**632**	632
		29,354	14,359

[1]Goodwill relating to the Newington acquisition of 1,806 €'000 in 2016 was revised to 2,058 €'000 in 2017 based on the second earn-out.

[2]Additions in 2018 also included local goodwill in CLAI of 418 €'000 resulting from a previous acquisition.

Additions in 2014 also included goodwill in ACH of 275 €'000 resulting from a previous merger . This was fully impaired in 2018.

The information required by paragraph 134 of IAS 36 is provided below. The recoverable amount of each CGU has been verified by comparing its net assets carrying amount to its value in use calculated using the Discounted Cash Flow method. The main assumptions for determining the value in use are reported below:

	ACH	CLA	CAM	KOHL	MRT	NEW	SEC-P
Average market rate	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
Discount rate	6.4%	5.3%	5.5%	5.5%	8.0%	8.2%	8.2%

	SEC-L	NGAS	NGCL	NGHK	2112	NGSN	NGAD
Average market rate	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
Discount rate	15.6%	7.8%	8.2%	8.7%	8.2%	8.4%	48.6%

The discount rate has been determined on the basis of market information on the cost of money and the specific risk of the industry. In particular, the Group used a methodology to determine the discount rate which considered the average capital structure of a group of comparable companies.

The recoverable amount of CGUs has been determined by utilizing cash flow forecasts based on the 2020 to 2024 five year plan approved by management, on the basis of the results attained in previous years as well as management expectations regarding future trends in the public relations market. At the end of the five-year projected cash flow period, a terminal value was estimated in order to reflect the value of the CGUs in future years. The terminal values were calculated as a perpetuity at the same growth rate as described above and represent the present value, in the last year of the forecast, of all future perpetual cash flows. The impairment test performed as of the balance sheet date resulted in a recoverable value greater than the carrying amount (net operating assets) of the above-mentioned CGUs.

Acquisition of SEC Latam is subject to an earn-out based on company EBITDA over three years (2018 – 2019 - 2020); total consideration for the acquisition of the 51% share of the company has been calculated based on conservative and reasonable estimates, consequently an earn-out liability for 408 €'000 was accrued as of 31 December 2019 (see note 24 and note 26). The final total consideration is subject to uncertainty and depends on the company performance over the ongoing financial year.

Acquisition of CLAI is subject to an earn out based on company EBITDA over seven years (2019 - 2020 - 2021 - 2022 - 2023 - 2024- 2025); SEC holds preferred shares in Clai that represent the 10% of the share capital that allow 50% + 0.1 voting rights and a set of options allows SEC Newgate to escalate to 100% of Clai within the end of the earn out period; total consideration for the acquisition of 100% share of the company has been calculated based on conservative and reasonable estimates, consequently an earn-out liability for 5,962 €'000 was accrued as of 31 December 2019 (see note 24 and note 26). The final total consideration is subject to uncertainty and depends on the company performance over the ongoing financial year.

12. Tangible Assets

Cost	Leasehold property €' 000	Leasehold improvements €' 000	Equipment €' 000	Furniture and fittings €' 000	Total €' 000
At 1 January 2018	-	379	161	767	1,307
Additions in the year	-	325	14	114	453
Acquisition through business combination	-	-	107	153	260
Disposals in the year	-	(1)	-	(76)	(77)
At 31 December 2018	-	703	282	958	1,943
Adjustment on transition to IFRS 16	**5,375**	**-**	**143**	**231**	**5,749**
Additions in the year	**68**	**351**	**75**	**329**	**823**
Acquisition through business combination	**4,049**	**1,549**	**713**	**468**	**6,779**
Transfers between categories	**-**	**-**	**113**	**(113)**	**-**
Disposals in the year	**-**	**(557)**	**(162)**	**16**	**(703)**
Revaluation increase	**56**	**-**	**-**	**-**	**56**
Translation differences	**194**	**67**	**29**	**32**	**322**
At 31 December 2019	**9,742**	**2,113**	**1,193**	**1,921**	**14,969**

Depreciation					
At 1 January 2018	-	(227)	(106)	(561)	(894)
Charge for the year	-	(59)	(15)	(68)	(142)
Acquisition through business combination	-	-	(67)	(136)	(203)
Eliminated on disposal	-	-	-	76	76
At 31 December 2018	-	(286)	(188)	(689)	(1,163)
Charge for the year	**(1,614)**	**(122)**	**(134)**	**(189)**	**(2,059)**
Acquisition through business combination	**(993)**	**(1,026)**	**(537)**	**(348)**	**(2,904)**
Transfers between categories	**-**	**-**	**(62)**	**62**	**-**
Eliminated on disposal	**-**	**148**	**159**	**(18)**	**289**
Translation differences	**(53)**	**(50)**	**(23)**	**(22)**	**(148)**
At 31 December 2019	**(2,660)**	**(1,336)**	**(785)**	**(1,204)**	**(5,985)**

Net book value					
At 1 January 2018	-	152	55	207	412
At 31 December 2018	-	417	94	269	780
At 31 December 2019	**7,082**	**777**	**408**	**717**	**8,984**

Included in the amounts above are the following in relation to right-of-use assets:

	Depreciation charge for the year		Net book value	
	2019	2018	**2019**	2018
	€' 000	€' 000	**€' 000**	€' 000
Leasehold property	**1,594**	-	**7,082**	-
Leasehold improvements	**31**	-	**47**	-
Equipment	**41**	-	**87**	-
Furniture and fittings	**59**	-	**206**	-
	1,725	-	**7,422**	-

Additions to the right-of-use assets during the year were 68 € '000.

Amounts included in revaluations above relates to an adjustment to office leases recognised under IFRS 16. See note 23 for the lease liability revaluation.

For further details on the adoption of IFRS 16 on 1 January 2019, please refer to note 33.

13. Investments

	Owned by	Ownership %	2019 €' 000	2018 €' 000
Porta Communications Plc	SEC Newgate	16.9	**-**	1,245
Sec & Partners S.r.l.	SEC Newgate	95.0	**5**	5
Other equity investments		-	**11**	2
			16	1,252

In September 2019, the entire share capital of Porta Communications PLC (Porta) was acquired by SEC Newgate S.p.A. As a result, Porta and all of its subsidiaries have been consolidated into the SEC Newgate group financial statements. For further details please refer to note 29.

14. Other financial assets

	2019 €' 000	2018 €' 000
Rental deposits	**21**	56
Other financial investments	**-**	10
	21	66

Rental deposits include bank deposits to guarantee office leases. Rental deposits directly held by the landlord can be found in note 15.

15. Other assets

	2019	2018
	€' 000	€' 000
Deferred tax assets	**2,053**	483
Rental deposits	**1,076**	149
Directors benefits	**361**	339
	3,490	971

Director benefits is the asset coverage provided by an external insurance company in order to fulfil the end of mandate obligations for a Board Director (see note 26).

16. Trade receivables

	2019	2018
	€' 000	€' 000
Trade receivables	**15,685**	10,063
Less: provision for impairment	**(591)**	(433)
	15,094	9,630

Management considers that the carrying amount of trade receivables approximates to their fair values due to their short-term nature.

A summary of trade receivables, excluding impaired balances, categorised by due date for payment is as follows:

	2019	2018
	€' 000	€' 000
Neither past due nor impaired	**6,874**	5,603
Past due but not impaired:		
Past due up to 3 months	**6,466**	2,283
Past due more than 3 months not more than 6 months	**680**	219
Past due more than 6 months not more than 1 year	**357**	620
Past due more than 1 year	**717**	905
	15,094	9,630

The following analysis was made in order to estimate unexpected credit losses:

				Maturity analysis (Days)
	0 - 365	365 -730	730 - 1826	1,826
Expected credit loss rate	0%	30%	70%	80%
Estimated carrying value amount at default (€'000)	-	443	224	391
Lifetime ECL (€'000)	-	- 133	157	313

The movement on impairment for the year in respect of trade receivables was as follows:

	2019	2018
	€' 000	€ 000
At 1 January	**433**	365
Provision made during the year	**126**	123
Acquired on business combinations	**131**	-
Amounts written off during the year	**(2)**	(55)
Amounts recovered during the year	**(106)**	-
Translation differences	**9**	-
At 31 December	**591**	433

17. Other receivables

	2019	2018
	€' 000	€ 000
Accrued income	**1,373**	90
Prepayments	**1,915**	520
Tax on income	**478**	503
VAT receivable	**574**	41
Other receivables	**222**	668
	4,562	1,822

Management considers that the carrying amount of other receivables approximates to their fair values due to their short-term nature.

In 2018, other receivables included tax credits receivable of 502 €'000 relating to the development of artificial intelligence software by SEC Newgate. There is no such receivable in 2019.

18. Financial Investments

	2019	2018
	€' 000	€ 000
UBS S.A. investment	**280**	583

The table below provides an analysis of financial instruments that are initially recognised at fair value (level 1) based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

2019	**Purchase cost** €' 000	**Fair value against P&L** €' 000	**Accrued interest** €' 000	**Total** €' 000
Bonds	**170**	**280**	-	**280**
Equities	-	-	-	-
Other	-	-	-	-
Investments	**170**	**280**	-	**280**

2018	Purchase cost € 000	Fair value against P&L € 000	Accrued interest € 000	Total € 000
Bonds	63	59	-	59
Equities	458	500	-	500
Other	30	24	-	24
Investments	551	583	-	583

	Debt securities €' 000	**Equities** €' 000	**Funds** €' 000	**Loans** €' 000	**Total** €' 000
At 1 January 2018	53	-	1,068	-	1,121
Acquisitions	-	-	-	-	-
Disposals during the year	(53)	-	(461)	-	(514)
Changes in fair value		-	(24)	-	(24)
At 31 December 2018			583		583
Acquisitions	-	-	-	-	-
Disposals during the year	-	-	**(379)**	-	**(379)**
Changes in fair value	-	-	**76**	-	**76**
At 31 December 2019	-	-	**280**	-	**280**

19. Cash and cash equivalents

	2019	2018
	€' 000	€' 000
Cash at bank and in hand	**5,817**	5,220
Restricted cash	**321**	-
	6,138	5,220

Cash at bank and in hand are included in cash and cash equivalents disclosed above and in the Consolidated Statement of Cash Flows. These balances have an original maturity of 90 days or less.

The restricted cash deposits above are restricted cash amounts and are included within cash and cash equivalents disclosed above and in the Consolidated Statement of Cash Flows. These deposits are subject to restrictions and therefore not available for general use by the Group.

20. Trade payables

	2019	2018
	€' 000	€' 000
Trade payables	**7,462**	4,953

21. Other payables

		Restated[1]
	2019	2018
	€' 000	€' 000
Accrued expenses	**1,414**	220
Income received in advance	**1,412**	1
Employee and payroll-related liabilities	**2,699**	1,507
Government institutions	**368**	367
Tax on income	**397**	191
Deferred tax liabilities	**224**	(605)
VAT payable	**1,466**	349
Other payables	**1,419**	709
	9,399	2,739

[1]Deferred tax liabilities have been disclosed as a separate line item. This was previously included within tax on income.

Management considers that the carrying amount of other payables approximates to their fair values due to their short-term nature.

Other payables includes 142 €'000 (2018: 142 €'000) due to a director of SEC and Partners.

22. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. The Group has both long-term borrowings in order to fund business acquisitions and short-term credit facilities for working capital requirements.

	2019	2018
	€' 000	€' 000
Deutsche Bank	**784**	459
Banco Popolare di Milano	**57**	199
Unicredit	**919**	1,031
Carige	**401**	391
KBC Bank	**141**	88
Bankinter	**100**	81
Itau Corpbanca	**2**	-
National Westminster Bank PLC	**-**	33
Banco Colpatria Red Multibanca SA	**-**	50
Total loans	**2,404**	2,332
Interest payable	**43**	39
Total current liabilities	**2,447**	2,371
UBS	**1,762**	1,762
Deutsche Bank	**2,242**	56
Banco Popolare di Milano	**-**	200
Unicredit	**3,275**	2,173
Carige	**-**	401
Hawk Investment Holdings	**4,703**	-
Retro Grand Limited	**449**	-
Total non-current liabilities	**12,431**	4,592
Total borrowings	**14,878**	6,963

DETAILS OF BANK LOANS

	Currency	Outstanding €'000	Total facility €'000	Interest rate	Maturity date	Repayment term	Security
UBS (Italy) S.p.A	EUR	1,762	1,762	Euribor +1.25%	Open ended	Open ended	Pledge on Silvia Anna Mazzucca financial instruments
Deutsche Bank	EUR	56	1,000	Euribor +1%	March 2020	Monthly	None
Deutsche Bank	EUR	2,970	3,000	Euribor 3 months + 1.7%	November 2023	Every three months	None
Banco Popolare di Milano	EUR	43	1,000	1.1%	February 2020	Monthly	None
Unicredit	EUR	200	1,000	1.2%	December 2020	Monthly	None
Unicredit	EUR	3,966	4,000	Euribor 3 months +1.95%	March 2025	Three months	None
Carige	EUR	401	1,000	1.4%	December 2020	Every six months	None
KBC Bank	EUR	29	29	0.95%	July 2020	Monthly	None
KBC Bank	EUR	42	42	0.95%	October 2020	Monthly	None
KBC Bank	EUR	70	70	0.95%	December 2020	Monthly	None
Itau Corpbanca	COP	2	54	DTF + 9.5%	March 2020	Monthly	None

DETAILS OF OTHER BORROWINGS

	Currency	Type of borrowing	Face Value €'000	Carrying amount €'000	Interest rate	Maturity date	Repayment term
Hawk Investment Holdings	GBP	Deep Discounted bond	5,673	4,703	5.87%	14 April 2023	Lump sum at maturity date
Retro Grand	GBP	Convertible loan	449	449	0%	10 April 2024	Lump sum at maturity date

22. Borrowings (continued)

DETAILS OF OTHER BORROWINGS (continued)

Further details of the above loans can be found below:

a. UBS (Italy) S.p.A. - an open-ended revolving credit facility of 1,762 € '000 was obtained during the year ended 31 December 2013 at an interest rate of Euribor 12 month plus a margin of 1.25 per cent.

b. Deutsche Bank S.p.A. - a loan of 1,000 € '000 at an interest rate of 1-month Euribor plus a margin of 1,00 per cent. Repayments are on a monthly basis between April 2017 and March 2020.

c. Deutsche Bank S.p.A - new of 3,000 € '000 was obtained during 2019 at an interest rate of Euribor 3 months repayable every three months between November 2019 and November 2023.

d. BPM Banco Popolare di Milano - a loan of 1,000 € '000 at an interest rate of 1,1% repayable in monthly instalments between February 2016 and February 2020.

e. Unicredit S.p.A -a loan of 1,000 € '000 at an interest rate of 1.2% repayable every six months between June 2016 and December 2020.

f. Unicredit S.p.A - a loan of 4,000 € '000 was obtained during 2019 at an interest rate of Euribor 3 months repayable every three months between October 2019 and March 2025.

g. Carige - a loan of 1,000 € '000 at an interest rate of 1.20% with instalments payable every six months between December 2018 and January 2021

h. KBC bank - a loan of 29 € '000 at an interest rate of 0.95% repayable monthly until July 2020.

i. KBC bank - a loan of 42 € '000 at an interest rate of 0.95% repayable monthly until October 2020.

j. KBC bank - a loan of 70 € '000 at an interest rate of 0.95% repayable monthly until December 2020.

k. Itau Corpbanca - a revolving credit facility of 54 € '000 at an interest rate of DTF+9.5% repayable monthly until March 2020.

l. Hawk Investment Holdings - a deep discounted bond with an effective interest rate of 5.87% repayable in April 2023 with a redemption amount of £4,841,748.

m. Retro Grand - a convertible loan at 0% interest of £383,600 repayable in April 2024.

23. Leases

This note provides information for leases where the group is a lessee.

Lease liabilities	2019 €'000	2018 €'000
Current	**2,861**	-
Non-current	**5,607**	-
	8,468	-

Additions and carrying amount for right-of-use assets included in the Consolidated Statement of Financial Position has been disclosed in note 12.

Depreciation charged on right-of-use assets in the Consolidated Statement of Comprehensive Income has also been disclosed in note 12. The Consolidated Statement of Comprehensive Income also shows the following amounts relating to leases:

	2019 €'000	2018 €'000
Interest expense	**265**	-
Expense relating to short-term leases	**20**	-
Expense relating to leases of low value assets	**2**	-

Total cash outflows for leases can be found as a separate line item in the Consolidated Statement of Cash Flows.

Maturity profile of lease liabilities	2019 €'000	2018 €'000
Due in six months or less	**1,405**	-
Due between six months and 1 year	**1,456**	-
Due between 1 year and 2 years	**2,268**	-
Due between 2 and 5 years	**1,879**	-
Due in 5 years or more	**1,460**	-
	8,468	-

24. Provisions

	2019	2018
	€'000	€'000
Earn out provisions	**1,645**	565

The current earn out provision relates to SEC Latam and CLAI.

25. Employee benefits

	2019	2018
	€'000	€'000
Severance indemnity	**2,013**	1,950

The liability represents the amount for future severance payments to employees. Movements relating to the severance indemnity provision can be found below:

	€' 000
At 1 January 2018	1,680
Service cost	228
Net interest	21
Benefit paid	(73)
Actuarial loss	(1)
Additions through business combinations	94
At 31 December 2018	1,950
Service cost	**97**
Net interest	**29**
Benefit paid	**(196)**
Actuarial gain	**133**
Translation differences	**-**
At 31 December 2019	**2,013**

26. Other non-current liabilities

	2019	2018
	€'000	€'000
Directors benefits	**397**	375
Earn out liability	**4,754**	6,411
Dilapidation provisions	**293**	-
Other non-current liabilities	**193**	17
	5,637	6,803

Directors benefits above relates to an obligation that SEC Newgate S.p.A. has for the end of mandate allowance in relation to a Board Director. This obligation is covered by an insurance asset (see note 15).

The non-current earn out provision relates to the acquisitions of SEC Latam and CLAI.

Other non-current liabilities relates to a long service leave accrual required by certain Australian states and territories for long serving employees.

27. Share capital

AUTHORISED, ISSUED AND FULLY PAID CAPITAL

At 31 December 2019	**Number**	**€**
Ordinary shares of 0.10 EUR each	**24,250,907**	**2,425,090.70**

At 31 December 2018	Number	€
Ordinary shares of 0.10 EUR each	13,502,533	1,350,253.30

All shares are fully issued and paid up. The ordinary shareholders are then entitled to receive dividends in proportion to their percentage ownership in the Company.

On 17 July 2018 (closed on the 3rd August 2018), SEC Newgate issued 1,280,558 Ordinary shares of 0.10 EUR each following the announcement of a shareholder offer and placing made. On 3 September 2019, SEC Newgate issued 10,748,374 ordinary shares as detailed:

(a) 4,755,162 ordinary shares for a total value of €4,837,902, were issued in exchange for the 420,810,829 shares of Porta Communications Plc. Per the Scheme of Arrangement a ratio of 1 newly issued share for each 88.495575 shares of Porta Communications Plc was agreed;

(b) 5,993,212 ordinary shares for a total value of €6,097,494, were issued in exchange for the 530,372,743 shares of Porta Communications Plc held by Retro Grand Limited at the date of execution of the capital increase, following the conversion of a convertible loan currently owned by Retro Grand Limited;

The Transaction was carried out by means of a Scheme of Arrangement as provided for in Part 26 of the Companies Act 2006 of the United Kingdom to acquire Porta Communications Plc.

27. Share capital (continued)

AUTHORISED, ISSUED AND FULLY PAID CAPITAL (continued)

The movement in Ordinary shares for the year reconciles as follows:

	Number	€
At 1 January 2018	12,221,975	1,222,197.50
Additions during the year	1,280,558	128,055.80
At 31 December 2018	13,502,533	1,350,253.30
Additions during the year	**10,748,374**	**1,074,837.40**
At 31 December 2019	**24,250,907**	**2,425,090.70**

EARNINGS PER SHARE

The basic and diluted earnings per share are determined by dividing the profit attributable to the equity holders of the parent by the number of shares outstanding during the period. Earnings per share, basic, is determined as follows:

	2019	2018
(Loss)/profit for the year attributable to owners of the company	**(€99,000)**	€1,232,000
Weighted average number of shares	**17,036,245**	13,502,533
Earnings per share, basic	**(€0.006)**	€0.091

On 9 June 2016 the General Assembly resolved to issue a maximum of 134,000 shares to be assigned to WH Ireland Limited as a warrant, and a maximum of 675,000 shares as part of a stock grant plan to the employees.

On 28 March 2018, the Board of Directors, in line with resolutions passed at the shareholders' meeting on 27 October 2017, established a stock option plan for managers of the investee companies and the parent company. A maximum of 480,000 shares could be issued.

As of today, neither warrant nor stock grant plan were subscribed, however the potential additional shares should be considered as dilutive instruments. Earnings per share, diluted, is determined as follows:

	2019	Restated[1] 2018
Profit for the year attributable to owners of the company	**(€99,000)**	€1,232,000
Weighted average number of shares	**18,325,245**	14,791,533
Earnings per share, diluted	**(€0.005)**	€0.083

[1] The prior year comparative has been updated to include the potential 480,000 shares that could be issued as a result of the stock option plan granted in 2018 as mentioned above.

28. Reserves

The following table describes the nature of each reserve:

	2019	Restated[1] 2018
	€'000	€'000
Share premium reserve	**12,456**	3,741
Legal reserve	**148**	58
Revaluation reserve	**(3,076)**	(2,030)
Retained earnings	**6,222**	6,913
	15,750	8,682

[1]The prior year comparative has been restated to ensure that both the legal reserve and retained earnings agrees to the carry forward position stated in the Consolidated Statement of Changes in Equity.

Share premium reserves

	€'000
At 1 January 2018	2,627
New issues during the year	1,261
Issue costs	(147)
At 31 December 2018	3,741
New issues during the year	**9,861**
Issue costs	**(1,146)**
At 31 December 2019	**12,456**

On 17 July 2018, SEC Newgate S.p.A issued 1,280,558 Ordinary shares for proceeds in excess of the nominal value by 1,261 €'000. The company incurred issue costs of 147 €'000 (net of taxes) in relation to the issue of shares which has been deducted from share premium in the year.

On 3 September 2019, SEC Newgate S.p.A issued 10,748,374 Ordinary shares as detailed in note 27. The fair value of consideration paid resulted in share premium of 9,861 €'000. The company incurred issue costs of 1,146 €'000 in relation to the issue of shares which has been deducted from share premium in the year.

28. Reserves(continued)

Legal reserve

This reserve is required by law, and is not distributable.

Revaluation reserve

Gains/losses arising on financial assets classified as FVOCI, actuarial evaluation on pension allowance and exchange rates differences.

Retained earnings

Retained earnings includes all current and prior period net gains and losses attributable to the owners of the company which are not recognised elsewhere. This includes a Stock Option reserve dedicated to the managers of the subsidiaries and the parent company.

29. Interests in subsidiaries

SUMMARY OF ACQUISITIONS

Acquisitions over the two-year period are as follows:

- In November 2018, SEC Newgate acquired 10% of the share capital of CLAI SAS.
- In September 2019, SEC Newgate, who previously held 16.9% of Porta Communications Plc (Porta), purchased the remaining share capital resulting in 100% ownership of Porta. As a result, SEC Newgate, also indirectly controls the subsidiaries of Porta which have been consolidated at year end.

The consideration transferred consists entirely of SEC issuing equity interests to Porta shareholders calculated at the fair value of the SEC equity interests transferred. On 3 September 2019, 420,810,829 Porta shares were exchanged at a rate of 88.4955752 into 4,755,162 new SEC shares as well as 5,993,212 SEC shares being issued to Retro Grand Limited (RGL), a shareholder of Porta, following the conversion of a convertible loan currently owned by RGL. In total, 10,748,374 SEC shares were issued as a result of the acquisition at a fair value of €1.0174 per share.

Goodwill of 14,995 €'000 (note 11) arising on the acquisition of the Porta group represents the strategic benefits of the acquisition that will help to enhance the Group's ability to strengthen its media presence through expansion into other geographical areas as well as the economies of scale expected from combining the operations of the group. Goodwill has been attributed to each CGU of the Porta Group based on the anticipated future profitability of each CGU. Management identifies each subsidiary as a single CGU and the split of goodwill can be found in note 11.

Details surrounding the acquisitions can be found below:

	Notes	2019 Porta Group €'000	2018 CLAI €'000
Trade receivables		**5,413**	478
Cash and cash equivalents		**1,824**	999
Other assets		**7,935**	661
Trade payables		**(870)**	(148)
Other liabilities		**(17,864)**	(548)
Net (liabilities)/assets acquired		**(3,562)**	1,442
% acquired		**100%**	10%
Fair value of consideration		**10,935**	6,452
Fair value of previously held equity interests		**423**	-
Net assets attributable to non-controlling interests		**74**	-
Goodwill	**11**	**14,995**	5,010

Further details can be found in note 11.

Details surrounding further acquisitions of interests in existing subsidiaries can be found below:

Company	Date of acquisition	% acquired in year	% owned at year end	Consideration
Newgate Hong Kong	15/11/2019	5%	85%	148,324

29. Interests in subsidiaries (continued)

In addition to the above acquisitions, on 4 December 2019, Cambre Maroc Advocacy was set up in Morocco. The cost of the 51% equity interest held by SEC Newgate was 24 €'000.

Set out below are details of the subsidiaries held directly, unless otherwise stated, by the Group at 31 December 2019:

Name	Key	Country of incorporation	Percentage held	Principal activity
13 Communications Limited	13CO	London (UK)	100%*	Dormant
21:12 CommunicationsLimited	2112	London (UK)	100%* A Ordinary 35%* B Ordinary	Marketing & advertising agency
ACH Sec Global SL (previously known as ACH Cambre SL)	ACH	Madrid (Spain)	65.7%	Public relations & corporate affairs consultancy
Cambre Associates SA	CAM	Bruxelles (Belgium)	76%	Public relations & corporate affairs consultancy
Cambre Advocacy Maroc	MAR	Rabat (Morocco)	51%	Corporate advocacy & communications consultancy
CLAI SAS	CLA	Paris (France)	10%	Corporate advocacy & public affairs consultancy
Curious Design S.r.l.	CUR	Milano (Italy)	75%	Marketing & advertising agency
Delia Silva Communication Consulting S.r.l.	DS	Milano (Italy)	51%	Dormant
EngageComm Pty Limited	ENG	Sydney (Australia)	51%*	Public relations & corporate affairs consultancy
HIT S.r.l.	HIT	Milano (Italy)	57.71%	Events management & human resources provider
ICAS Limited	ICAS	London (UK)	100%*	Public relations consultancy
Impact PR Limited	IMPA	London (UK)	100%*	Public relations & corporate affairs consultancy
Kohl PR und Partner GMBH	KOHL	Berlin (Germany)	75%	Public relations & corporate affairs consultancy
Martis Consulting Sp. z o.o.	MRT	Warsaw (Pol&)	60%	Public relations & corporate affairs consultancy
Newgate Brussels SPRL	NGBR	Bruxelles (Belgium)	100%*	Non-trading
Newgate Communications (HK) Limited	NGHK	Hong Kong	85%*	Public relations & corporate affairs consultancy
Newgate Communications (Singapore) Pte. Ltd	NGSN	Singapore	51%*	Public relations & corporate affairs consultancy
Newgate Communications Germany GmbH	NGGE	Hamburg (Germany)	100%*	Non-trading
Newgate Communications Pty Limited	NGAS	Sydney (Australia)	66.72%*	Public relations, corporate affairs & research consultancy

Name	Key	Country of incorporation	Percentage held	Principal activity
Newgate Communications(Beijing) Limited	NGCB	Beijing (China)	85%*	Public relations & corporate affairs consultancy
Newgate Communications FZ-LLC	NGAD	AbuDhabi (United Arab Emirates)	76%*	Public relations consultancy
Newgate CommunicationsLimited	NGCL	London (UK)	100%*	Public relations, corporate affairs & research consultancy
Newgate Media Holdings Limited	NMHL	London (UK)	100%*	Intermediate holding company
Newgate PR Holdings Limited	NPRH	London (UK)	100%*	Intermediate holding company
Newgate Public Affairs Limited	NGPA	London (UK)	100%*	Dormant
Newgate Public Relations Limited	NGPR	London (UK)	100%*	Dormant
Newgate Sponsorship Limited	NGSL	London (UK)	85%*	Non-trading
Newington Communications Limited	NEW	London (UK)	60%	Public relations & corporate affairs consultancy
Porta Australia Holdings Pty Limited	PAHP	Sydney (Australia)	51%*	Intermediate holding company
Porta Communications Midco Holdings Limited	MIDC	London (UK)	100%*	Intermediate holding company
Porta Communications Plc	PORT	London (UK)	100%	Intermediate holding company
PPS (Local & Regional) Limited	PPS	London (UK)	100%*	Dormant
Redleaf Polhill Limited	REDL	London (UK)	100%*	Public relations consultancy
Sec & Associati S.r.l.	SEC-A	Torino (Italy)	51%	Public relations & corporate affairs consultancy
Sec & Partners S.r.l.	SEC-P	Roma (Italy)	50.5%	Public relations & corporate affairs consultancy
Sec Mediterranea S.r.l.	MED	Bari (Italy)	51%	Public relations consultancy
SEC+Latam Communications Estrategica SAS	SEC-L	Bogota (Colombia)	51%	Public relations & corporate affairs consultancy
Springall Gbr	SPRG	Hamburg (Germany)	100%*	Dormant
Velvet Consultancy Limited	VELV	London (UK)	100%*	Dormant

*Indirectly held

29. Interests in subsidiaries (continued)

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS

SEC Newgate S.p.A holds preferred shares in CLAI SAS which represent 10% of the ordinary share capital and 50% + 0.1 of the voting rights. SEC Newgate also holds options which would allow the company to acquire the remaining 90% of the share capital in CLAI SAS within the earn out period. The financial statements of the subsidiary have been consolidated at 100% on this basis.

Audit exemptions:

The following Group entities are exempt from audit by virtue of Section 479A of the Companies Act 2006:

- 13 Communications Limited
- Impact PR Limited
- Newgate Media Holdings Limited
- Newgate PR Holdings Limited
- Newgate Public Affairs Limited
- Newgate Public Relations Limited
- Newgate Sponsorship Limited
- PPS (Local and Regional) Limited
- Redleaf Polhill Limited
- Porta Communications Midco Holdings Limited
- ICAS Limited

Preparation & filing exemptions:

The following Group entity is exempt from preparing/filing individual accounts by virtue of Sections 394A or 448A of the Companies Act 2006:

- Velvet Consultancy Limited

Statutory guarantees:

SEC Newgate S.p.A has provided statutory guarantees to the following entities in accordance with Section 479C of the Companies Act 2006:

- 13 Communications Limited
- Impact PR Limited
- Newgate Media Holdings Limited
- Newgate PR Holdings Limited
- Newgate Public Affairs Limited
- Newgate Public Relations Limited
- Newgate Sponsorship Limited
- PPS (Local and Regional) Limited
- Redleaf Polhill Limited
- Porta Communications Midco Holdings Limited
- ICAS Limited

SEC Newgate S.p.A has provided a statutory guarantee to the following entity in accordance with Section 394C of the Companies Act 2006:

- Velvet Consultancy Limited

30. Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

SUMMARISED STATEMENTS OF FINANCIAL POSITION

At 31 December 2019

€'000	**ACH**	**CAM**	**CLA**	**HIT**	**KOHL**	**MRT**	**NEW**	**NGSN**	**NGHK**	**NGAS**	**SEC-L**	**SEC-P**	**2112**
Non-current assets	**89**	**557**	**849**	**670**	**77**	**163**	**678**	**951**	**292**	**1,593**	**206**	**1,021**	**200**
Current assets	**372**	**1,628**	**2,358**	**405**	**160**	**236**	**1,371**	**526**	**345**	**5,164**	**852**	**1,173**	**992**
Non-current liabilities	**(156)**	**(497)**	**(111)**	**(139)**	**(57)**	**(131)**	**(423)**	**(76)**	**(58)**	**(1,936)**	**(84)**	**(129)**	**(4,392)**
Current liabilities	**(324)**	**(866)**	**(1,399)**	**(270)**	**(103)**	**(136)**	**(1,017)**	**(170)**	**(258)**	**(3,877)**	**(631)**	**(644)**	**(764)**
Net assets/(liabilities)	**(19)**	**822**	**1,697**	**666**	**77**	**132**	**609**	**1,231**	**321**	**944**	**343**	**1,421**	**(3,964)**
Non-controlling interest	**(7)**	**197**	**-**	**282**	**19**	**53**	**244**	**603**	**48**	**314**	**168**	**703**	**(1,031)**

At 31 December 2018

€'000	ACH	CAM	CLA	HIT	KOHL	MRT	NEW	SEC-L	SEC-P
Non-current assets	79	78	549	9	24	17	251	84	762
Current assets	399	1,656	1,918	941	85	259	1,679	1,163	1,486
Non-current liabilities	-	-	(111)	(88)	(14)	-	-	(42)	(98)
Current liabilities	(313)	(626)	(784)	(203)	(50)	(174)	(1,103)	(802)	(733)
Net assets/(liabilities)	165	1,108	1,572	659	45	102	827	403	1,417
Non-controlling interest	57	266	-	279	11	41	331	198	701

SUMMARISED INCOME STATEMENTS

At 31 December 2019

€'000	**ACH**	**CAM**	**CLA**	**HIT**	**KOHL**	**MRT**	**NEW**	**NGSN**	**NGHK**	**NGAS**	**SEC-L**	**SEC-P**	**2112**
Revenue	**988**	**4,229**	**4,162**	**1,633**	**678**	**969**	**3,508**	**431**	**667**	**5,141**	**4,052**	**1,682**	**1,318**
(Loss)/Profit for the period	**(202)**	**364**	**548**	**53**	**32**	**70**	**(248)**	**5**	**44**	**341**	**261**	**129**	**(818)**
(Loss)/Profit attributable to non-controlling interest	**(69)**	**87**	**-**	**22**	**8**	**28**	**(99)**	**2**	**7**	**113**	**128**	**64**	**(213)**

At 31 December 2018

€'000	ACH	CAM	CLA	HIT	KOHL	MRT	NEW	SEC-L	SEC-P
Revenue	902	4,064	545	1,112	401	1,080	4,100	2,618	1,388
(Loss)/Profit for the period	(94)	351	129	39	(254)	20	42	345	299
(Loss)/Profit attributable to non-controlling interest	(32)	84	-	16	(63)	8	17	169	148

31. Related party transactions

From time to time the Group enters into transactions with its associate undertakings. For amounts paid to key managers please refer to the table within note 4. For payables to related parties, please refer to note 21; for borrowings please refer to note 22.

During the year, Newgate Communications Limited paid Barbican Centre Trust Ltd, a registered charity and a company of which Emma Kane is the Chairman, €14,060 (£12,000) for corporate membership. As at 31 December 2019, this amount was due to the Barbican Centre Trust Ltd.

During the year, the Group was invoiced €6,742 (A$10,835) for flowers by Buds and Poppies, a florist company owned by the wife of Brian Tyson. An annual membership fee of €5,134 (A$8,250) was paid to the Committee for Sydney, of which Brian Tyson is also a director. No amounts were outstanding to either party at the year end.

All related party transactions were on normal commercial terms.

32. Ultimate controlling party

There is no ultimate controlling party. At 1 January 2019, SEC Newgate S.p.A was 66.06% controlled by Fiorenzo Tagliabue. Following the acquisition of Porta Communications Plc, SEC Newgate S.p.A is 36.03% controlled by Fiorenzo Tagliabue.

33. Impact of adopting IFRS 16 Leases

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

Cumulative effect of initially applying IFRS 16

The Group has adopted IFRS 16 from 1 January 2019 which resulted in changes to the accounting policies and adjustments to the amounts recognised in the financial statements. The Group has applied the cumulative effect method in accordance with IFRS 16.C5(b) and has elected to apply IFRS 16 retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application.

The Group has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the Standard.

For additional information about the Group's current and historical accounting policies relating to leases see note 1.

Impact of adoption

The following summarises the impact of adopting IFRS 16 on the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income.

(i) Adjustments to assets and liabilities related to adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. Theses liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3%.

The Group did not recognise any finance leases in accordance with IAS 17 in the previous accounting period. Therefore lease liabilities at the date of initial application were recognised for leases previously classified as operating leases in accordance with IAS 17.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(ii) Explanation of adjustment to profit or loss

EBITDA, amortisation and depreciation, and finance expense have all increased as a result of the change in accounting policy. Rental costs relating to operating leases under IAS 17 were previously included in rental expenses (note 5). These are no longer expensed under IFRS 16 and the costs are accounted for through the lease liability and associated interest expenses, which have been included in finance costs. Amortisation and depreciation has increased due to the additional right-of-use assets recognised under IFRS 16.

(iii) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the Standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- *the accounting for operating leases with a remaining term of less than 12 months as at 1 January 2019 as* short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

34. Subsequent events

There are no significant subsequent events which require disclosure up to the date that the financial statements were approved 28 May 2020.

Please refer to the Post Balance Sheet Events in the Chief Executive's Review for further details on the impact of Covid-19 on the Group.

SEC Newgate S.p.A.

Registered Office in Milan, Via Ferrante Aporti, 8

Share capital Euro 2,425,090.70 fully paid up

Tax code/ VAT registration number and Milan Business Registered Number 09628510159

R.E.A. ("Administrative and Economic Repertory") no. 1308438 of the CCIAA ("Chamber of Commerce, Industry, Crafts and Agriculture") of Milan

NOTICE OF CALL OF THE ORDINARY SHAREHOLDERS' MEETING OF SEC NEWGATE S.P.A.

Shareholders are hereby invited to attend the Shareholders' Meeting of SEC Newgate S.p.A., with registered office in Milan, Via Ferrante Aporti, 8, share capital of Euro 2,425,090.70, fully paid-up, VAT no. 09628510159, REA no. 1308438 (the "**Company**"), in ordinary and extraordinary session, in first call on 18 June 2020, at 11.00 a.m., at the registered office, and, if necessary, **in second call on 19 June 2020**, at 11.00 a.m., at the registered office, to discuss and resolve on the following

Agenda

1. Approval of the financial statements of SEC Newgate S.p.A. for the year ended 31 December 2019, supplemented by the report of the Board of Directors, of the Board of Statutory Auditors and of the Independent Auditors. Presentation of the consolidated financial statements for the year ended 31 December 2019. Related and consequent resolutions.

2. Approval of the allocation of the result for the year. Related and consequent resolutions.

The terms and conditions of the participation at the Shareholders' Meeting described in this notice of call may be subject to changes and/or additions in relation to the COVID-19 (CoronaVirus) health emergency measures. Any change and/or addition to the information contained in this notice of call will be made available through the website www.secnewgate.com (section "Investors" / in Shareholders' Meetings) and in the other ways required by law.

INTEGRATION OF THE AGENDA, PRESENTATION OF NEW PROPOSALS FOR RESOLUTIONS AND RIGHT TO ASK QUESTIONS PRIOR TO THE MEETING

Pursuant to Article 14 of the Company's By-laws, Shareholders representing at least 10% (ten per cent) of the share capital with voting rights in the ordinary Shareholders' Meeting may request, within 5 (five) days from the publication of the notice of call of the Shareholders' Meeting, the addition of items to the agenda, indicating in such request, the additional items proposed. The supplementary notice of the Agenda shall be published in at least one of the daily newspapers specified in this By-laws, no later than the seventh day prior to the date of the meeting on first call.

Requests for additions to the Agenda must be accompanied by an explanatory report to be filed at the registered office, to be delivered to the Administrative Body by the deadline for submission of the request for integration.

Additions to the list of items on the agenda are not allowed for items on which the shareholders' meeting is required, by law, to resolve at the proposal of the directors, or on the basis of a project or a report prepared by them.

Shareholders may ask questions about the items on the Agenda even before the Shareholders' Meeting, by sending them by registered mail to SEC Newgate S.p.A., via Ferrante Aporti, 8, 20125 Milan, or to the certified mail address secrp@legalmail.it; or by fax to +39026592475. The parties shall provide the information necessary to allow their identification. Questions must reach the Company in time for them to be discussed at the Shareholders' Meeting. Questions received before the Shareholders' Meeting shall be answered during the Meeting, at latest. The Company may provide a single answer to questions having the same content.

ENTITLEMENT TO PARTICIPATE IN THE SHAREHOLDERS' MEETING AND REPRESENTATION AT THE SHAREHOLDERS' MEETING

Shareholders with voting rights have the right to attend the Shareholders' Meeting.

The entitlement to vote of the Company's shares admitted to trading on regulated markets or multilateral trading facilities in Italy or other European Union Countries is subject to applicable laws and regulations.

Pursuant to article 83-sexies of Legislative Decree no. 58/98, the entitlement to participate in the Shareholders' Meeting and to vote of the Company's shares is subject to the receipt by the Company of the notice issued by an authorised intermediary in accordance with current legislation, attesting the ownership of the shares on the basis of the accounting records relating to the end of the accounting *day of the seventh trading day prior to the date of the Shareholders' Meeting in first call (i.e. June 9th,* 2020, the so-called record date). Debit and credit entries made after that date will not be taken into account for the purpose of establishing the right to vote at the Shareholders' Meeting.

Those who become shareholders of the Company only after that date will not be entitled to attend and vote at the Shareholders' Meeting of the single call. Therefore, we invite the Shareholders holder of CDIs, representing SEC Newgate S.p.A. ordinary shares, listed on AIM - alternative investment market - to contact the intermediary where the abovementioned CDIs are deposited.

In any case, the communication from the intermediary shall reach the Company by the end of the third trading day prior to the date set for the Shareholders' Meeting on first call and, therefore, by June 15th, 2020. However, the right to attend and vote remains unaffected if the communications are received by the Company after the aforesaid deadline, provided that they are received before the beginning of the proceedings of the shareholders' meeting of the single call.

The Company informs that, pursuant to art. 106, D. L. no. 18/2020, containing measures related to the epidemiological emergency by COVID-19, the participation and the exercise of the vote of those entitled to vote at the Shareholders' Meeting will be allowed exclusively by means of telecommunications.

The Company will provide the shareholders' entitled to attend the Shareholders' Meeting and exercise their voting rights with appropriate instructions to allow access to the meeting after identifying the participants. Those entitled to participate in the Shareholders' Meeting and exercise their voting rights must send a request to the address secrp@legalmail.it enclosing the aforementioned documentation certifying their entitlement to participate in the Shareholders' Meeting and exercise their voting rights pursuant to Article 83-sexies of Legislative Decree no. 58/98. To facilitate the verification activities, the Company recommends that the documentation should be sent promptly and in any case by June 15th, 2020.

VOTING BY PROXY

Those entitled to vote may appoint a representative in the Shareholders' Meeting by providing a written proxy, in accordance with the laws and regulations in force. To this end, a proxy form is available on the website www.secnewgate.com (section "Investors"/ in RECENT SHAREHOLDER COMMUNICATIONS) or at the Company's registered office.

The proxy may be notified to the Company, in sufficient time to enable to collect the proxies, by sending it by registered mail to the Company's registered office, via Ferrante Aporti 8, 20125 Milan, or by sending it to the certified mail address secrp@legalmail.it

SHARE CAPITAL AND SHARES WITH VOTING RIGHTS

At the date of publication of this notice of call, the subscribed and paid-up share capital of SEC Newgate S.p.A., equal to Euro 2,425,090.70, is divided into 24,250,907 ordinary shares with no express nominal value.

Each of the 24,250,907 ordinary shares, with no par value, gives the right to vote.

As of today, the Company does not hold any of its own shares.

DOCUMENTATION

The full text of the draft resolutions, together with the explanatory reports, and the documents that will be submitted to the Shareholders' Meeting, will be made available to the public at the Company's registered office and on the Company's website at the following address: www.secnewgate.com (section "Investors"/ in RECENT SHAREHOLDER COMMUNICATIONS) within the terms provided for by the regulations in force.

In compliance with the COVID-19 (CoronaVirus) health emergency containment measures issued by the competent authorities, the public is asked to avoid access to the registered office for the acquisition of the aforementioned documentation until these measures are exhausted.

Milan, 28 May 2020

For the Board of Directors

The Chairman

John Foley

PROXY FORM (1) TO ATTEND THE SHAREHOLDERS' MEETING

With reference to the Shareholders' Meeting of SEC NEWGATE S.p.A., convened in Milan, via Ferrante Aporti, no. 8, at the Company's registered office, on June 18th 2020, at 11:00 CET on first call and, if necessary, **on second call on June 19th 2020 ("Shareholders' Meeting")** at the same time 11:00 CET and same place, as per the notice of call published in the daily newspaper MF Milano Finanza on June 2th 2020 and, in the extended version, on the Company's website at www.secnewgate.com,, in the Investor section, on the same date, to discuss and resolve on the following

Agenda

1. Approval of the financial statements of SEC Newgate S.p.A. for the year ended 31 December 2019, supplemented by the report of the Board of Directors, of the Board of Statutory Auditors and of the Independent Auditors. Presentation of the consolidated financial statements for the year ended 31 December 2019. Related and consequent resolutions.
2. Approval of the allocation of the result for the year. Related and consequent resolutions.

with the present proxy form

The undersigned (the person signing the proxy) (2)

Surname*________________ Name* ________________

Born in*________________the*________________

whose address is in________________

via________________Tax code________________

Valid identity document (to be attached as a copy)________________ no. ________

As

(tick the relevant box)

☐ Person to whom the voting right is attributed relating to no. *________ ordinary shares of SEC NEWGATE S.p.A. in its capacity as (tick the relevant box)*

☐ shareholder	☐ the pledgee	☐ borrower (riportatore)
	☐ usufructuary (usufruttuario)	☐ custodian
	☐ manager	☐ other (please specify) ________

☐ legal representative or person with appropriate powers of representation of (name of the legal entity holding the voting right)*(3) ________________with________

registered office in* ________________ via*________
tax code________________(copies of the documentation proving the powers of representation to be attached) to which the voting right is attributed relating to n.*________
- ordinary shares of SEC NEWGATE S.p.A., represented by CDI listed on the AIM market, organized and managed by London Stock Exchange plc.

In its capacity as (tick the relevant box)

☐ shareholder
☐ the pledgee
☐ borrower (riportatore)
☐ usufructuary (usufruttuario)
☐ custodian
☐ manager
☐ other (please specify) ____________

referred to in communication (ex art. 83-sexies of the TUF) no.____________
made by the intermediary____________
ABI____________ CAB____________

delegate

Mr/Mrs (delegated person [4])

Surname*____________ Name* ____________
Born in*____________the*____________
whose address is in____________
via____________Tax code____________

to attend and represent him/her at the Extraordinary Shareholders' Meeting in question

for all the shares for which it has the right to vote at the Shareholders' Meeting [5], fully approving its actions and with the right to be replaced by [6]:

Mr/Mrs (person designated by the delegating person)

Surname*____________ Name* ____________
Born in*____________the*____________
whose address is in____________
via____________Tax code____________

In faith.

Signature of the delegating Shareholder____________

Place and date of signature of the delegation ____________.

For any further information or clarification, SEC NEWGATE S.p.A. shareholders are requested to contact the Company. The e-mail address, telephone number and fax number to which requests may be sent are as follows: e-mail: secrp@legalmail.it; telephone: 02/6249991; fax: 02/6592475.

The undersigned also declares that the right to vote will be exercised by the delegate (tick the relevant box).

☐ discretionarily in the absence of specific instructions from the undersigned delegating person

☐ in compliance with specific voting instructions given by the undersigned delegating person

____________ ____________

(Place and Date) (Signature of the delegating person)

Footnotes:

(*) Mandatory field.

(1) Any person entitled to attend the Shareholders' Meeting may be represented by a person of his/her choice, by means of a written proxy in accordance with the provisions of the law in force, by signing this proxy form.

(2) Indicate the name and surname of the delegating person (as it appears on the copy of the communication for participation in the shareholders' meeting pursuant to Article 83-sexies, Legislative Decree 58/1998) or the legal representative of the delegating legal entity.

(3) Delegating legal entity as it appears on the copy of the communication for participation in the shareholders' meeting pursuant to art. 83-sexies, TUF issued by intermediaries in accordance with current regulations: name, surname or company name, tax code or VAT number, full address of domicile or registered office.

(4) Indicate: name, surname or company name of the delegated person.

(5) The delegated person is invited to appear at the Shareholders' Meeting with a copy of the notice issued by the intermediaries in accordance with current regulations and his/her own identity document.

(6) The represented party may indicate one or more substitutes for the represented party pursuant to Article 2373, paragraph 3, of the Italian Civil Code. Replacement of the representative by a substitute in conflict of interest is permitted only if the substitute has been indicated by the shareholder.

KEY INFORMATION

Directors:

John Foley (Chair)*
Luigi Roth (NED, Deputy Chair))
Paola Bruno(NED)
David Mathewson
Fiorenzo Tagliabue (Group CEO)
*Emma Kane (Deputy CEO)**
Tom Parker (Deputy CEO)
Brian Tyson (Deputy CEO)*
Mark Glover (Executive Director)
Anna Milito (interim group CFO)
Andrea Cornelli (Chief Innovation Officer) **
Cesare Valli***

* effective from 3 September
**appointed 9 December 2019
*** resigned 10 June 2019

Board Secretary:

Maurizio Maione

Registered Office:

Via F Aporti 8 – 20125 Milan, Italy

Registered Number:

09628510159

Auditors:

BDO Italia S.p.A.

Registrars:

Computershare S.p.A.
Via L. Mascheroni 19 20145, Milan, Italy

Nominated Adviser & Broker:

Arden & Partners

Solicitors:

Osborne Clarke LLP
One London Wall
London EC2N 2AX

Financial Communications:

Newgate Communications Ltd
Sky Light City Tower
50 Basinghall Street
London EC2M 5DE

Company website:

www.secnewgate.com

EPIC Code:

AIM: SECG

THE GROUP'S PRINCIPAL BRANDS ARE:

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