Annual Report 2020

Diversified. Determined. Delivering.

Communications.
Advocacy.
Research.

Contents

The Investment Opportunity

More ambition:

Scale and growing geographical reach – with earnings accretive acquisitions strategy

Strong, consistent cash flow and strong earnings growth potential

1,521 client accounts with significant cross-selling opportunities

More creative:

Research and AI led - positioned in high growth, high margin areas with diversified revenue streams

Delivering on our clear Strategic Plan even during Covid-19

Unified brand

We are an insights and research-driven global strategic communications and advocacy group.

We work at the nexus of business, politics, communities, markets and media to deliver positive outcomes.

We are the people you come to with an opportunity to seize or a problem to solve.

We deliver around the clock counsel and support, implementing campaigns locally, nationally and internationally.

Locally. Nationally. Internationally.

15 Countries

5 Continents

600+ People

37 Offices

Many perspectives...
each with their individual skillsets, passions and opinions. Together they bring unique insights from diverse backgrounds to help our clients achieve positive outcomes whether it is an opportunity they wish to seize or problem they wish to solve.

Our team works across five continents and provides expert advice and execution to over 1,500 clients.

2020 was not only our first year as one team it was the year that demonstrated the strength of our team, united by a caring, cohesive and compassionate culture, reinforced by the profound sense of bonding that comes from going through difficult times together.

United by one vision
To create positive outcomes for clients and communities in a connected world, where companies will increasingly need communication partners with strong local roots, global reach and true entrepreneurial spirit, driven forward by talented people.

Talent

We hire enthusiastic, ambitious people who are passionate about delivering work to the highest professional standards and we are committed to providing a stimulating, fun and rewarding experience as part of our diverse team.

Innovation

We are creative thinkers who use research and the latest technologies to drive insights and analysis of the competitive, cultural, and political environments. This fuels our strategic thinking and boosts our ability to understand and predict perspectives and deliver for our clients.

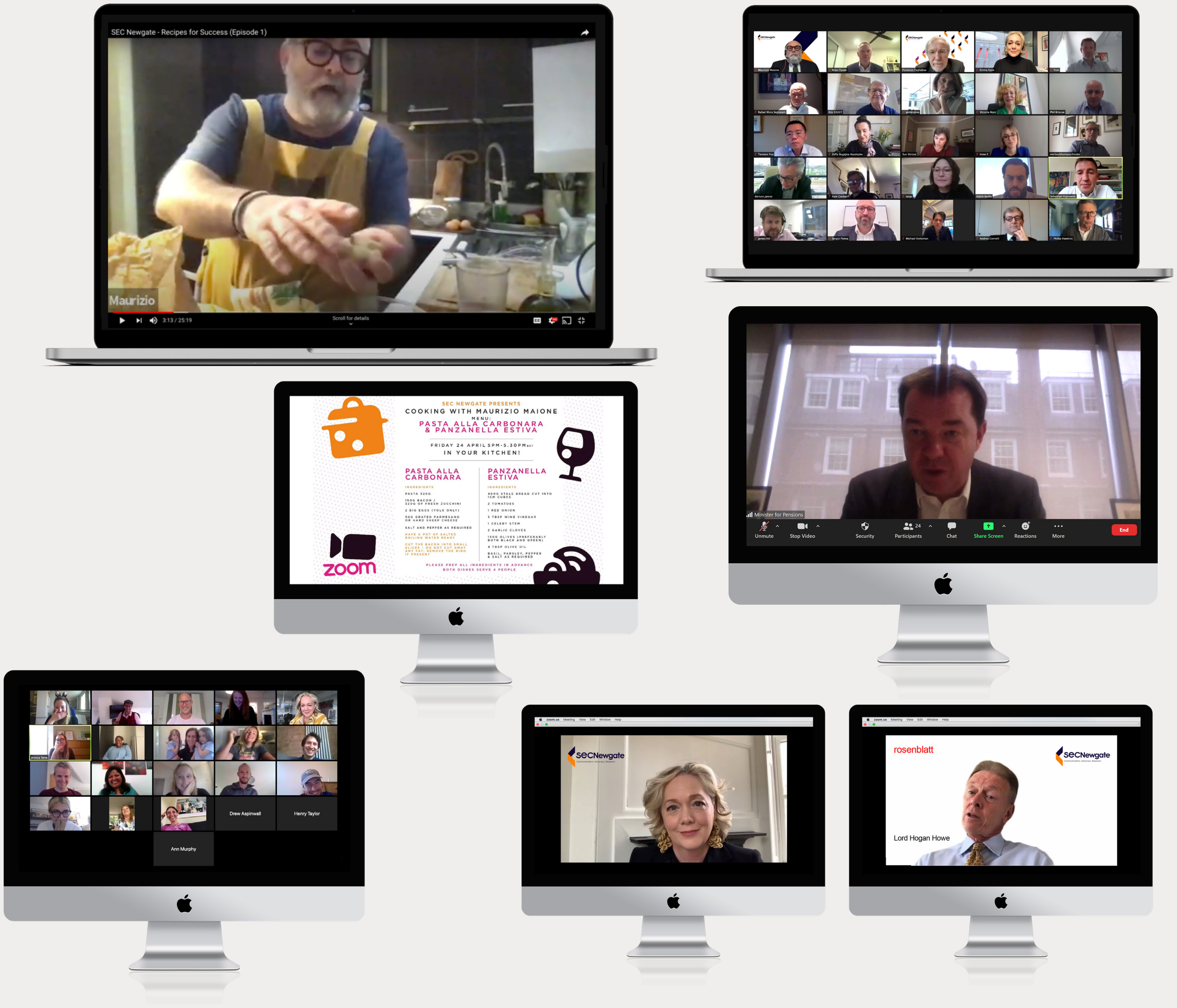
Collaboration

We are partners with our clients. We listen and then choreograph experts from across our areas of specialism to deliver positive, winning solutions for their priority issues.

Determination

We are optimistic and determined in everything we do - obsessed with excellence, in making a real difference, and always with an entrepreneurial spirit.

Stronger together.



Our story has been 30 years in the making, each element going towards building the top 30 ranked global communications agency that SEC Newgate is today.

1989
Business started in Milan

1996 – 2008
Expanded in Italy

1992 – 1999
Consolidated to expand offer

2013
Acquisition in Brussels, beginning of foreign expansion

2014-2017
Expansion continued across Europe and Latin America

2016
Listed on London Stock Exchange

2019
Merged to create SEC Newgate

2020 March
Ranked 30 in PRovoke global PR table

TRUE

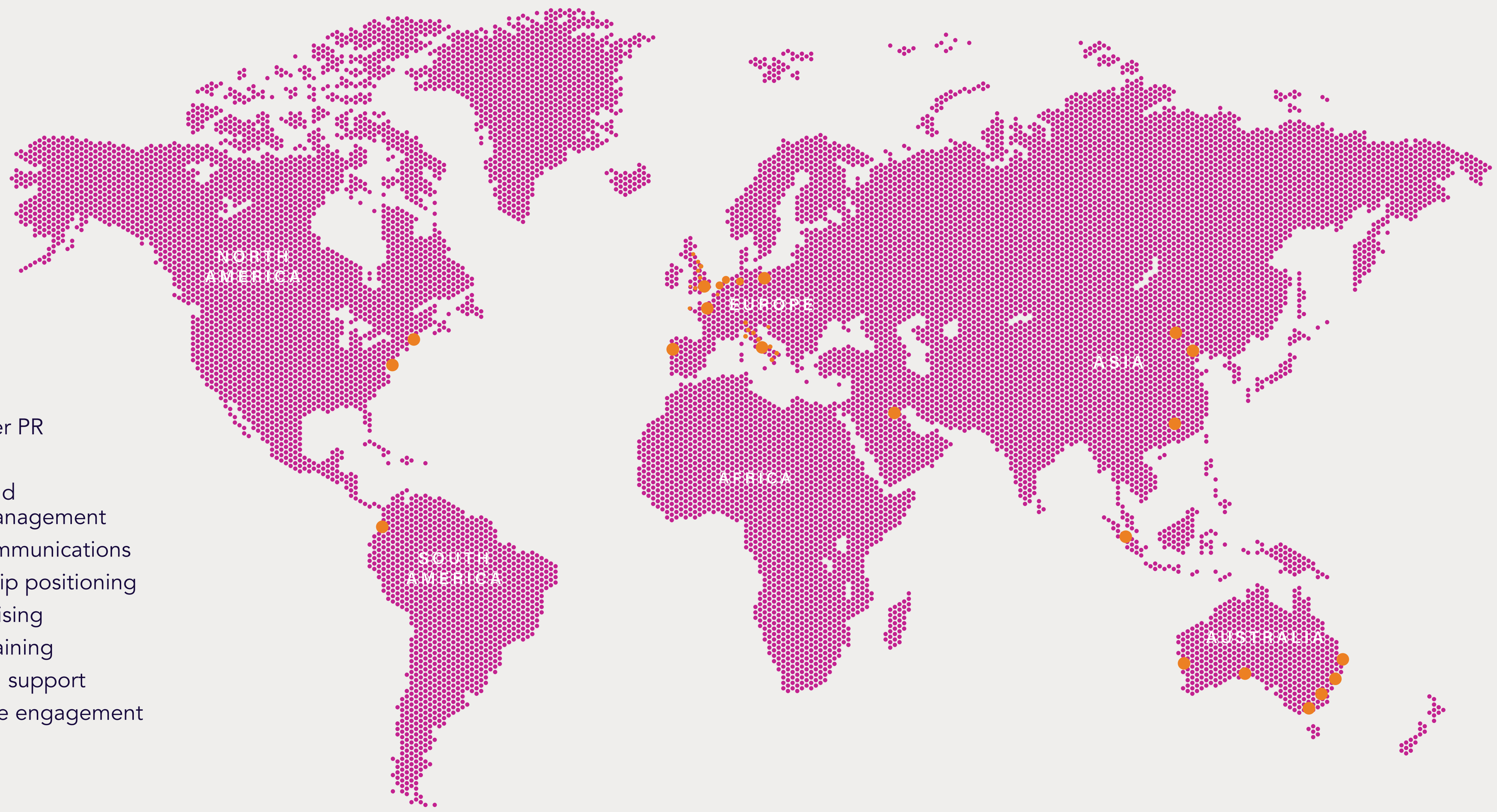
2020 July
AI proprietary tool TRUE® launched

2020 July
Opened operations in US

2020 December
Acquired majority stake in Orca Affairs, a German consultancy

2021 January
merged Newgate & Newington in the UK to create SEC Newgate UK

Our Global Network



Communications

Initial Public Offerings
Mergers and Acquisitions
Defence
Privatisations
Demutualisations
Insolvencies
Shareholder activism
Investor relations and financial calendar reporting
Regulatory engagement

Consumer PR
Events
Media and issues management
Crisis communications
Leadership positioning
Profile raising
Media training
Litigation support
Employee engagement

Advocacy

Government relations
Policy development
Positioning strategies
Grassroots campaigning

Monitoring
National and local government coverage
Positioning events

Research

Public opinion research
Reputation research
Rapid Response
Issues research
Message testing
Deliberative research

Regulatory research and engagement
Advance modelling and analytics
Innovation & technology

Group

SEC Newgate S.p.A.

APAC

Newgate Australia
Newgate Singapore
Newgate Greater China
Newgate Research
Newgate Engage
EngageComm

EMEA

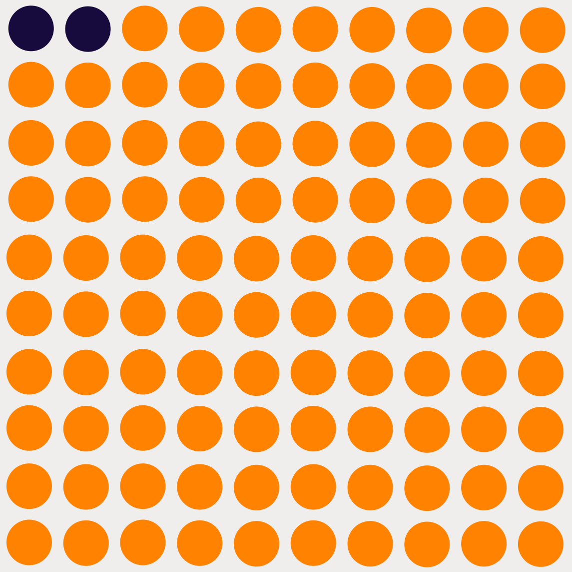
ACH (Spain)
Cambre Associates (Brussels)
CLAI (France)
ORCA Affairs (Germany)
Martin Consulting (Poland)
Newgate Abu Dhabi
SEC Newgate CEE
SEC Newgate Germany
SEC Newgate Italy

UK & The Americas

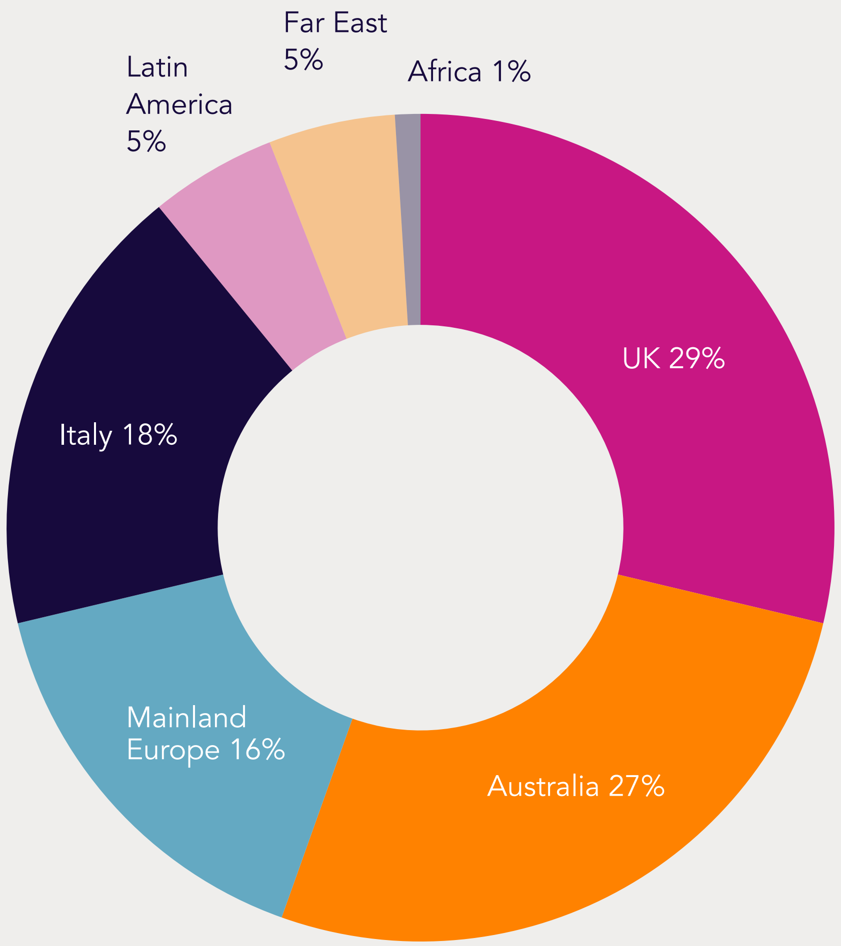
SEC Newgate Colombia
SEC Newgate UK
SEC Newgate US
Publicasity
2112

Financial Highlights

Diversified



No individual client revenues are greater than **2%** of Group revenue



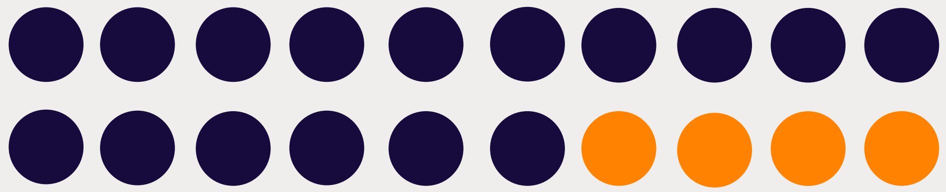
Revenue by geographic regions FY20E

UK 29%
Australia 27%
Mainland Europe 16%
Italy 18%
Far East 5%
Latin America 5%
Africa 1%

Geographical segments

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

	2020 €' 000	**2020 %**	2019 €' 000	2019 %
Italy	**11,470**	**18%**	16,879	35%
United Kingdom	**19,162**	**29%**	9,111	19%
Belgium	**4,218**	**6%**	4,205	9%
Colombia	**3,326**	**5%**	4,052	9%
Spain	**829**	**1%**	941	2%
Poland	**642**	**1%**	965	2%
France	**4,614**	**7%**	4,148	9%
Germany	**512**	**1%**	674	1%
Australia	**17,320**	**27%**	5,152	11%
Hong Kong	**1,047**	**2%**	651	1%
China	**22**	**0%**	42	0%
Singapore	**1,390**	**2%**	431	1%
Abu Dhabi	**391**	**1%**	299	1%
United States	**70**	**0%**	0	0%
Morocco	**319**	**0%**	0	0%
	65,332	**100%**	47,550	100%



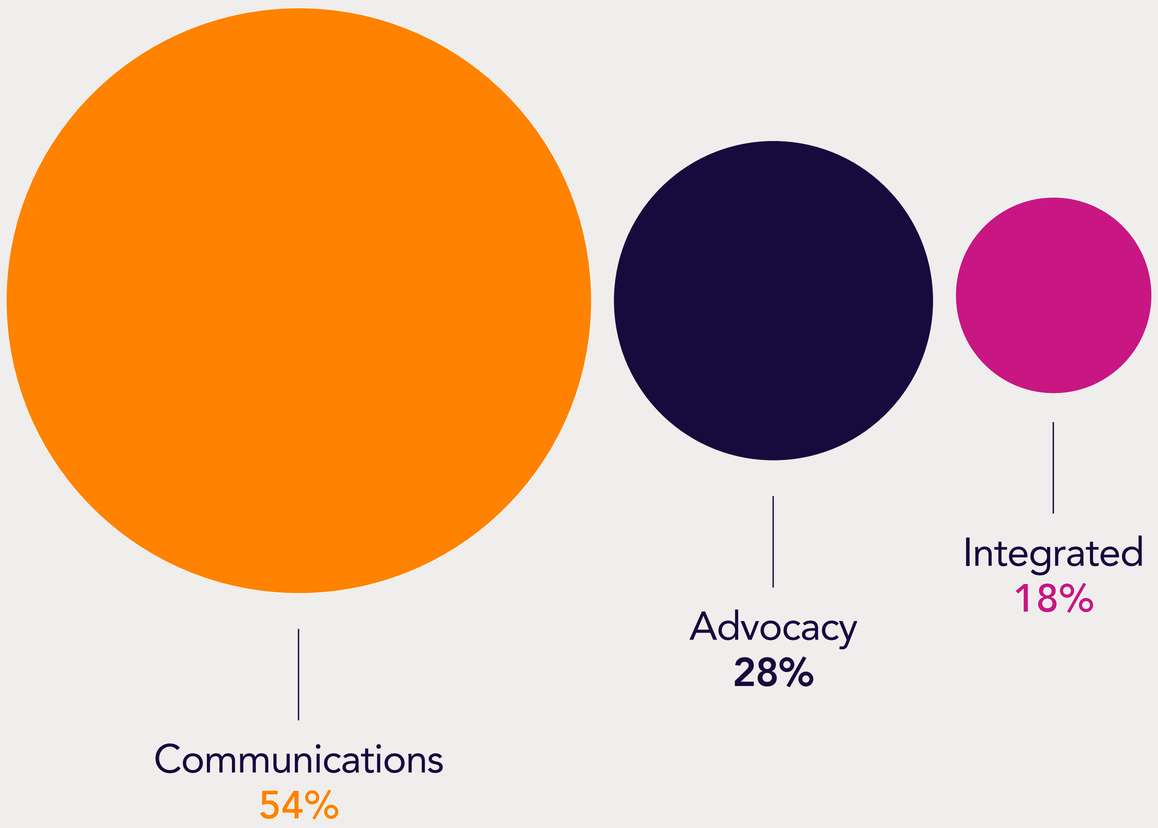
Top 20 clients represent **16%** of Group revenue

No dominance in any sector or country

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

	2020 €' 000	2019 €' 000
Communications	**35,093**	23,678
Advocacy and public affairs	**18,716**	13,038
Integrated services	**11,524**	10,834
	65,332	47,550

Revenue by service H120



Annualised Savings — c. €1.25m

c. €818k from Audit Costs, London Stock Exchange fees, cost of administrative staff

c. €299k from consolidation of Newington offices and Manchester office

Covid-19 2020 Cost Savings — c. €2.1m

€486,000 of non-refundable government assistance

€393,000 of cost savings (consisting of €105,000 in rent reductions and €288,000 of other permanent spending cuts to office costs, events, marketing, travel & entertainment)

€561,000 of deferred payments

Trading during Covid-19

- Achieved management forecasts – Group's two largest businesses performed strongly
- Firm action taken to control costs

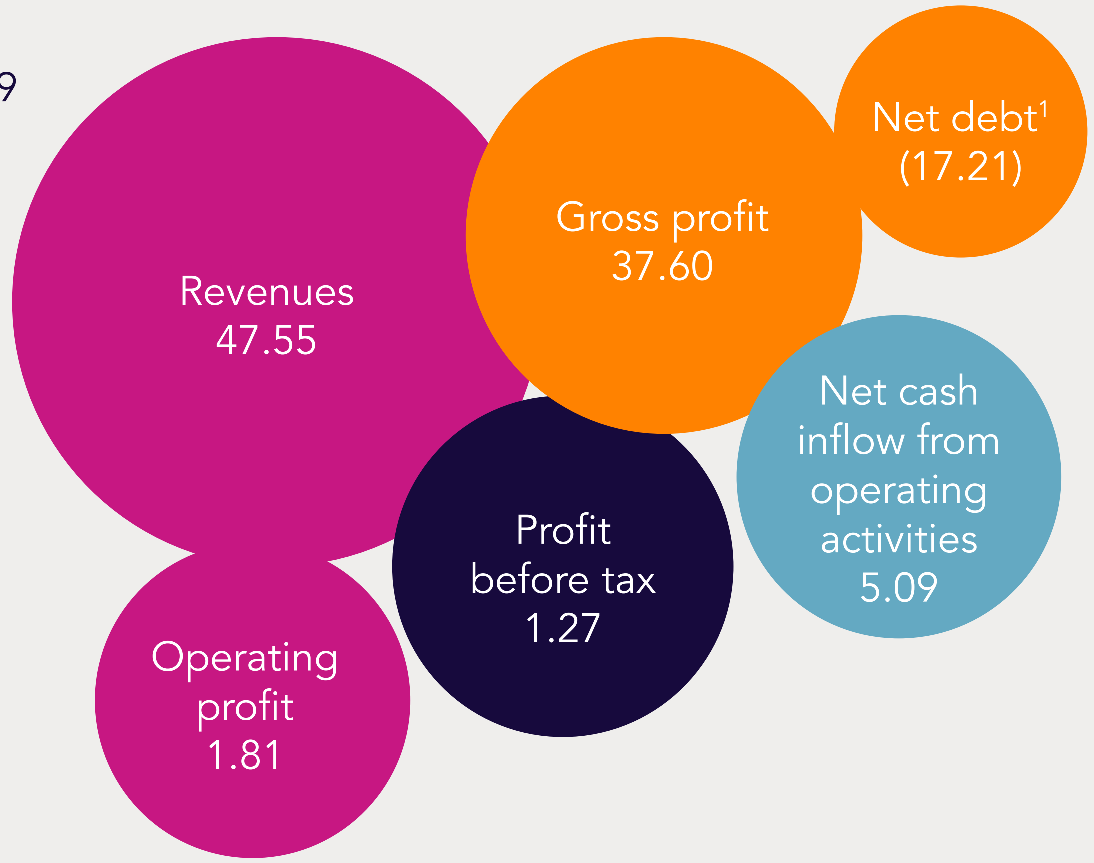
Financial Restructuring

- Savings in Porta (former holding level), process completed in late 2020 for an amount of about half a million pounds
- Issue of a convertible bond for €2.5m, maturity of seven years long
- Restructuring of €3m debt facility with UniCredit

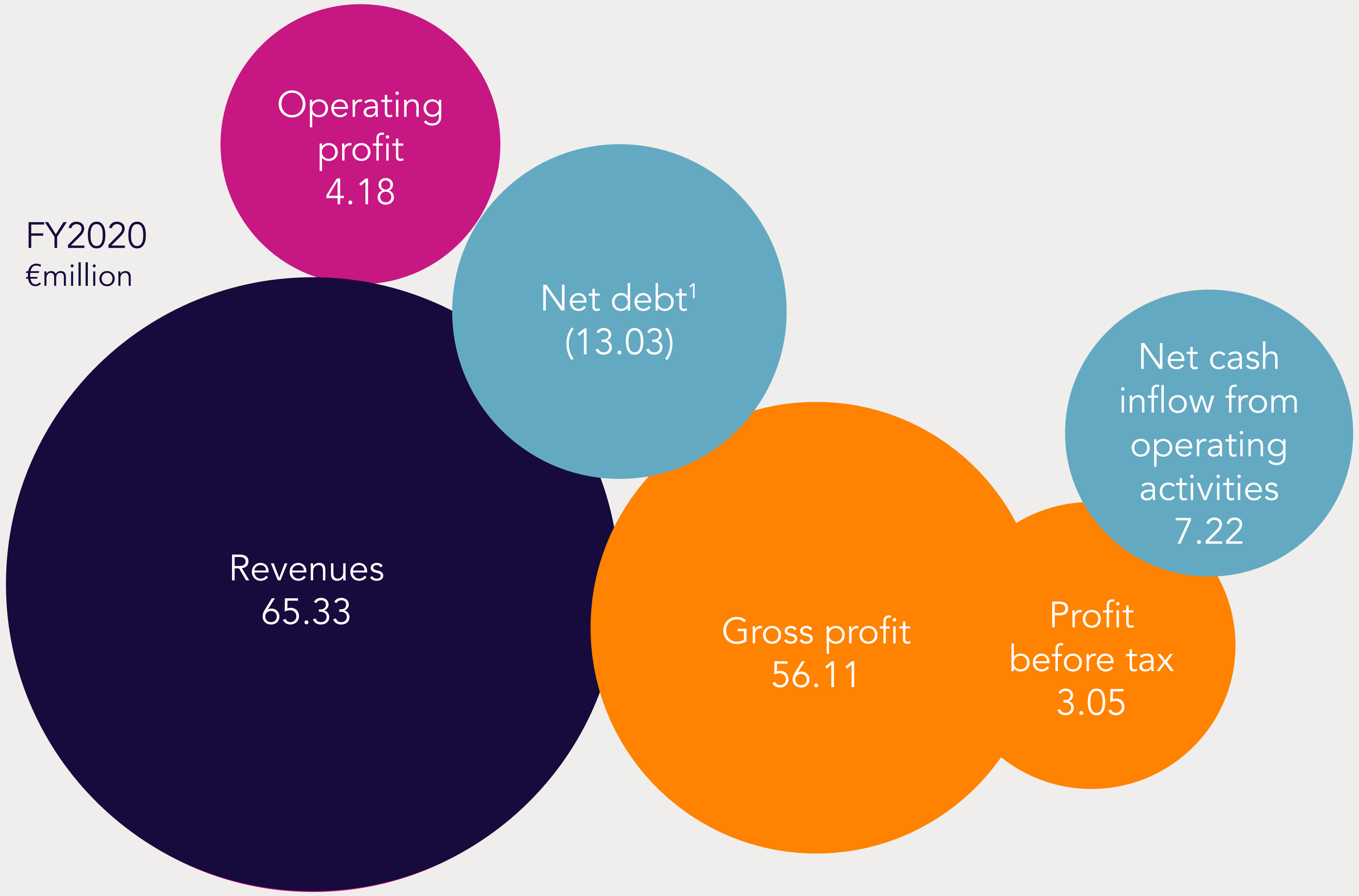
Financial & Operational Review

Our financial results are reported in €'000; prior year comparisons only include results of the previous SEC S.p.A. group

FY2019
€million

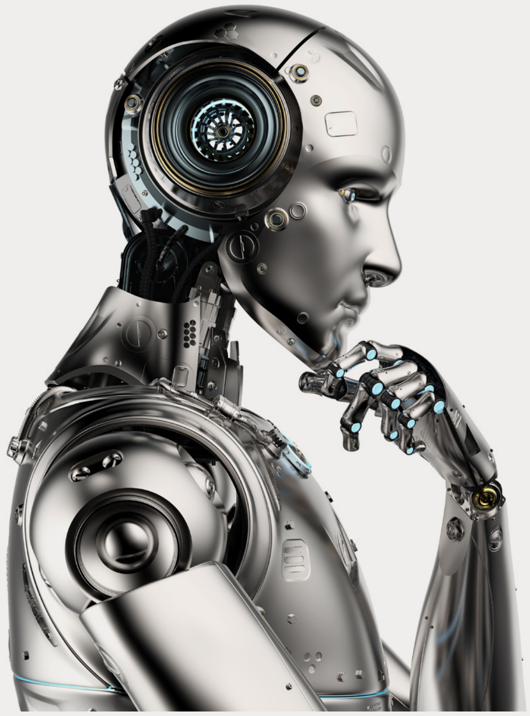


FY2020
€million



- Prior year comparatives include the results of the previous SEC Newgate S.p.A. and for Porta Communications Plc and its subsidiaries from the date of acquisition 3 September 2019; 2020 results are for the enlarged SEC S.p.A. group
- (1) including €5.63m leases in 2020 and €8.47m in 2019

Operational Highlights



TRUE

Launch of TRUE®, our proprietary, innovative AI reputation monitoring and assessment system

ORCA

Agreement signed in December 2020 for acquisition of majority holding in Orca Affairs GmbH, Berlin, in line with the Group's acquisition strategy, recognised from April 2021

Development of a new brand identity and Group positioning launched January 2021

SECNewgate
Communications. Advocacy. Research.

Establishment of SEC Newgate US LLC in the United States in partnership with Mike Holtzman, Bellwether Strategies

Expansion into Greater China, led through appointment of James Hill as a new Managing Director in Hong Kong

Establishment of SEC Newgate CEE in March 2021, to accelerate the Group's development across Eastern Europe

Declaration of maiden final dividend of 0.5p

Top 30 global PR group ranking (PRovoke Awards, 2020)

John Foley,
Chairman’s Statement

Introduction

2020 was the first full year of reporting for SEC Newgate S.p.A. following the acquisition and the creation of the enlarged group in September 2019. It is a year that started with great energy, a significant pipeline, and with all businesses performing in line with or ahead of budget and management expectations.

On 11 March 2020, the World Health Organization (WHO) declared the outbreak of Covid-19 a pandemic; its impact was felt across Group. Despite the huge challenge presented, we did not standstill. With a clear vision, the Group forged ahead achieving its strategic objectives for the year ended 31 December 2020. The fact that the new Group delivered results in line with management expectations is a testament to the proactive steps taken to manage and mitigate the impact of the pandemic. The results demonstrate the power of the team's adaptive entrepreneurial spirit, collaborative approach and constant focus on the quality of the services we provide.

People

This year, it is right that our people come first. I would like to thank every single member of our team for all that has been achieved. Their resilience has been fully tested and the excellent results are a testament to the diversified, dynamic group that we have created.

The Group's agencies quickly adapted to the changed working environment and all implemented business continuity plans, working remotely under varying levels of lockdowns in their markets around the world.

Our strength has been rooted in our collaborative approach, sharing best practice initiatives and experiences, cohesive culture, the quality of the service we provide, the innovation that has been applied, and the bond that has been created by supporting each other in these times of great adversity.

I would also like to thank our partners – some 1,500 clients – who we have worked with to find new ways to use communications, advocacy and research, to clearly demonstrate their purpose, value and impact locally, nationally and internationally. Never has it been more essential to be able to communicate effectively with every stakeholder - internally and externally.

Financial & Operational Review

Our financial results are reported in €'000; prior year comparisons only include results of the previous SEC S.p.A. group.

	2020 €'000	2019 €'000
Revenues	**65, 332**	47,550
Gross Profit	**56,111**	37,605
Operating Profit	**4,183**	1,812
Profit before tax	**3,045**	1,271
Net debt (exc leases)	**7,407**	8,740

Net Cash Inflow from Operating Activities

A more detailed commentary on the 2020 financial results can be found in the Group CFO's Review but the net cash inflow of €7.2m from operating activities has strengthened the Group's financial position. This was the result of a constant focus on both the Group's liquidity position and its cost base.

Dividends

Given the very positive result of year end 2020, the Board has recommended a final dividend of 0.5 pence per fully paid ordinary share to be approved at the General Assembly. The aggregate amount of the proposed dividend is GBP 123,554.61 out of retained earnings at 31 December 2020, the amount was not recognised as liability at year end.

The dividend reflects the growth of the Group and the Board's confidence in the outlook. If approved at the General Assembly to be held on 8 June 2021, the dividend will be paid on 25 June 2021 to those shareholders on the register at the close of business on 11 June 2021. The shares will become ex-dividend on 10 June 2021.

Acquisitions & Disposals

In line with the Group's Strategic Plan 2021/2023 and stated acquisition strategy, the Group took the following key strategic steps:

SEC Newgate US LLC - In July 2020, SEC Newgate US LLC was established, operating from New York and Washington. This represented the Group's first expansion into the North American market. The US is a key strategic market for the Group as it strengthens its geographic presence and ambitions to act as a global player in the communications market. The Group has a 55% ownership with the balance held by the US executive partner Bellwether Strategies.

Orca Affairs GmbH - On 23 December 2020, the Group committed to acquire a 60% shareholding in four tranches (15% per annum until 2024) in Orca Affairs GmbH ("Orca Affairs") Orca Affairs, based in Berlin, has a strong track record in public and corporate affairs at a national level.

Post Balance Sheet Events

On 18 January 2021, the Group announced the restructuring and rebranding of its largest UK agencies; as part of this combination, SEC Newgate increased its stake in Newington from 60% to 100%, and the business and assets of Newington were transferred to SEC Newgate UK Ltd.

On 2 February 2021, Sergio Penna was appointed to the Board of SEC Newgate as Group CFO; Anna Milito, Deputy Group CFO, stepped down from the Board.

Outlook

The Group is in a strong financial position with a significant secured pipeline and a strong leadership team. There is no doubt that over one year on, the impact of Covid-19 continues to be felt both personally and professionally but the fear of uncertainty which was felt at the start of the pandemic has been replaced with a cautious sense of confidence that our business model is robust enough to withstand the worst effects of Covid-19.

The Group's senior leadership team continues to work tirelessly to protect the finances of the business and each of our subsidiary businesses and to ensure that service levels remain high. The team is winning exciting new mandates and is increasingly cross-selling services across its geographic footprint. The Group's turnover, profitability, margins and retention rates remain high. The outlook is, therefore, exciting despite the uncertainties caused by Covid-19 and we face the future with both confidence and enthusiasm.

Fiorenzo Tagliabue,
Group Chief Executive's Review

The worldwide pandemic catapulted almost everyone in business into a very tough year. For SEC Newgate S.p.A., there was the added complexity that 2020 was our first full year following 2019's business combination and therefore a period during which we would be testing how well the two groups could work together as one entity.

The results, as evidenced by our numbers, are more than satisfactory, indeed they are brilliant: we achieved the Profit Before Tax targets that we forecast before the Covid-19 emergency struck. Above all, the Group has demonstrated great resilience, and a strong ability to react to the crisis by developing new opportunities within the market, getting closer to our clients without putting the health and safety of our colleagues at risk.

For this reason, the first word I wish to share here is gratitude: to all our people, regardless of their seniority or age, who accepted the challenge with bravery and positivity; and, to all our clients which have continued to trust us and our work.

As significant, is the route we have taken (and continue to take) in order to integrate our culture and vision and establish a more solid market position.

The quarterly meetings of our Managers' Committee (comprising all the agencies' managing directors), and the experience of our monthly Executive Committee (our executive Board sessions), have all contributed to a constant exchange of ideas and sharing of projects.

These have in turn improved our culture and allowed us to fine-tune our governance at the end of the year. This now comprises: three regional areas, each managed by one of the three Deputy Group CEOs (UK and Americas, APAC and EMEA), and the constitution of the Senior Leadership Team (SLT) composed of the three Deputies, the Chairman of the Managers' Committee and the General Manager of our business in Italy.

The work undertaken on our positioning and the resultant rebranding - which will be fully rolled out by the end of 2021 - will provide greater visibility of the Group on the market and an improved awareness of our brand, highlighting even more effectively our business model that is unique at a worldwide level.

In spite of the pandemic and the consequent "handbrake strategy" (in terms of costs) that we initiated as soon as Covid-19 cases started soaring, the Group grew significantly in 2020.

Specific performance against our Strategic Pillars

Despite the impact of Covid-19, the Group successfully achieved the goals set out in its Strategic Plan, unveiled in November 2019. The steps taken since have put the Group on a stronger and more sustainable financial foundation.

Financial:

- **Cash generation:** excellent cash generation achieved at the operational level (inflow €7.2m)
- **Savings:** €3.1m through the combined effect of local governments' assistance and operational cost reductions realised by the management
- **Facilities:** during the year, the Group secured a €2.5m through a Convertible Bond

Brand:

- **Branding:** developed new SEC Newgate brand identity which will be adopted by all Group agencies by the end of 2021
- **Rankings:** ranked 30th in the PRovoke Global Top 250 PR Agency Ranking 2020, rising from 53rd in 2019; placing the business 7th in Europe
- **Awards:** the Group's agencies won many awards including Best Integrated Campaign (PRCA DARE Awards 2020) and Planning Campaign of the Year (PRCA Public Affairs Awards 2020)

Expansion:

- **United States:** launch of SEC Newgate US, our start up based in New York and Washington
- **Germany:** committed to acquire Orca Affairs in April 2021, an important acquisition in Germany making that market the Group's third largest, after UK and Australia. Following this acquisition, Italy, which was the Group's initial market, is expected to account for 15.6% of the Group's total turnover. We now have a truly international identity

Innovation & Research:

- **AI:** launch of TRUE®, SEC Newgate's Artificial Intelligence powered platform to continually gauge the reputation of brands and institutions. Following investment of €1.5m and development with Bocconi, Italy's leading business school, and Imperial College London. First commercial client, TreNord, secured

After the positive results of 2020, a strong start to 2021, the financial consolidation of the Group, and achieving the targets in terms of savings and synergies after 2019's business combination, we are now ready for an even more demanding step forward which will be to expand our geographical reach, our knowhow – above all in the digital environment – and our financial solidity. In other words, we are set to continue our transformational evolution and to achieve the new targets and objectives that would go with that.

Group Services
& Agencies

Brian Tyson,
Deputy Group CEO
ASIA PACIFIC

Brian Tyson, Deputy Group CEO

ASIA PACIFIC

Despite the extraordinary challenges wrought by the Covid pandemic, the APAC region of SEC Newgate more than weathered the storm and recorded its strongest ever performances as a group.

Our three key markets of Greater China (including Hong Kong), Singapore and Australia faced different challenges throughout the year but combined to deliver a 13% increase in revenue year-on-year over 2019 and increased profit before tax by 100% year-on-year.

In our Greater China business, we successfully transitioned the leadership of the group to welcome on board James Hill from Sandpiper group who hit the ground running and produced a resilient end to the year to set up a strong foundation for 2021. In Singapore, Terence Foo and his team produced their highest profit since inception back in 2013 while our Australian business overcame both the pandemic disruption but also the worst bushfire season in Australian history to report a record result.

Individual market summaries follow:

Australia

Newgate Australia continued its strong track record of performance achieving its higher ever revenues, a 13.5% increase on 2019's year-on-year performance which itself was a record revenue figure. The margin achieved was also significant ahead of forecasts, and, while this was boosted by a saving in travel and marketing costs linked to the Covid lockdowns, the result was nevertheless a highlight within the group.

All six offices and our practice areas of financial and corporate communications, public affairs, community engagement and the research business all contributed to the performance as the business quickly adjusted to the new environment which saw all staff working from home for extended periods.

A key feature of the year was the instigation of a weekly Covid sentiment community Tracker research study which kicked off in mid-March just as the virus was starting to take hold and continued each week right up until Christmas – a total of 42 weeks. The tracker research was market leading and provided great insights for government and the corporate sector into how community sentiment was trending on a weekly basis.

Another highlight for the year involved our crisis communications and advocacy work to government and health authorities on behalf of a number of leading Australian businesses including Bunnings Hardware, Officeworks Thrifty and the Star Group seeking to obtain "Economy Essential" status and successfully avoid being shut down in the early months of the pandemic.

Our engagement team was deeply involved in the government bushfire recovery works assisting Laing O'Rourke which won the tender to manage large components of the clean-up of towns and communities ravaged by the unprecedented fire season in NSW. Our financial comms team enjoyed another busy year which included work on a number of significant transactions such as the Resolution Life/AMP deal and the Village Roadshow acquisition by private equity firm BGH Capital along with the regular financial calendar reporting for many of our listed clients.

Other highlights included our ongoing work supporting Google, Minderoo, Luerssen, Snowy Hydro, Amex, Mondelez, the Heart Foundation and Diageo in the media, stakeholder and public affairs space.

EngageComm, our conflict brand in the engagement field was very busy working on a project for LendLease around remediation works for a housing development throughout 2020, with consultants from both Newgate and EngageComm working across briefs of both businesses.

2021, which could be an election year in Australia, has commenced in the same vein as 2020 and the group is gearing up for the transition of its brand from Newgate to SEC Newgate by year end and a new focus on targeting corporate clients at the Board and Executive level with new offerings in the risk management, trust and reputation space.

Brian Tyson, Deputy Group CEO
ASIA PACIFIC

Greater China

2020 was a year of transition for the business in Greater China. Its proximity to the epicentre of the Covid-19 pandemic, continuing political uncertainty in Hong Kong and escalating trade tensions between the United States of America and China, coupled with senior departures at the business, significantly weighed on its performance. These factors resulted in a reduction in revenues and a widening of losses on a pre-tax basis, as a number of clients deferred spending or brought public relations activities in-house.

Notwithstanding this very challenging trading environment, the business secured a number of high-profile fundraising, shareholder activist and restructuring projects, including work for 8F Asset Management, Green Monday, Third Point and Qiming Venture Partners. In addition, the business expanded its scope of work with its two largest retained clients in the technology and professional services sectors.

During the year, the business successfully focused on implementing tighter cost controls, stabilising its client base and retaining its core team. Late in the third quarter, the business appointed a new Managing Partner, based in Hong Kong, to oversee the firm's expansion in Greater China.

This year has started well, with the business extending the scope of work and fee levels for three major clients, including a leading Asia based private equity firm, and securing a significant new government affairs mandate with leading US technology and mobility firm.

Singapore

2020 was a challenging year, but the Newgate Singapore team acquitted itself well, managing a sustained high volume of work and producing the highest level of profitability since inception.

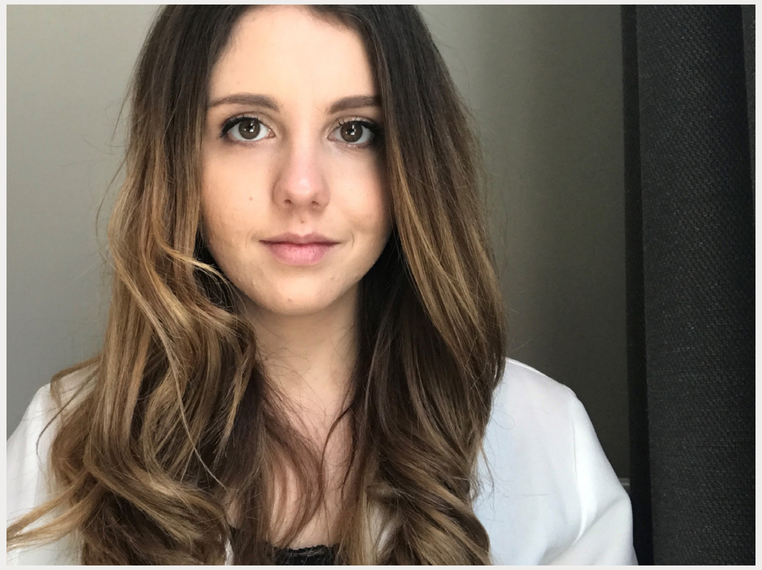
The first quarter of the year was a difficult time, with client projects delayed as the Covid-19 pandemic started to take root and we moved to remote working from the beginning of February. Fortunately, the team was able to adjust quickly to the challenges of working from home by March, when Singapore implemented a "circuit breaker" with heightened restrictions on movements and requiring most residents to stay at home most of the time.

Work volume ramped up quickly during the second quarter and remained high for the rest of the year. We handled a wide diversity of projects, winning several new M&A, fund raising and litigation support mandates, as well as interesting crisis communications briefs related to Covid-19.

2020 also led to a renewed focus and commitment to staff well-being and team cohesiveness, as well as to training and development going forward.

Tom Parker,
Deputy Group CEO
EMEA Region (excluding Italy)

Tom Parker, Deputy Group CEO
EMEA Region (excluding Italy)



Consistent with the wider Group, the performance of the EMEA region was marked by the uncertainty created by the Covid-19 pandemic and determination, resilience and a spirit of entrepreneurship in adapting to the new reality. By the end of the first quarter 2020 forecasts were rapidly being reassessed and practical steps taken to move client servicing and business development online and realign costs.

Our businesses in Abu Dhabi, Germany, Poland and Spain were rapidly confronted with the reality of projects being put on standby, clients cancelling contracts, and the new business pipeline slowing. Market conditions in France were less dramatic but sluggish in the first half of the year while Brussels experienced sustained client demand, driven primarily by its sustainability, digital and trade practices. In the second semester business conditions remained difficult in Abu Dhabi, Germany, Poland and Spain but picked up significantly in France, as a result of crisis communication and training missions. Brussels continued its strong performance and enjoyed PBT at record levels.

Abu Dhabi

At the start of the 2020, the outlook was extremely positive with open tenders, promising leads and positive feedback from existing clients looking to renew contracts. Then in mid-March with the outbreak of the Covid-19, UAE Governments immediately stopped their budgets and the communications business in the region went into lockdown.

Measures were immediately taken to reduce costs with a view to dealing with the situation both in the short-term but also with a longer-term outlook, as little perspective was given as to when the UAE would exit the lockdown. The region continued to be paralysed by the pandemic to the end of the financial year which had a significant impact on the agency's financial performance.

Belgium (Brussels)

Thanks to a very strong start to 2020 and a prudent approach to costs, the impact of the Covid-19 pandemic was not as severe as initially feared. Robust client demand was experienced through the year and, with careful ongoing cost management, Cambre posted financial results which were well above 2020 forecast.

Cambre adapted swiftly to the new virtual reality, moving client servicing and business development online and extending our impact beyond Brussels. Bright spots in 2020 were sustainability, trade, and tech, and Cambre has a robust pipeline in these sectors, as well as in healthcare, going into 2021. Investment in our digital offer, new hires and smart tools, positions Cambre well for another positive year in the competitive Brussels market.

Tom Parker, Deputy Group CEO
EMEA Region (excluding Italy)

France
CLAI saw its best year in 2020 in terms of Gross Profit with PBT also ahead of budget. Following a slow start in the first semester, complicated by the first lock down, activity was boosted in the second half of the year, with crisis communication missions, training sessions and a lot of work for ACOSS, (the public national Health financial agency).

The migration to new ways of working internally and with clients was key to the success in 2020 and bodes positively for 2021, with 60% of the 2021 budget already confirmed, interesting tenders ahead, and a market situation where many competing agencies have been seriously impacted during the crisis.

Germany
In Germany, as with other markets, the Covid crisis had a dramatic impact on business sentiment and the pipeline. A cost saving programme and work plan for new business were rapidly put in place to boost agency growth in the fields of social media, health care, education, transformation and finance. New business activities were difficult in the first semester but in the second half of the year prospects were converted into new clients, providing a more positive outlook for 2021.

Further to the investment in Orca Affairs in the autumn of 2020, SEC Newgate's position on the German market has been significantly boosted. Both agencies will benefit from complementary expertise and networks in the public and governmental sphere and will work closely together to further strengthen SEC Newgate's position on the German market in 2021.

Poland
Company Gross Profit was in line with the budget despite Martis falling victim to major cost-cutting amongst its clients, with cancelled contracts and others significantly reducing their budgets. In response, the company reduced direct costs.

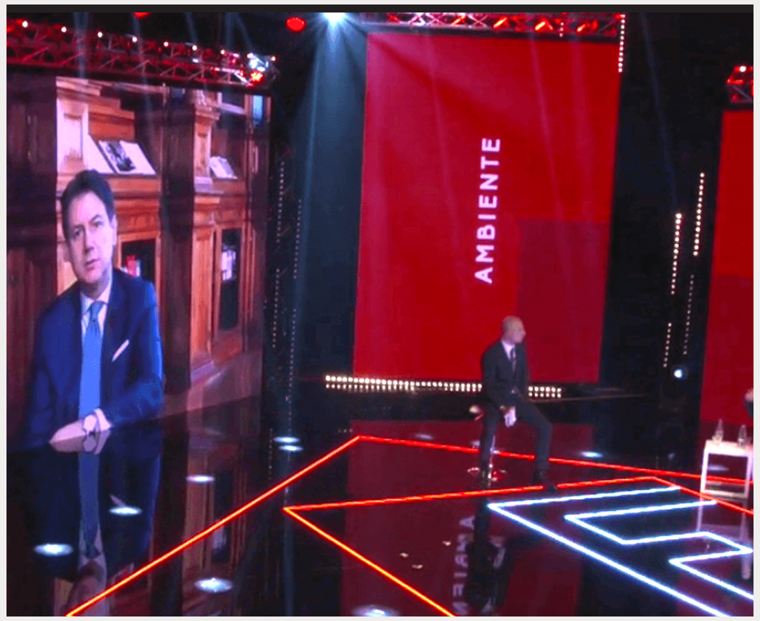
Despite the pandemic, the Warsaw office remained open and operated normally throughout the year, with consultants making little use of the possibility to work remotely. In the second half of the year, business started to pick up with new clients and some existing clients returning to pre-pandemic levels of service. The turn of the year has marked an improvement in financial performance and with the expected economic recovery in 2021, the outlook for the year ahead is optimistic.

Spain
2020 was a challenging year in Spain. The Covid pandemic had a dramatic impact on the domestic Spanish market, however in the last three months of the year, business did pick up, with a number of client wins including Campinggaz, grupo SICOR and Bodegas Yzaguirre. With the ongoing pandemic uncertainty in Spain, the market conditions continue to look difficult in 2021. Strong focus will need to be given to consolidating existing clients such as Acciona, John Deere and Edwards but opportunities for growth will be focused on potential new business from the SEC Newgate international footprint.

Paola Ambrosino,
Partner e Direttore Generale
SEC Newgate Italy

Paola Ambrosino, Partner e Direttore Generale **SEC Newgate Italy**

2020 started with three lines of development: the new digital and creative area called "Accelerate"; the presentation to the public of TRUE®, the platform that monitors reputation; and, the enhancement of the international dimension consolidated in 2019 with the establishment of SEC Newgate. The outbreak of the pandemic in Italy and then in the world has not held these challenges back but has instead strengthened them and immersed them in a more complex horizon, which provided more opportunities.



For instance, Accelerate immediately offered a significant contribution to the immense effort that the whole agency made, from the months of the lockdown onwards, to imagine new ways of communicating, to provide consultancy in areas complementary to PR and advocacy, and to gain accreditation in less-traveled product sectors. This is the case with our event streaming platform LiveeXperience, which has enabled us to enhance our thirty years of experience in event planning thanks to the digital skills provided by Accelerate. This solution has been chosen by many of our clients, but has also enabled us to find new ones, such as CGIL, Italy's largest trade union, which selected it for its most important events. It is also emblematic that an exclusive luxury brand such as Vhernier, a long-standing client of the agency, entrusted Accelerate with

its transition to e-commerce, with the design of a new website as well as innovative storytelling and shopping experiences for its jewels, in order to tackle the impasse of the closure of its showrooms around the world.

As for TRUE®, the presentation to the public on 9 July was a moment of extraordinary visibility not only for the Italian agency, but for the entire Group, as the rise in the stock price demonstrated. The meetings that took place in the following months with high-profile companies confirmed that today there is no other similar profound vision of reputation and allowed us to receive valuable indications in order to make our product closer to budgets and operational needs. For this reason, in January we started working on the new release with a team from the University of Milano-Bicocca, and we expect to market it in the summer.

The pandemic, due to its global nature, has made our international dimension much more pressing and "hot". The crisis allowed us to share with our colleagues of other Group agencies in an easier way our choices, numbers, information and knowledge and it intensified inter-group business opportunities.

Our international position and innovation have further consolidated SEC Newgate's reputation and visibility in Italy. And in a difficult context, which has nevertheless brought out the necessary, if not indispensable, nature of communications and in particular of PR and advocacy (considered in the emergency decree as "strategic professions"), expanding and intensifying demand for them, they have made possible an extraordinary growth in clients and opportunities.

Crisis and reputation recovery, national and local advocacy, marketing, and corporate communication are the areas of greatest growth. In terms of product communication, it is mainly the food industry that is driving the demand, while in the corporate sector an important impulse comes from banks and financial services, legal profession, and high-tech. The trend in infrastructure and urban redevelopment projects is stable: in the recent weeks SEC Newgate has been chosen in Milan by the owners of a railway area, including Prada Holding, for the public consultation ("débat publique").

As a result, we were able to end 2020 with gross profit ahead of the prior year.

Emma Kane,
Deputy Group CEO
UK and The Americas

Emma Kane, Deputy Group CEO

UK and The Americas

There has never been a time when a clear vision and strong values have been needed more. For the agencies and their clients, the need to communicate clearly, regularly and to ensure that every member of the team is supported has been essential. I would like to thank the almost two hundred people who have given so much to each other, their clients and the Group over the year under review.

Decisions have been taken with all stakeholders' needs being taken into consideration. They have been taken with a medium-term view not as a short-term, knee-jerk reaction and always through the lens of our purpose, vision and values.

UK

In 2020, the UK agencies comprised 2112, Newgate Communications and Newington Communications.

The start of the new decade delivered UK businesses not only with the intense challenge that was inextricably linked to the coronavirus pandemic but also the impact of the uncertainty surrounding Brexit.

All SEC Newgate's UK agencies had enjoyed a strong, in most cases record, first quarter. When the pandemic hit and the first lockdown was enforced, their prior investment in infrastructure, particularly in the IT required to work remotely, enabled them all to transition seamlessly to an alternate working environment. The challenges that came along with this change of environment were met with enthusiasm by the teams, and ultimately contributed to the great client work delivered during the year, as well as the overall financial performance.

All UK agencies benefit from a strong retainer base which provides good visibility of revenues and the ability to control costs accordingly. This, coupled with the significant focus on the improvement of margins over the prior year put them in a strong position to withstand the impact of the turmoil that they all found themselves in.

Of particular note, was 2112 which delivered its best financial performance since its inception in 2012. The Agency benefits from established clients such as Federated Hermes International, T Rowe Price International, BNY Mellon and Janus Henderson all of which pushed forward with additional projects during the year. The Agency also launched a new brand positioning, "work with purpose", as well as a new website and was the beneficiary of an increased demand for digital advertising and web-based media. This provided a great platform to drive new business with a focus across Asset and Investment Management spaces and a new business drive which attracted a number of new, significant clients – these included Nuveen Real Estate, Mirabuad Asset Management, Metfriendly and Pacific Asset Management amongst others.

Emma Kane, Deputy Group CEO
UK and The Americas

Newgate Communications delivered a very strong performance with PBT significantly ahead of the prior year. The results achieved during the year under review reflect the restructuring of the business and an intense focus on margin improvement.

Our consumer brand, Publicasity, supported a range of consumer-facing brands – particularly those in hospitality and travel - to manage communications surrounding the national lockdowns. New briefs during 2020 included Kellogg's, Turkey Tourism, not for profit Every Can Counts, and luxury handbag brand, Grace Han.

Newington Communications had its high-quality work focused on corporate and public affairs with local, national and European representation recognised during the year with two PRCA Public Affairs Awards. Whilst the Agency managed to maintain its fee levels in line with the prior year, its pipeline was significantly impacted by the pandemic.

As of the 1 January 2021, Newington Communications became a wholly owned Group subsidiary and was merged with Newgate Communications to create a single entity – SEC Newgate UK. The combined force will now offer its clients a seamless and fully integrated service across Communications, Advocacy and Research.

The Americas

2020 was a year of change and adaptation in the region.

In both North and South America, the communications industry largely ground to a halt during the pandemic. In North America, the pandemic coincided with the US elections whilst Colombia was subject to a widespread lockdown from March to August.

Despite the challenging economic and political climate, SEC Newgate S.p.A. pushed ahead with its strategic plan and entered the North American market, opening SEC Newgate US offices in New York and Washington DC in July 2020. This was a fundamental move by the Group to strengthen its geographic presence and ambitions to act as a global player in the communications market.

Colombia

SEC Newgate Colombia is a long-established business that had enjoyed four years of sustained growth. Its 2020 results were affected by the pandemic which had a serious effect on the local and global economy and on the creation of jobs, a situation that was aggravated by limited public resources to provide significant support to the business sector.

Despite this difficult juncture, the agency managed to retain more than 90% of its clients and generate new business opportunities, mainly by offering additional services to existing clients. In fact, the agency was at its most proactive in terms of sales since its creation.

As a result, the scopes of work with Didi, Adidas and Diageo were expanded during the second half of the year. The agency also led and executed campaigns that involved creativity, design, and digital work, such as the Crea Sonidos campaign carried out together with Fundación Barco and Innpulsa (a public entity attached to the Ministry of Trade, Industry and Tourism).

Costs were tightly controlled, and a number of significant cost savings were secured.

US

SEC Newgate US was launched in July 2020 creating a platform for further expansion over the coming years. The new entity, led by Michael Holtzman, is a commercial venture with Bellwether Strategies, in which the Group has 55% ownership. This structure has enabled SEC Newgate to have a low risk, local presence with well-established key professionals in a market which is of paramount importance to the Group.

While the "start-up" nature of the operation was undeniable, the US team nonetheless found themselves part of a dynamic, global network of colleagues that created new opportunities for growth. The close connection with international colleagues and the ability to provide seamless working relationships across the global network resulted in new business and a pipeline of new business for the year ahead which was important as the domestic US market was not only impacted by the pandemic and the dramatic scaling back of budgets but also the long shadow cast by the US presidential elections over public affairs work with many foreign embassies taking a "wait and see approach" towards communications in the US. Traditional sources of international accounts — such as tourism and direct investment - evaporated. The nature of consultancy work during the second half of 2020 was more project orientated with short-term projects than the team would typically do.

Sergio Penna,
Group CFO's Review

Sergio Penna Group CFO's Review

2020 was the first full year of trading for the newly merged SEC Newgate Group, and of course, it was also a notable year because of the outbreak of the worldwide Covid-19 pandemic. Both events presented the Group with new and unexpected challenges resulting in a unified global business focused on achieving its strategic goals and positive about its future under the new SEC Newgate brand.

The finance team ensured the coordination of the reporting of the single units, the delivery of internal and external high-quality reports and analysis, as well as the support for many extraordinary operations worldwide.

The most relevant operations in terms of acquisitions and start-up were in line with the Group's Strategic Plan 2020/2022, with a focus on North American, Asian and European markets:

- In July 2020, the Group established SEC Newgate US LLC, a new commercial venture based in New York City and Washington D.C. in which the Group has a 55% ownership, expanding the footprint in the United States for the first time
- In September, the Group hired a new Managing Partner in Newgate Greater China in charge of the Far East business development
- In December, the Group signed an agreement to acquire a 60% shareholding in four tranches (15% per annum until 2024) in Orca Affairs GmbH, based in Berlin, with a strong track record in public and corporate affairs in Germany

For the year ended 31 December 2020, the Group delivered its first full year of positive Operating Profits and Profit before Tax (PBT). These figures are not easily comparable to the prior year, due the consolidation of the Group signed on 4 September 2019, partially affecting the financial results.

Despite the impact of Covid-19, the Group successfully achieved the goals set out in its Strategic Plan 2020/2022 released before the pandemic outbreak, an impressive result made possible by the reaction of the Group in term of business development and costs control. On the revenue side, the Group provided a full spectrum of high-quality additional services, while on the costs the "handbrake strategy" guaranteed a strong basis, partially forced by external factors in terms of travel, entertaining and office costs, but primarily due to the proactive steps taken to manage and mitigate the problem, proving the vision and the commitment of the SEC Newgate team.

Key financials

- Gross profit was €56.1m (2019: €37.6m)
- Operating Profit was €4.1m (2019: €1.8m)
- PBT was €3.0m (2019: €1.3m)
- Net Debt Position was €13.0m, including €5.6m Lease Liabilities (2019: €17.2m, including €8.4m Lease Liabilities)
- Cash Balance was €12.1m (2019: €6.1m)

Gross Profit is used to monitor our performance at a Group and subsidiary level, netting the effect of the pass-through costs that could be differently reported at local level (please refer to the explanatory note included in the Consolidated Income Statement).

Gross Profit was up by c. €18.5m with the increase mainly attributable to the following consolidation of the new Group from September 2019, with subsidiaries (mainly based in UK and Australia) reporting four months results in 2019 while a full year impact was included in 2020.

Employee expenses were up both in absolute terms (by c. €13.7m, partially related to the full consolidation effect mentioned above) and in relative terms when compared to GP (by 4%). In terms of total staff, the Group employed 600+ people at the end of 2020.

Amortisation of intangibles was higher than 2019 (by €300,000) mainly due to the investment in Artificial Intelligence performed over the last years, leading to the release in July 2020 of TRUE®, SEC Newgate's Artificial Intelligence powered platform to investigate the reputation of brands and institutions.

Depreciation is strongly influenced by the IFRS 16, that requests to consider every long-term rent as an investment in fixed assets supported by a financial lease, with monthly depreciation instead of the rent costs. The amount was €1.0m higher than in 2019 mainly due to the full consolidation of those subsidiaries (especially in UK) that were included only for four months in the previous year.

Regarding the goodwill, after performing impairment tests on each of our subsidiaries, we concluded that the only impairment needed was on ACH (€95,000), mainly due to the critical situation of the Spanish market strongly affected by Covid-19, that influenced the performance of the company.

Other operating costs were c. €11.6m (2019: €10.7m) and presented on a different and more transparent classification respect to last year, with focus on the nature of the costs. The increase by c €1.4m is mainly attributable to an increase in professional and consulting fees (by €1.5m) and office expenses (by €0.6m) partially offset by a decrease in marketing fees (by €0.5m) and other administrative expenses (by €0.2m).

Finance expenses were up in the year by €0.5m, of which €0.4m due to interest expense on financial loans and around €0.1m due on financial leases related to IFRS 16 implementation. The net loss on foreign exchange movements at the end 2020 was partially mitigated by a GBP vs Euro currency forward signed in November with the major Italian bank UniCredit to offset the exchange rate effect and neutralize the risk.

Adjusted profit

Since 2019, once IFRS 16 became effective, the Group moved away from using EBITDA as a performance metric, now that rental expenses have been replaced by depreciation and interest which falls below EBITDA. For this reason, our focus has shifted towards PBT which remains the main performance indicator.

This year the Group would like to introduce the use of the non-GAAP measurement of adjusted profit. The Group believes that the consistent presentation of adjusted profit, operating profit and profit before tax provides a clearer representation of the Group's business performance.

Adjusted profit is defined as profit after adding back exceptional and/or non-operational items including amortisation of acquired intangible assets (excluding software) and share-based payment adjustments, as well as items considered exceptional due to size or nature including business combination acquisition costs, restructuring costs, impairment of goodwill, intangible assets and investments and profit or loss arising on disposal of subsidiaries. In 2020 the "Covid-19 income" is considered exceptional, and for this reason excluded from the Group's adjusted profits (see table)

	Oprating Profit 2020 €'000	Operating Profit 2019 €'000	**Profit Before Tax 2020 €'000**	Profit Before Tax 2019 €'000
Reported	**4,183**	1,812	**3,045**	1,271
Impairment of goodwill	**95**	-	**95**	-
Acquisition costs (1)	**-**	455	**-**	455
Covid income (2)	**(850)**	-	**(850)**	-
Share-based payments (3)	**-**	32	**-**	32
Loss on disposal of subsidiary (4)	**2**	-	**2**	-
Adjusted	**3,430**	2,299	**2,292**	1,758

(1) Acquisition costs include legal and advisory costs relating to business combinations, earn-out acquisitions, and other similar operations. In 2019 acquisition costs related to the acquisition of the Porta Group.

(2) Covid income (reported within Other Income in the Consolidated Financial Statements, see details in accounting policy note g. Other income) is the income received as a direct consequence of the Covid pandemic, comprising government salary assistance and grants.

(3) Share-based payments relates to the impact of the accounting stand for share-based compensations.

(4) Loss on disposal of subsidiary relates to the loss recognised in 2020 as a result of the disposal of Cambre Advocacy Maroc.

Cash Flow

The cash balance of SEC Newgate is €12.1 at the end of 2020 (€6.1m in 2019), and it was constantly monitored during the year by weekly reports and monthly analysis reported to the Board of Directors.

In 2020, the Group generated an outstanding net cash inflow from operating activities of €7.2m (€5.1m in 2019). This positive performance was the result of efficient business and financial management. Since Covid-19 first outbreak, our team worked hard to adapt quickly to protect the Group's cash position and liquidity, secure savings, and take advantage of local government initiatives.

We secured €105,000 rent reductions, €566,000 of other permanent spending cuts and received the benefit of €850,000 non-refundable governmental assistance (including €590,000 of salary assistance and grant schemes and €260,000) and €578,000 of deferred VAT payments.

On the other side, the Group generated a net cash outflow from financial activities of €430,000 (outflow €5.3m in 2019).

During the year, SEC Newgate S.p.A. secured new bank loan facilities including €1.0m from Banca Carige and €1.0m from Banca Popolare di Milano, while other new borrowings include €2.5m convertible bonds issued in February 2020 by Inveready. Besides, the local finance teams worked on the government assistance obtaining available forms of support, including bounce-back loans and long-term loans renegotiation for a total of €700,000.

The Group acquisition structure for new investments is usually based on a three to five years Earn-out model. At the end of 2020, the most important provisions are related to the acquisition of the remaining part of the French subsidiary CLAI (€1.5m in 2021 and €4.4m in 2026), the investment in the Colombian subsidiary SEC Latam (€0.4m in 2022). The cash balance at the end of the year is sufficient to cover these expected payments.

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On the other side, the Group generated a net cash outflow from financial activities of €430,000 (out-flow €5.3m in 2019).

Group finance operations

During the first half of the year, the Group appointed the current Group Finance Controller (in April 2020) and the current Group CFO (in June), which worked together since the release of the Consolidated Half Year results.

In addition to that, due to Covid-19 restrictions, starting March 2020 the finance management of the Group was entirely performed in remote working.

I personally wish to thank all the people involved in the 15 countries and 37 offices where we operate, starting from the local CFOs and their teams, for delivering such a great effort and results despite the critical situation, accepting the challenge with positive attitude.

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 better informed decisions based on true underlying performance and data.

Following the process after the acquisition at the end of 2019, the Group finance function has implemented a process that now works throughout the enlarged Group 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 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.

Net Debt

The Net debt position as of 31 December 2020 was €13.0m (including €5.6m Lease Liabilities), with a positive €4.1m difference compared to 31 December 2019, reporting €17.2m (including €8.4m Lease Liabilities). Please refer to note 18 of the Consolidated Financial Statements for further details.

The €6m increase in cash and cash equivalents from €6.1m to €12.1m is mainly due to the quality of the management and its choices that ensured a strong cash inflow from operating activities, as mentioned above.

New bank loans and other borrowings increased by €4.7m during the year from €14.8m to €19.5m, Lease Liabilities decreased by €2.8m from €8.4m to €5.6m.

Regarding the most important new bank loans and borrowings:

- on 20 February 2020 the Group signed a bank facility with Banca Popolare di Milano for €1.0m, at Euribor 3 month + 1.65 interest rate, payable in 36 months with maturity in 2023
- on 25 February 2020, SEC Newgate S.p.A. secured a €2.5m convertible bond with the Spanish institutional investor Inveready which was subscribed on 4 March 2020, with a maturity of seven years from issuance (in 2027) and interest payable quarterly at 3.50%
- on 4 March 2020 the Group signed a bank facility with Banca Carige for €1.0m, at Euribor 6 month + 1.20 interest rate, payable over 48 months starting June 2022 with maturity in 2026

Lease Liabilities are related to IFRS 16 application, effective since January 2019. IFRS 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months; the lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

SEC Newgate Group is strongly affected by the IFRS 16 that is applied to all the rent agreements related to office facilities worldwide; in 2021, due to a new contract signed for the UK headquarter, our Business Plan already included a strong increase of both right-of-use asset and lease liability that is going to decrease over the years in line with monthly lease payments.

Whilst the Group is now in a better position to compete in international markets, the condition of the net debt cannot be ignored, and now that the business combination is effective and the effect of the government support on Covid-19 is decreasing, it is the immediate focus of management to improve and strengthen the Group's capital structure.

Post Balance Sheet Events

The Strategic Plan 2021/2023 will represent our main guidance for the coming years, with key goals including, but not limited to, an increased visibility and reputation of the Group, a better level of profitability and cultural integration.

During 2020, we united the teams of the main UK agencies in one premise, preparing the ground for the upcoming reorganisation and rebranding. On 15 January 2021, the Group acquired the 40% minority stake not already owned of Newington, taking the holding up from 40% to 100%. The total consideration for the acquisition was around €485,000, 30% satisfied by SEC Newgate issuing and allotting new ordinary shares to the vendors and the remaining 70% payable in over three years. The same day, the Group announced that the business and the assets of Newington were transferred to SEC Newgate UK Ltd (previously known as Newgate Communication Ltd).

Regarding the UK headquarters, we gave notice to both the previous offices based in Great Suffolk Street and Basinghall Street, with a total €300,000 saving expected in 2021 with respect to the previous year, and an additional saving of around €1.0m per annum from January 2022, once SEC Newgate UK Ltd officially moves to a new premise, with a 10-year lease (with a five year break clause) whose heads of terms were signed the on 9 April 2021.

The IFRS 16 treatment of this operation was already included in the Business Plan 2021/2023: the cost of the rent is booked as depreciation, with an increase of this amount in Q4 2021 when a shot-term overlapping of the two contracts will occur – during the fit out of the new office – but with a strong decrease of the rent cost (therefore, the depreciations) from 2022 onwards.

On the other side, we included in the Business Plan c. €6.0m as capex in 2021 related to the new UK office (€5.0m of rent and €1.0m of fittings).
On 26 January 2021, our Nomad, Arden Partners, finalised and released to the market a Research Note on SEC Newgate; this analysis, along with other positive announcements in terms of M&A and estimated 2020 results, led to an increase in the SEC Newgate share price up to 95 pence at the end of the first quarter of 2021, compared to 43 pence at the beginning of 2020.

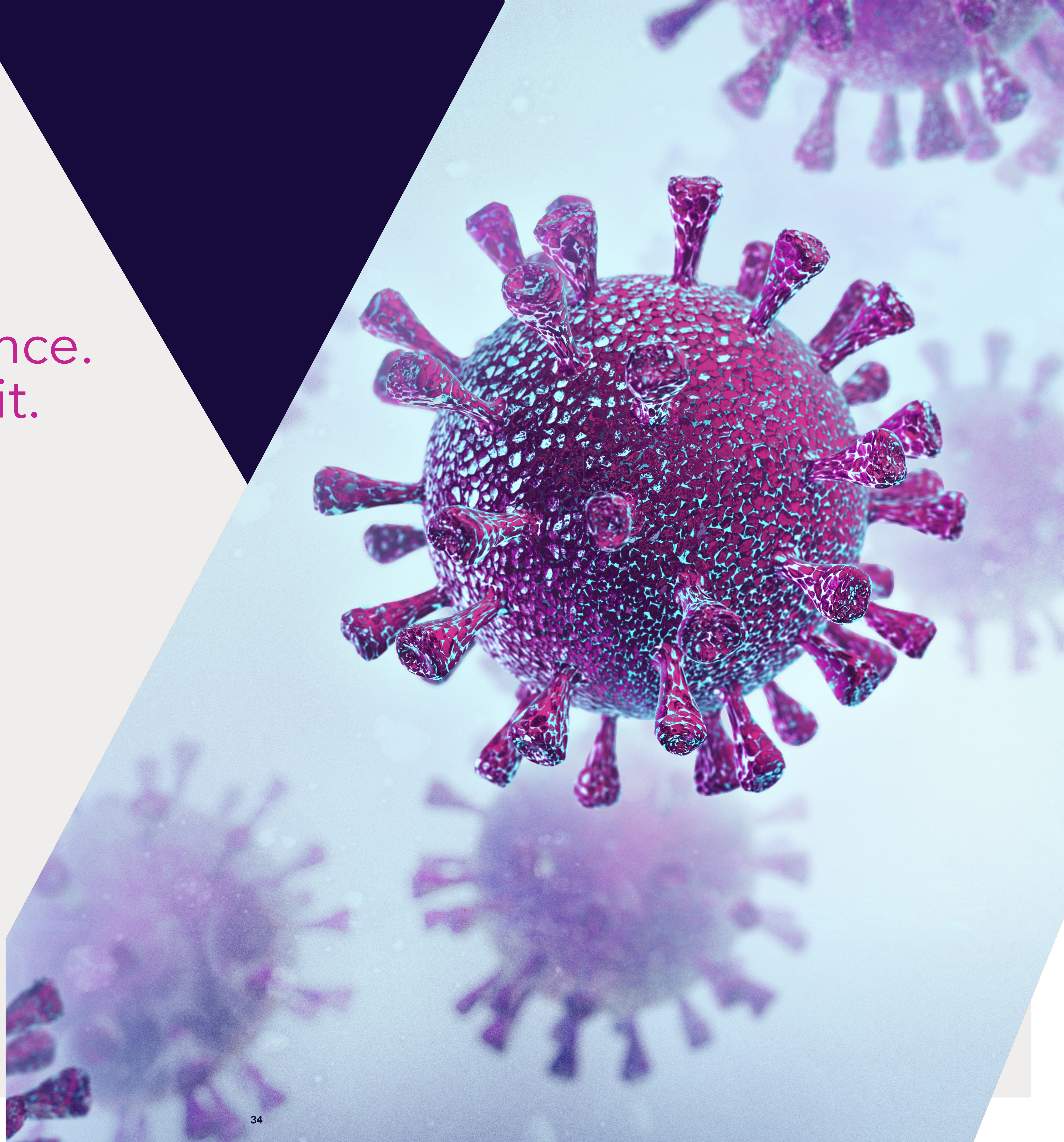
On 22 March 2021, the Group announced the establishment of a new commercial venture, SEC Newgate CEE, in Poland, to accelerate the business development across the Central Eastern Europe Region; the cost for the operation was represented by an intercompany loan of €200,000 in favour of the start-up.

On 29 March 2021, the Board of Directors approved the "Incentive Scheme Plan for Managers and key employees", with immediate effect for the beneficiaries included in the list. The Incentive is calculated on the next three years basis, in terms of both Group and local subsidiaries' results; the Incentive Plan was included in the Intention Statement announced after the acquisition in September 2019 and confirmed in September 2020.

On 14 April 2021, SEC Newgate performed the first payment of €700,000 to Orca Affairs GmbH, as part of the agreement signed on 23 December 2020; the initial consideration comprises the 15% of the issued share capital of the target, with attached voting rights of 60% passing to SEC Newgate (sufficient to guarantee the control and full consolidation of the results). In 2019, Orca Affairs' turnover was around €10.5m, in part influenced by extraordinary business. The acquisition will be earnings enhancing in 2021.

The year of resilience. We were built for it.

A few words from around the Group on some of the initiatives implemented during the pandemic.



SEC Newgate UK

A great example of news commentary, insights and shared stories across the Group was the launch of our newsletter in March 2020 which continues to thrive as both a low cost medium and marketing tool where we inform and inspire. With a database of 3,000 and a daily open rate of over 1,500 people, the newsletter which runs from Tuesday to Friday showcases our thoughts and expertise across the news landscape including heartfelt blogs on more personal topics including home schooling, the demise of the commute and staycations. As our key marketing effort throughout 2020 the initiative also united talent across the business, enabling people to work in a collegiate fashion beyond their sector tribes, meeting each morning to talk through the issues of the day and plan accordingly.

Newington UK

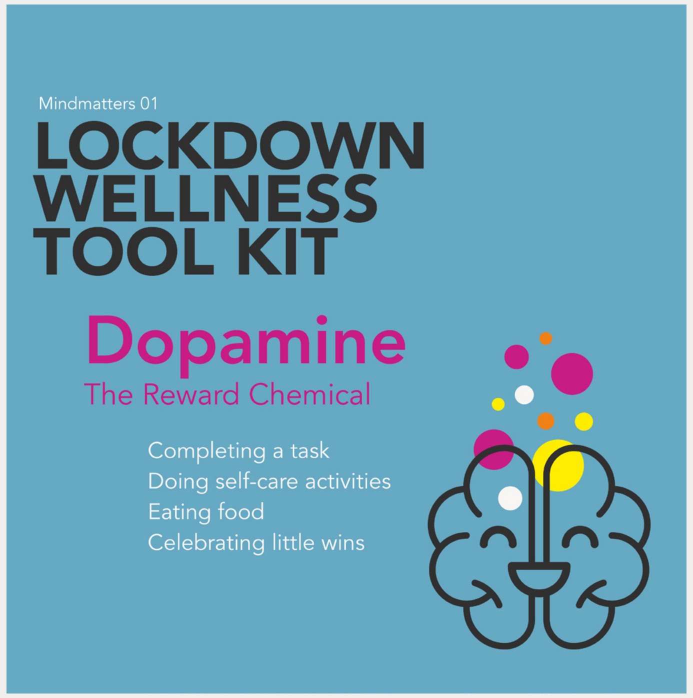
Critical to managing staff morale during the unprecedented Covid period was particularly challenging as our initial plans for expanding the company were hit by the onslaught of Covid. A small number of clients put their contracts on hold and a strong pipeline of new business disappeared overnight. Regular and positive communication between the management and staff was key during this period to ensure morale was maintained.

The Senior Management Team initially met on a daily basis to discuss any staff or client issues in an early morning conference call during the initial stages of lockdown. This was supplemented by a weekly all company meeting and regular daily chats between the managers in each of their divisions - to ensure that all individuals were regularly communicated with, to ensure that there was a fair and even distribution of workload, and to ensure that no member of staff faced any mental health problems due to the lockdown without the full support of their managers and colleagues. The CEO made himself available every day for a 30 minute slot so that any member of staff could speak with him about any issue that was on their minds. Friday afternoons became the time for a weekly social event to allow members of staff to stay in touch with each other without the pressure of work related discussions or deadlines. In addition individual staff were made mental health first aiders and the SMT encouraged the use of a mental health support line installed the previous year.

IT support was made available where possible to allow all staff to take advantage of home working, with allowances also paid to support staff with any additional costs of home working. The year ended with the vast majority of staff in place and core clients retained, leading to a strong morale as the team enters 2021 as part of a new entity SEC Newgate UK.

UK - Publicasity

During the pandemic Publicasity changed its strategic focus. The team concentrated its new business efforts on areas less affected by Covid-19. Driving awareness of the agency's FMCG credentials led to the team winning the Kellogg's account. To further expand its new business outreach the team then focused on updating the agency's fashion credentials, picking up luxury handbag brand Grace Han shortly after. Whilst Publicasity stopped focusing on the travel and tourism sectors the agency picked up wins with Turkey Tourism and Room Mate Hotels in 2020.



UK - 2112

In December, rather than send out the normal digital Christmas card, 2112 created a video to send out to all clients and friends of the Agency. It was a video that showcased all the great things that 2112 has to offer. To make sure everyone was involved in this, the video contained images and clips of all staff opening their "secret santa" presents online via zoom. We dubbed it the new normal, and used it as a way of showing everyone the people that make the Agency great.

Germany – Kohl

Nachdem im Sommer letzten Jahres in Berlin eine gewisse Sorglosigkeit herrschte – die Fallzahlen waren niedrig und das Wetter gut – kehrte das Virus im Herbst mit voller Wucht zurück: Seit November befindet sich Deutschland im Lockdown, mal werden die Regeln verschärft, mal gelockert, mal darf man sich mit einigen wenigen Freunden treffen, mal herrscht Ausgangssperre. Für unser Team bedeuteten die steigenden Fallzahlen eine Rückkehr ins Homeoffice und eine vollständige Digitalisierung des Betriebs, die sich im Nachhinein aber als Glücksfall für unsere Arbeit entpuppt hat. Nicht nur, weil wir dank Videokonferenz und Telefon für unsere Kunden genauso gut erreichbar waren wie im Büro, sondern auch aufgrund neu und lieb gewonnener Rituale: Unserem Morning Call.

Jeden Morgen versammelt sich das Kohl PR-Team vor dem Bildschirm und bespricht den Stand der Dinge, wie anfallende to-do's, Feedback und Fragen rund um die einzelnen Aufgaben. Doch es darf auch ein bisschen privat geplaudert werden: Wer fährt wann in den Urlaub? Wie war das Wochenende? Und was ist das eigentlich für ein interessantes Poster bei dir im Hintergrund? Auf diesem Wege ermöglicht uns der Morning Call also nicht nur unsere Arbeit zu organisieren, sondern auch als Team zusammenzuwachsen. Unsere Juniorberaterin Kira ist seit November an Bord und hat noch keinen ihrer Kollegen in der analogen Welt getroffen, „trotzdem fühle ich mich bei Kohl PR sehr wohl und bestens integriert" erzählt sie – per Videocall.

Falls dank Impfungen und Lockdown Corona irgendwann einmal überwunden sein sollte, wird unser Team also den Morning Call als allmorgendliches Ritual beibehalten.

Germany - Orca

So Traurig es ist. Wir haben die Chancen von Corona genutzt. Home Office wurde zum Treiber für viele Diskussionen und Ideen für eine umfassenden Umbau der Agentur. New Work wurde zum zentralen Bestandteil. Wir haben gemeinsam schnell gelernt mit einander alle Prozesse neu zu organisieren. Seit März wird die ganze Agentur komplett renoviert, flexible und feste Arbeitsplätze bestimmen unser New Work, Arbeitsplätze werden via App gebucht, Telefone gegen Handys ersetzt, mehr Meetingräume und Situationen geschafft. Wir haben die Chance genutzt.

SEC Italy

Non eravamo così ottimisti, un anno fa, quando ogni settimana piovevano richieste di sospensione o riduzione dei contratti da parte di clienti che operavano nei settori più esposti, come horeca e turismo.

Ad arginare e superare queste minacce ha certamente contribuito l'immediata e rigorosa "stretta" sui costi, senza toccare i posti di lavoro e gli stipendi, anche grazie all'utilizzo di tutte le opportunità messe in campo dal governo italiano. Ma molto di più ha fatto il coinvolgimento di tutti i collaboratori, dai dirigenti ai ragazzi appena entrati, nell'assicurare una consulenza di qualità anche a distanza ai nostri clienti, ma anche nel trovare insieme nuove strade di proposta, di visibilità e di new business.

La corresponsabilità diffusa che ne è nata e lo "scatto in avanti" di tanti collaboratori costituiscono la più preziosa eredità di questo anno pur così terribile per l'Italia e per il mondo e rendono più sicuro il nostro passo nel 2021.

Belgium - Cambre

Tough though it's been, at Cambre we've seized the opportunities presented by Covid-19. We pivoted swiftly to our new online reality, using the flexibility that it brings to service clients, pitch for new business, host marketing events and recruit talent in innovative ways. We've also focused on the health and wellbeing of our people, stepping up virtual internal communications and team-building. As with any organisation based in Brussels, the majority of our 30-odd consultants come from beyond Belgium. We therefore expanded the concept of remote working to allow those wanting to work from 'home' to do so, be it France, Germany, Italy, Bulgaria or elsewhere. Screen fatigue is nonetheless a thing. And many colleagues are hankering for the camaraderie of the office. However, amidst all the uncertainty still clouding our outlook as we enter the second year of the pandemic, one thing is clear.

Our way of working has changed forever – and largely for the better.

Spain - ACH

Más de 1 año después de declararse la pandemia, en ACH siguen en vigor las medidas implantadas en marzo 2020. Entre las cuales se encuentran:

- el uso obligatorio de mascarillas
- uso de geles hidroalcohólicos constante
- ventanas abiertas de la oficina durante todo el día
- combinación de teleworking (60%) y trabajo presencial (40%)
- control por la dirección de todo el trabajo telemático, creando direcciones de e-mail adresses por equipos y clientes al objeto de mantener un exhaustivo seguimiento de los trabajos en curso y de todas las comunicaciones con clientes y proveedores
- cambio de horarios de entrada y salida de la oficina con objeto de no coincidir en las horas punta del transporte público
- clausura del comedor de la oficina para evitar coincidencia del personal en un mismo lugar
- distancia de 2 metros entre los puestos de trabajo
- uso constante de las plataformas Zoom, LinkedIn, Teams, Google para meetings internos y externos

France – CLAI

Notre première mobilisation dès l'annonce du confinement le 12 mars a été de faire en sorte que tous nos collaborateurs disposent du matériel et des connexions pour travailler à distance ainsi que de définir de nouveaux process de travail avec nos clients. 2 mois plus tard, il a fallu se mobiliser pour adapter nos locaux aux exigences sanitaires dans la perspective d'une réouverture le 1er juin. Nous n'aurions jamais cru être capables de faire face à de telles situations sans aucune répercussion sur nos prestations à nos clients qui nous ont félicités pour notre agilité et notre efficacité.

Poland – Martis

Warszawskie biuro Martis Consulting nie przerwało pracy nawet na 1 dzień od początku pandemii. Pracownicy mogli wybierać pomiędzy pracą stacjonarną jak i on-line. Co ciekawe ta pierwsza forma cieszyła się większym powodzeniem. Nie znaczy to jednak, że nie zadbaliśmy o bezpieczeństwo. Oprócz standardowych środków czystości i wprowadzonych procedur postaraliśmy się o zapewnienie naszym pracownikom darmowych testów do wykrywania Covid-19. Każdy mógł z nich skorzystać. Ten system okazał się na tyle skuteczny, że praktycznie ochronił nasz zespół przed większą falą zachorowań. Mniejsza niż standardowa liczba osób obecnych w biurze przyniosła jeszcze jeden pozytywny efekt. Nasza siedziba została gruntownie odświeżona i odmalowana. Wiosnę witamy zatem w znacznie lepszych nastrojach.

SEC Newgate US

In 2020 due to the Covid emergency was to devolve our business into a work-from-home environment. We upgraded our technology and bandwidth and shifted much of our operations online. In Manhattan, we abandoned the idea of a significant office presence to a smaller manageable office, and we stopped plans for a physical office in Washington altogether.

Abu Dhabi

للاسف جاء فيروس كوفيد 19 المستجد وأجبرنا على التكيف على أمور لم نعتدها في العمل سابقاً.

فقد أصبح العمل عن بعد هو الروتين اليومي خاصة في ظل الاجراءات الوقائية التي تتخذها حكومة دولة الامارات العربية المتحدة، ومن يحضر الى المكتب عليه أن يجري فحص ال بي سي ار – PCR Test مرة كل اسبوعين.

جميع الاجتماعات أصبحت عبر الإنترنت، تطبيقالت Zoom و MS Teams حلت مكان طرق باب مكاتب الزملاء لأي استفسار سريع.

هنا، لابد من التنويه أن فيروس كوفيد 19 المستجد قد أثر سلباً على عمل الشركة والعملاء، والعقود كلها في مرحلة الانتظار الى أن تفرج الحكومة عن الميزانية.

أعتقد أن الكل متحمس للعودة الى الحياة كما كانت سابقاً والعمل من المكتب.

حبيب باشا

SEC Newgate Colombia

El ABC para la toma de decisiones corporativas está inventado: hacer proyecciones, definir indicadores, hacer planeación por escenarios, identificar oportunidades y amenazas, entre otras variables. Cuando llegó la pandemia a Colombia, en SEC Newgate decidimos ponerle corazón a este proceso. No nos equivocamos. Al haber privilegiado el cuidado de nuestro talento humano, preservando no solo sus puestos de trabajo sino comunicándoles de manera integral seguridad y estabilidad, logramos dos objetivos que hoy nos enorgullecen. Por un lado, fortalecer la relación con nuestros clientes, quienes en reiteradas oportunidades nos han expresado su agradecimiento por el compromiso y la continuidad de la excelencia en el servicio de SEC Newgate en un año tan complejo y difícil, y, por otro lado, la consolidación de un equipo de trabajo sólido, solidario, responsable y con visión de futuro. Como escribió nuestro premio Nobel, García Márquez, "el corazón se hace más grande y más noble en la calamidad". Así lo demostramos en SEC Newgate Colombia.

Singapore Newgate

As a precaution to ward against any impact to business continuity, the Singapore office as early as January 2020, adopted a split-teams approach to the office environment with 50 percent of the staff coming into the office every other day. This provided assurances to clients their service needs would be safeguarded in the event of an outbreak in the building. As it turned out, a case was identified in another business in the same building of the Newgate business and so the team moved immediately to work from home but by then had all systems and communications processes in place to ensure ongoing connectivity and client service.

By July with the pandemic numbers largely under control, life had returned to close to normal and staff once again began to rotate through the office in split teams.

Greater China - Newgate

Our Greater China, (Shanghai/Beijing) and Hong Kong businesses were at the forefront of the Coronavirus outbreak. With the spectre of the SARS outbreak in 2002-3 still fresh in the minds of many, the general public were quick to adopt basic measures safety precautions. Face masks, sanitisers etc were quickly provided in the offices (which was very helpful especially in the initial stages, when panic-buying made supplies scarce), while social distancing within the offices were implemented through a reconfiguration of desks and other means.

In Hong Kong, at various points in the year, the government mandated that civil servants were to work from home, and our staff were encouraged to follow suit. Cases there never breached more than 200 per day, and the daily average has hovered just under 30 since the beginning of March last year, meaning that the city has been comparatively low risk for much of the pandemic.

During that time across all our offices, client work, media pitching and new business development has been carried out largely virtually, and we have sourced clients and completed projects without having ever met them in person, something which would have been unthinkable prior to Covid-19. Video calls, presentations and other related protocols have all been vastly streamlined as a result of this process, as well as our own digital marketing efforts.

Australia - Newgate

Less than a week after the Federal Government closed the country's external borders in mid- March 2020, it also announced the economy would enter into a stage 4 lock-down that would only allow essential business to continue to operate as normal. Newgate was well-prepared for this scenario and had already established a Business Continuity Group to ensure all staff could continue to operate and connect both to each other and to clients remotely. Further, as a key business initiative we had earlier commenced a weekly national survey of public sentiment about both concerns around the threat of the virus and the impact of the lockdown/virus on the economy. This survey was conducted each week for 42 weeks until the end of the year and became a highly valued tool for both the Federal and all State Governments as a ready reckoner on community sentiment and a forum to 'test' potential government initiatives throughout the year. It distinguished our business in Australia in an otherwise complex and crowded news environment and helped to underpin the performance of the business throughout the year.

Conclusion

Thanks to the actions promptly implemented in March 2020 and following months, SEC Newgate was able to overcome with impressive results the Covid-19 pandemic 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. It was the most difficult challenge of the year in terms of business development, execution, client management and financial strategy.

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.

The Group closed 2020 with some self-assurances in terms of cost control, spending review, internal organisation of the offices, potential expansion in new countries, and excellent results on specific markets like Australia over the year. The key element for the finance team was a constant analysis of the cash balance.

At the end of the year, 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, and the vision of the Board of Directors is clear.

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 to a stronger bottom line.

We are confident that, approaching the second year of trading as an enlarged Group, based on the response to the challenges of this unique year and the recent results evidenced by the share price trend, SEC Newgate is now in a much stronger position to improve operating performances going forwards than it has ever been before.

SEC Newgate Corporate Purpose and Responsibility Statement

SEC Newgate's mission is to create positive outcomes for clients and communities in a connected world, where companies increasingly need communication partners with strong local roots, global reach and true entrepreneurial spirit, driven forward by talented people.

As such the integrity of our advice, the ethical approach of our people and our role as a purpose-driven business consultancy are critical to our success.

We have analysed the 17 Global UN Sustainable Development Goals and taken steps to ensure that the way we conduct our business, recruit and safeguard our people, ensure we play a positive role in our communities and drive sustainable behaviours through our business reflect these objectives.

We are also currently making strong progress through the B Corp audit process with SEC Newgate UK seeking to achieve B Corp status as a foundation for wider uptake around the SEC Newgate Group.

We have detailed our approach to delivering our corporate goals under the following headings of purpose and governance, people and planet:

SEC Newgate's purpose is to: Help our clients achieve positive outcomes through communications, advocacy and research and to help them to clearly demonstrate their purpose, value and impact locally, nationally and internationally.

Our 37 offices, based in 15 countries all adhere to our global standards for ethical consulting. All offices follow best practice in their market and we are members of the Public Relations Consultants Association. We have senior executives who sit on the PRCA Management Board and the PRCA Public Affairs Board and we are signed-up to the PRCA Public Affairs Register covering our advocacy activities. Similarly, Andrea Cornelli, the Group Chief Innovation Officer, is Vice President of UNA (the Association for the whole communications industry in Italy) and Chair of PRHub, the section dedicated to the PR business. We also helped to establish the APGRA (Australian Professional Government Relations Association) in Australia which has set the standard for ethical government relations practice. Feyi Akindoyeni from our Melbourne office is also on the global Board of the International Association of Political Consultants which supports democratic process including through the annual global Democracy Medal award.

We have an Ethics Committee and compliance process to vet potential clients and ensure that we have transparency on their ownership structure, business operations and corporate and social purpose.

Our offices run community programmes and charity activities as set by local teams. We offer a range of initiatives including: Time off for charitable work, office charity events and nominated charities, pro-bono work for charities (including work undertaken in the past 12 months: for example, in the UK we provided pro-bono support to MicroLoan Foundation, HIV Commission and St Paul's Cathedral's Remember Me initiative). In Italy, we support "Parole Ostili", a non-profit association of researchers, communications professionals and social experts; the association is engaged in promoting a social and political reflection on the social effects of communications and banning hostile communications on the media. The team also provides some time consultancy time to support Portofranco, a famous initiative based in Milan dealing with the right to study and supporting disadvantaged young people in their studies. Newgate Australia is a strong supporter of the Clontarf Foundation, which aims to end indigenous disadvantage by encouraging Aboriginal children to attend and complete secondary education.

We have also continued to win and be shortlisted for numerous industry awards for the quality of our consulting, including: PR Week Awards Best Ethical Initiative During the Coronavirus Crisis; DARE Awards Best Integrated Campaign; PRCA City & Financial Awards Best Communications in Support of a Transaction. In addition, work we have undertaken for our clients has resulted in them winning the 2020 ESG Investment Awards, Best ESG Investment Fund, Private Capital and The IR Society 2020 for Best Communication of ESG.

In Italy in 2020 we were awarded Assorel Award in the Non-profit Organization category for the initiative we developed during the first wave of Covid "Primum Vivere" a space provided to institutions, companies and ONGs to tell their stories of resilience and positive response during the pandemic.

In 2021 we launched a new service, SEC Newgate UK Green & Good which advises a portfolio of clients in the sustainable industries and social enterprise and investment sectors. In addition, we work extensively with companies in the renewable energy sector.

The Holding Company is managed by the Board of Directors composed of 11 members, four of whom are independent (the rest all being executives). The Directors are drawn from backgrounds which the Board believes provides an appropriate mix to conduct the Company's business. The Company has adopted the Quoted Companies Alliance Corporate Governance Code.

People

Our people are the heart of our business and building a culture that places equality, inclusion and promotes a diverse, dynamic and merit-based culture is critical to our success.

All our people are empowered to speak up, contribute and challenge and our business model is based on the honesty and professional judgement that our teams bring to their work and our business.

We have whistle blowing policies in place covering all our teams and we regularly conduct staff surveys covering moral, what we can do better, ideas for building the business and feedback on ways of working.

We conduct 360 appraisals for staff at all levels of the business and use meetings, closed social media groups and regular team meetings and socials to communicate and bring people together.

The Group employed 580 people in 2020, of whom 348 identified as women (2019: 342). We seek to implement greater levels of equality and diversity at senior levels of our business and we currently have 39% of leaders at director level and above globally who identify as women, and 5% from non-white ethnic groups (7% Group-wide).

In seven countries out of the 15 across our footprint, women lead agencies that rank in the top positions in each local market such as in the UK, Italy, Brussels, Germany, Poland, SEC Newgate CEE, and Colombia. In Australia, where Newgate is a market leader across sectors such as financial communication, public affairs and market research, the majority of partners are women and women lead four of six state offices.

While the Covid-19 pandemic has created significant challenges for our teams around the world, we have risen to that and found new ways of working that still maintain a strong, collaborative culture and recognise that many people want to work more flexibly. Despite the pandemic we have continued to provide good jobs and careers for our people.

We pay the living wage as a minimum for all members of our team, all members of our team have the ability to work flexibly and our ability to work remotely has been tested and proven to be highly successful throughout the pandemic.

We have introduced Mental Health First Aiders across a number of our offices to ensure that our people are able to seek appropriate support and help should they need to. In addition, all our offices have introduced localised programmes of social activities, sports and professional development programmes for our staff to provide the tools to enable them to fulfil their career ambitions.

We regularly review our diversity and recruitment policies and actively monitor both to ensure that we are providing equal opportunities.

Respect for human rights is a fundamental principle for our business and we aim to prevent, identify and address any negative impacts on human rights associated with our business activities. We look for opportunities to promote human rights, in areas such as our pro bono work. We reflect international standards and principles, including the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights. We do not tolerate any form of modern slavery in our business or supply chain. We aim to implement appropriate measures to mitigate the risk of modern slavery occurring, either in our own operations or those of our partners.

Planet

As a professional services business our environmental impact is relatively low, however we encourage all our people to take steps to reduce the impact that they and our operations have on the planet.

We have 37 offices globally with each taking local responsibility for reducing their carbon footprint and boosting sustainability. Initiatives undertaken within our office network include: Recycling points for paper, printer cartridges, plastics and food wherever possible; low energy and timed lighting, rainwater harvesting systems in key offices; cycle to work schemes and changing and shower facilities. We also take steps to manage our server capacity and use to reduce the footprint of our IT operations. We source our energy from renewable tariffs where possible.

We work with a large number of clients within the environmental and sustainability industries sectors and actively promote the benefits of sustainable living and a sustainable lifestyle through our activities and through staff training and our core marketing activities, including the SEC Newgate newsletter.

We aim to identify and report on our carbon footprint and publish a plan for how we will reduce and off-set our carbon output, in line with ambitions to achieve NetZero by 2050.

As communications advisers our key stakeholders are our staff, our suppliers, our clients and the communities around our offices.

We regularly survey our staff for their opinions on the way we are conducting our business and for their views on how we can do better. Alternatively, their feedback is collected through forums such as team meetings, personal development meetings and team reviews. All decisions are taken by the senior leadership team in consultation with any affected staff members and communicated to our people through a variety of means: All-team meetings, Workplace, specialist team meetings, and one-on-one meetings with managers.

We have a relatively small group of suppliers who provide services in each of our countries of operation including media and political monitoring, office supplies, catering, energy and venue services. We have contractual relationships with our suppliers and regularly review their activities and the contractual relationship we have with them. The financial and operational managers in each office provide a point of contact for all suppliers and we engage with them on any decision that will impact them or the services they provide to us.

All our clients have a client relationship management team that will be headed by a senior consultant (usually at MD or Director level). We have contracts and scope of work covering the agreed communications programmes which have relevant break clauses and notice periods within them that enables clients to change the basis of our relationship if they wish. We also regularly hold review meetings with clients to review progress against agreed KPIs. Any changes to the service we provide (e.g. team members, programme delivery or fees) are discussed and agreed with clients before action is taken.

We remain fully committed to advancing the environmental, social and governance standards that we currently adhere to and to meeting our commercial and social purpose.

In response to the egregious incidents of racial injustice in 2020 we actively sought to elevate diversity and inclusion in the workplace. We held discussions with our colleagues and conducted independently accredited research to understand feelings and solicit suggestions on how we could do better. We shared thought leadership pieces with our clients, colleagues and contacts through our blogs. We provided pro bono consultancy services to charities providing support to black communities and in particular those empowering black women to set up their own business enterprises.

Corporate Governance Statement

AIM companies are required to comply with a recognised 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 secnewgate.com/investors

Principal Risks and Uncertainties
For the year ended 31 December 2020

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 key risks and uncertainties which they believe may affect the Group's ability to deliver its strategic goals in the future. The Covid pandemic presented an unprecedented global challenge in 2020, which continues to impact many of the Group's key risks and uncertainties. The Directors have made the decision to present the pandemic as a separate strategic risk, as a way of highlighting its direct consequences but also to show how the Group has been able to successfully understand and quickly adapt to mitigate risks arising in this challenging environment. 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 is 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.

Low - 1	2	3	4	High - 5

Covid-19 pandemic (strategic risk) — 4

Risk description
The Covid-19 pandemic (current and/or future waves) may have a long-term negative macroeconomic impact or impact the Group's operations, growth opportunities or ability to fulfil our strategic objectives

Potential impact
As the global rollout of the vaccination campaign progresses, we expect to see a lowering of this risk level. However, due to current uncertainty and differing rollout timetables across our different international markets, we may still experience the impact of a short-term increased risk level, including:

> A prolonged negative impact on the global economy may impact profitability and strategic delivery

> The increased potential for client contract deferrals or cancellations to impact liquidity

> The potential for high employee absence disrupting day-to-day operations

> Operational challenges associated with increased health and safety risks for staff

Key mitigations
Throughout the pandemic the Group has adhered to local government regulation and advise, developing robust procedures and controls for managing the risks associated with the pandemic, including:

> The Executive Committee regularly monitors the economic environment and reviews our strategic objectives and cash flow projections to identify opportunities, protect critical services and to mitigate against the adverse impact of the pandemic

> Regular cash monitoring and management, and vetting the creditworthiness of potential clients mitigates against the negative impact to sales activity

> The Group's large and diverse client base avoids any dependency on any individual client, particular market sector or geographical territory

> Implementing business continuity plans which allowed our people to continue operational activities while working remotely

> Encouraging practices that promote and protect the health and wellbeing of our people during the prolonged periods of remote working, as well as supporting their return to the office

M&A activity (strategic risk) — 3

Risk description
The risk that rapid expansion into new geographical territories or market sectors might have a negative impact on the Group's financial performance and result on a strain on resources

Potential impact
> Reputational damage

> Difficulties integrating new subsidiaries increases pressure on Group financial and operational support

> Increased pressure on cash resources to find sufficient funds for new acquisitions

> Management's focus is divided if new acquisitions or markets do not fit in with the Group's ability to deliver its strategic objectives

> Withdrawal from markets where expansion has been undertaken too hastily resulting in loss of sunk costs and market opportunities

Key mitigations
> The Group's focus is both on organic growth and acquisitions. In the event of a new acquisition, rigorous internal and external due diligence is performed on the company and its market in order to identify potential risks and to ensure the acquisition complements and does not compete directly with the existing businesses in a geographical territory

> 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 in order to assist cash management

> Should a company no longer fit in with the Group's Strategic Plan, the company may be considered for sale, following careful analysis as to the impact of the divestment

The above scale (from Low-1 to High-5) has been used to indicate the estimated level associated with each specific risk.

Low - 1	2	3	4	High - 5

Management of growth (strategic risk) — 3

Risk description
Failure to manage growth in line with the Group's Strategic Plan resulting in additional and unnecessary costs

Potential impact
> 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
> Inadequate systems and processes leading to inefficiencies and inaccurate management reporting

Key mitigations
> 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

Risk description
Lack of understanding of new market and/or channels of service offering prior to entry

Potential impact
> Reputational and brand damage where the new offering is not complimentary to other Group services
> Lower than expected sales revenues coupled with higher cost requirements of setting up new operations have a negative impact on the Group's cash position

Key mitigations
> Fully research and market test any new services before formally launching
> The Board pursues a strategy of organic growth in existing companies
> Entry into a new market would be with the support of local expertise
> Use of qualified and experienced advisers where necessary
> Continuously assessing performance in new markets and their related opportunities and risks

The above scale (from Low-1 to High-5) has been used to indicate the estimated level associated with each specific risk.

Low - 1	2	3	4	High - 5

Future funding and existing debt (strategic risk) — 4

Risk description
The Group net debt position increases at a rate in excess of the Group's performance

Potential impact
> Unattractive for subordinated debt or equity funding
> Creates a problematic platform from which to grow
> Working capital diverted to interest payments
> Failing bank covenants may result in debts being recalled and/or higher cost of debt
> Difficulty finding further funding at a competitive rate or without restrictive covenants

Key mitigations
> Executive Directors closely monitor net debt position and continue negotiations with lenders
> Costs are closely managed, helping to de-risk the Group and to create 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

Risk description
Business units, teams or individuals deemed not to be adequately supporting their cost base are exited from the business without sufficient analysis being undertaken

Potential impact
> 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

Key mitigations
> 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 Executive Board and/or company boards after detailed discussions and presentation of analysis 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

The above scale (from Low-1 to High-5) has been used to indicate the estimated level associated with each specific risk.

Low - 1	2	3	4	High - 5

Overseas operation (strategic and economic risk) — 3

Risk description

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

Potential impact

> 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

> Currency fluctuations may have a negative impact on the Group's cross-border cash flows and profits

Key mitigations

> The Group maintains a balanced portfolio in terms of geographical locations to minimise the negative impact of any one jurisdiction on the Group's overall results

> The Board performs a thorough analysis of economic, political and social conditions before entering new markets to minimise the impact of any unexpected turmoil

> The majority of foreign currency transactions are carried out by businesses with the same reporting currency

> The Group uses a limited number of financial instruments to hedge currency fluctuations in intergroup loan notes. The Group continues to review its currency exposure to identify ways to mitigate currency risk

Global economic trends and political instability (economic risk) — 4

Risk description

Economic and political landscape causes a slowdown in client spending

Potential impact

> A reduction in new client contracts

> Resource heavy procurement processes

> Margin pressure

> Regulatory changes

> New tax and other legislation

> Fall in market confidence

Key mitigations

> 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 local economic and political events are monitored and factored into budgets and reforecasts as they emerge

> 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 in place business continuity plans including remote working, reducing discretionary spend, and assessing the appropriateness of local government incentives

The above scale (from Low-1 to High-5) has been used to indicate the estimated level associated with each specific risk.

Low - 1	2	3	4	High - 5

Client dependency (economic risk) 2

Risk description
That the Group, or any subsidiary, is overly dependent upon fees from a single client

Potential impact
> Loss of a client materially impacts overall profitability
> Company becomes too focussed or specialised in a single industry
> The client monopolises company resources

Key mitigations
> The Group performs regular 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

Risk description
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.

Potential impact
> Lower margins and profitability
> Loss of key employees and/or clients
> Inability to attract new clients and further diversify client base

Key mitigations
> The Group provides tailored and highly value-added services in order to minimise the pricing competition from bigger players
> Focus remains on retaining employees and the Group is constantly committed to enhancing retention by employing the key mitigations discussed below under the retention of key employee 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

The above scale (from Low-1 to High-5) has been used to indicate the estimated level associated with each specific risk.

Low - 1	2	3	4	High - 5

Revenue growth and profitability (economic and operational risk) 3

Risk description
The Group cannot guarantee that it will be able to achieve or sustain revenue growth and/or profitability in the future

Potential impact
> Fluctuation of operating results may be caused by a number of factors, many of which are beyond Group's control (growth rate of markets in which the Group operates, market demand volatility, or difficulties encountered launching new 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

Key mitigations
> The Group has budgeting and reforecasting processes in place and continually monitors expectations highlighting any cost control or financing needs

> Where budget shortfalls consistently occur, Group and local management work together to develop actions to improve financial performance (for instance encouraging new pitches, training and hiring of new staff) and, should it be necessary, review the cost structure of the business in order to minimise the impact on Group's profitability

Attraction and retention of key employees (operational risk) 3

Risk description
An inability to attract, develop or retain key employees could adversely affect the Group's business performance

Potential impact
> High staff turnover impacting client service

> Additional unplanned cost and time incurred to replace staff

> Competitors benefit through staff moving

> Loss of key employee-client relationships and resulting impact on revenue

> Loss of key skills, knowledge and expertise

Key mitigations
> 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

> Promote a culture of diversity and inclusion in the workforce

The above scale (from Low-1 to High-5) has been used to indicate the estimated level associated with each specific risk.

Low - 1	2	3	4	High - 5

Reliance on subcontractors (operational risk) — 2

Risk description
An over-dependence or inability to adequately manage the contributions of subcontractors were used to fulfil the performance obligations of client contracts

Potential impact
> Non-performance may result in time and/or cost over-runs on projects reducing expected margins

> Lowering of quality of service or product provided adversely impacting market competitiveness

> Reputational damage which could lead to client and/or staff losses

Key mitigations
> 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

Risk description
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

Potential impact
> 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

Key mitigations
> The Group's revenues are generated from a mix of longer and shorter lead times providing flexibility to manage demand

> 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 forward where possible during quiet periods, and alternatively using subcontractors during busy periods

The above scale (from Low-1 to High-5) has been used to indicate the estimated level associated with each specific risk.

Low - 1	2	3	4	High - 5

Information systems (IT) and data security (operational and business risks)

3

Risk description
A cyber attack or IT failure could result in major operational and business disruption and loss of customer and business data

Potential impact
> Delays to client work and compromise to client relationships
> Opportunity for potential fraud
> Data loss
> Confidentiality breaches
> Reputational damage as a result of loss of client confidence

Key mitigations
> 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

Failure to maintain an acceptable standard of business ethics (business risk)

2

Risk description
Failure to continually maintain an acceptable level of business ethics by engaging in actual or perceived unethical client work or by employees violating the Group's Code of Business Conduct and Ethics

Potential impact
> External reputational damage which could affect future and existing client relationships
> Staff dissatisfaction if clients' work is not aligned with their personal ethics

Key mitigations
> 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

The above scale (from Low-1 to High-5) has been used to indicate the estimated level associated with each specific risk.

Low - 1	2	3	4	High - 5

Legal and regulatory compliance (compliance risk)

2

Risk description

Failure to comply with Italian, UK or international law, AIM listing rule or other applicable regulation

Potential impact

> Financial penalties and fines

> Reputational damage which could lead to client and/or staff losses

> Suspension of trading of AIM securities

Key mitigations

> External legal counsel in each country is sought as necessary

> A SEC Newgate staff handbook and share dealing code is in place and is communicated to all staff

> Regular staff training is provided on compliance issues

> Nominated advisors are consulted with respect to any actions taken which are regulated by the AIM listing rules

The above scale (from Low-1 to High-5) has been used to indicate the estimated level associated with each specific risk.

Consolidated Financial Statements

Independent auditor's report to the members of SEC Newgate S.p.A.

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20131 Milano

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 2020 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 2020 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 9).* 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.	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.

Key audit matter	How we addressed the matter in our audit
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.	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. During our work, we were assisted by our valuation experts. They were called upon to perform an independent calculation and to conduct a sensitivity analysis on the key assumptions in order to determine whether any changes to these assumptions could significantly affect the measurement of recoverable amount. We also evaluated the Group's disclosures relating to its evaluation of impairment indicators and the annual impairment testing as provided in "*Note 9 - Intangible assets*".

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 817 thousands which represents 1.25% of revenues. We agreed with the audit committee that we would report to them misstatements identified during our audit above Euro 41 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 instructed BDO UK, BDO Poland, BDO Colombia, BDO Germany, BDO Spain, BDO Belgium, BDO Australia, 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, 20 May 2021

Consolidated Income Statement
For the year ended 31 December 2020

	Notes	2020 €'000	2019 €'000
Continuing operations			
Revenue	3	**65,332**	47,550
Cost of sales		**(9,221)**	(9,945)
Gross profit		**56,111**	37,605
Operating costs	4	**(52,829)**	(35,957)
Other income		**901**	164
Operating profit		**4,183**	1,812
Net finance costs	6	**(1,138)**	(541)
Profit before taxation		**3,045**	1,271
Taxation	7	**(1,669)**	(1,271)
Profit for the year		**1,376**	–
Profit/(Loss) attributable to:			
Owners of the Company		**813**	(99)
Non-controlling interests	25	**563**	99
		1,376	–
Earnings/(Loss) per share attributable to the equity shareholders of the Company			
Basic, per share	22	**€0.034**	(€0.006)
Diluted, per share	22	**€0.030**	(€0.005)

There were no discontinued operations in the year.

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

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	Notes	2020 €'000	2019 €'000
Continuing operations			
Profit for the year		**1,376**	–
Items that may be subsequently reclassified to profit or loss:			
Loss on revaluation of investments held at fair value through profit or loss		**(16)**	(625)
Equity component of convertible loan notes	17	**34**	–
Exchange losses/(gains) arising on translation of foreign operations		**223**	(346)
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension plans	21	**(16)**	(84)
Total comprehensive income, net of tax		**1,601**	(1,055)
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,041**	(1,120)
Non-controlling interests		**560**	65
		1,601	(1,055)

There were no discontinued operations in the year.

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

Consolidated Statement of Financial Position
As at 31 December 2020

	Notes	2020 €'000	2019 €'000
Non-current assets			
Intangible assets	9	**30,524**	30,768
Tangible assets	10	**6,000**	8,984
Investments	11	**16**	16
Other assets	12	**2,806**	3,511
Total non-current assets		**39,346**	43,279
Current assets			
Trade and other receivables	13	**17,425**	19,656
Financial investments	14	**–**	280
Cash and cash equivalents	15	**12,036**	6,138
Total current assets		**29,461**	26,074
Total assets		**68,807**	69,353
Current liabilities			
Trade and other payables	16	**14,857**	16,861
Borrowings	17	**2,449**	2,447
Lease liabilities	19	**2,217**	2,861
Provisions and other liabilities	20	**1,981**	1,645
Total current liabilities		**21,504**	23,814
Non-current liabilities			
Employee benefits	21	**2,152**	2,013
Borrowings	17	**17,138**	12,431
Lease liabilities	19	**3,410**	5,607
Provisions and other liabilities	20	**5,076**	5,637
Total non-current liabilities		**27,776**	25,688
Total liabilities		**49,280**	49,502
Net assets		**19,527**	19,851

	Notes	2020 €'000	2019 €'000
Equity			
Share capital	22	2,452	2,425
Share premium	23	12,456	12,456
Legal reserve	23	187	148
Revaluation reserve	23	(3,202)	(3,076)
Retained earnings	23	6,630	6,222
Total equity shareholders' funds		18,523	18,175
Non-controlling interests	25	1,004	1,676
Total equity		19,527	19,851

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

The financial statements were approved by the Board of Directors and authorised for issue on •• May 2021.

Fiorenzo Tagliabue
Director
SEC Newgate S.p.A (09628510159)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital €'000	Share premium €'000	Legal reserve €'000	Revaluation reserve €'000	Retained earnings €'000	Total equity shareholders' funds €'000	Non–controlling interests €'000	Total equity €'000
At 1 January 2020	2,425	12,456	148	(3,076)	6,222	18,175	1,676	19,851
Total comprehensive income								
Profit for the year	–	–	–	–	813	813	563	1,376
Other comprehensive income	–	–	–	216	12	228	(3)	225
Total comprehensive income	–	–	–	216	825	1,041	560	1,601
Transactions with owners								
Issue of Ordinary shares	27	–	–	–	(27)	–	–	–
Dividends declared to non-controlling interests	–	–	–	–	–	–	(918)	(918)
Dividends declared to non-controlling interests (CLAI)[1]	–	–	–	–	(515)	(515)	–	(515)
Transfer between reserves	–	–	39	(342)	303	–	–	–
Disposal of non-controlling interest	–	–	–	–	–	–	21	21
Acquisition of non-controlling interest without a change in control	–	–	–	–	(178)	(178)	(335)	(513)
Total transactions with owners	27	–	39	(342)	(417)	(693)	(1,232)	(1,925)
At 31 December 2020	2,452	12,456	187	(3,202)	6,630	18,523	1,004	19,527

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 24 for more details.

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

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2020

	Share capital €'000	Share premium €'000	Legal reserve €'000	Revaluation reserve €'000	Retained earnings €'000	Total equity shareholders' funds €'000	Non-controlling interests €'000	Total equity €'000
At 1 January 2019	1,350	3,741	58	(2,030)	6,913	10,032	1,933	11,965
Total comprehensive income								
Loss for the year	–	–	–	–	(99)	(99)	99	–
Other comprehensive income	–	–	–	(1,046)	25	(1,021)	(34)	(1,055)
Total comprehensive income	–	–	–	(1,046)	(74)	(1,120)	65	(1,055)
Transactions with owners								
Issue of Ordinary shares in relation to business combinations	1,075	9,861	–	–	–	10,936	–	10,936
Issue costs	–	(1,146)	–	–	–	(1,146)	–	(1,146)
Dividends declared to non-controlling interests	–	–	–	–	–	–	(406)	(406)
Dividends declared to non-controlling interests (CLAI)[1]	–	–	–	–	(429)	(429)	–	(429)
Share based payments	–	–	–	–	32	32	–	32
Transfer between reserves	–	–	90	–	(90)	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	–	98	98
Acquisition of non-controlling interest without a change in control	–	–	–	–	(130)	(130)	(14)	(144)
Total transactions with owners	1,075	8,715	90	–	(617)	9,263	(322)	8,941
At 31 December 2019	2,425	12,456	148	(3,076)	6,222	18,175	1,676	19,851

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 24 for more details.

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

Consolidated Statement of Cash Flows
For the year ended 31 December 2020

	Notes	2020 €'000	2019 €'000
Cash flows from operating activities			
Profit before taxation		**3,045**	1,271
Adjusted for:			
Net finance costs	6	**1,138**	541
Net exchange differences		**59**	–
Amortisation of intangible assets	4	**407**	95
Depreciation of tangible assets	4	**3,121**	2,059
Impairment of trade receivables	4	**485**	243
Pension provisions		**118**	(69)
Provision and other liabilities		**78**	–
Share based payment expense		**–**	32
Gain on disposal of intangible assets		**(23)**	–
Loss on disposal of tangible assets		**9**	6
Loss on disposal of a subsidary investment	4	**2**	–
Disposal and revaluation of lease liablities		**(27)**	–
Changes in working capital:			
Decrease/(Increase) in trade and other receivables		**2,202**	(460)
(Decrease)/Increase in trade and other payables		**(1,823)**	2,525
Cash generated from operating activities		**8,886**	6,243
Interest received		**133**	49
Income tax paid		**(1,804)**	(1,149)
Net cash generated from operating activities		**7,215**	5,143
Cash flows from investing activities			
Acquisition of intangible assets		**(149)**	(94)
Acquisition of tangible assets		**(181)**	(355)
Proceeds from sale of tangible assets		**–**	8
Acquisition and earn-out payments		**(62)**	(577)
Cash from (disposal)/acquisitions	24	**(25)**	1,824
Acquisition of non-controlling interests		**(514)**	(121)
Proceeds from sale of financial investments		**260**	409
Net cash (outflow)/inflow from investing activities		**(671)**	1,094

	Notes	2020 €'000	2019 €'000
Cash flows from financing activities			
Payments of finance lease liabilities		**(2,818)**	(1,907)
Interest paid		**(864)**	(248)
Proceeds from loans and borrowings		**6,270**	7,323
Repayment of loans and borrowings		**(1,585)**	(7,414)
Dividends paid to non-controlling interests		**(1,433)**	(835)
Loan issued to related company		**–**	(1,160)
Issue costs relating to business combinations		**–**	(1,155)
Net cash outflow from financing activities		**(430)**	(5,396)
Net cash increase in cash and cash equivalents		**6,114**	841
Cash and cash equivalents and overdraft at 1 January		**6,138**	5,220
Effect of exchange rate changes		**(144)**	77
Cash and cash equivalents and overdraft at 31 December	18	**12,108**	6,138

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

1. Accounting policies

A. Basis of preparation

SEC Newgate S.p.A. (the Company) is domiciled in Italy. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

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 the consolidated 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, amendments and interpretations for the first time for their annual reporting period commencing 1 January 2020:

- Definition of a Business (Amendments to IFRS 3) – The Group applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Group to reassess acquisitions occurring prior to 1 January 2020. See note 24 for details of the Group's business combinations.
- Covid-19-Related Rent Concessions (Amendments to IFRS 16) – Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting in certain circumstances where the rent concession had been awarded as a direct consequence of the Covid-19 pandemic. The Group elected to early adopt these amendments for leases that fulfil the specific criteria. The amendments did not have a material impact on the Group's results.
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

The adoption of the above did not have a significant impact on reported results or amounts Certain new standards, amendments to standards and interpretations have been published that are effective for annual periods beginning after 1 January 2021, and have not been applied in preparing these consolidated financial statements: 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 2021, and have not been applied in preparing these consolidated financial statements:

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7);

The new standard is expected to impact the Group's borrowings detailed in note 17 with contractual terms based on EURIBOR. The impact of the new standard is under review and practical expedients to reduce the immediate impact are being considered.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

These amendments to the standards are under review, but are not expected to have a material impact on the Group in the current or future reporting periods.

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.

Since the outbreak of the global pandemic, the Group's agencies have all implemented business continuity plans, working remotely under varying levels of lockdowns in their markets around the world. The aim of the Group was to secure savings, protect the cash position and liquidity, assess costs, renegotiate payment schedules and taking advantage of all the initiatives offered by different national governments. The Group continues to operate profitably. All businesses have quickly adapted to the changed working environment and continue to provide first class service to clients.

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 2020 and present comparative information for the year ended 31 December 2019.

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; or
- the ability to use its power over the investee to affect the amount of the investor's returns.

1. Accounting policies (continued)

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.

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 recognised 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. Revenue

Revenue is recognised 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.

Revenues recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Income billed in advance of the performance of the service is deferred and recognised 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.

G. Other income

Other income includes local geographical governments Covid-19 support payments, Covid income. These payments have been received in respect of employment costs and are accounted for as grants as they are not repayable. Grants are accounted for under the accruals model as permitted by IAS 20. Grants of a revenue nature are recognised in other income in the Consolidated Income Statement in the same period as the related expenditure. In 2020 Covid income recognised in other income amounted to €850,000 (2019: €nil).

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 amortised. Goodwill is carried at cost less accumulated impairment losses. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognised when the carrying value exceeds the recoverable amount. The recoverable amount is the higher of value-in-use measured as the net present value of future cash flows derived from the underlying asset and the fair value less cost of disposal for each cash-generating unit. Any impairment in carrying value is recognised 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 three to five 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; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised on a straight-line basis over their expected lives of three to five years. The amortisation expense is included within the depreciation and amortisation expenses line in the Consolidated Income Statement.

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.

1. Accounting policies (continued)

H. Intangible assets continued

Licenses: Other

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

I. Tangible assets

Property, furniture and equipment are initially recognised 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:

- Equipment 2 – 5 years
- Furniture and fittings 5 – 10 years

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 recognised within operating costs in the Consolidated Income Statement.

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

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, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at its 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 fair value through profit or loss (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.

K. Financial assets (continued)

Classification and subsequent measurement (continued)

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 11) 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.

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 recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment of financial assets

Impairment provisions are recognised 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.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables.

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.

1. Accounting policies (continued)

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 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 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 amortised 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 8.

N. Leases

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

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.

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;

N. Leases (continued)

- 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; and
- 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 subsequently 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, and lease liabilities are presented in its own separate line item in the Consolidated Statement of Financial Position.

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 in the Consolidated Statement of Cash Flows.

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.

Covid-19 rent concessions

The Group has elected to utilise the practical expedient for all rent concessions that meet the specific criteria of the practical expedient introduced in June 2020 (see accounting policy note (c)).

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset.

O. Share capital and share premium

The Company'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 recognised 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.

1. Accounting policies (continued)

Q. Taxation (continued)

Current income tax (continued)

Current tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised 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 recognised 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.

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:

1. 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;
2. For 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 recognised 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 recognised 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 recognised 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.

T. Share based payments (continued)

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 9 for further details.

Recoverability 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 expected credit loss 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 recognised (see note 13).

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 8).

Employee benefits

For actuarial assumptions on severance indemnity refer to note 21.

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 19.

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:

	2020 €'000	2020 %	2019 €'000	2019 %
Italy	**11,470**	**18%**	16,879	35%
United Kingdom	**19,162**	**29%**	9,111	19%
Belgium	**4,218**	**6%**	4,205	9%
Colombia	**3,326**	**5%**	4,052	9%
Spain	**829**	**1%**	941	2%
Poland	**642**	**1%**	965	2%
France	**4,614**	**7%**	4,148	9%
Germany	**512**	**1%**	674	1%
Australia	**17,320**	**27%**	5,152	11%
Hong Kong	**1,047**	**2%**	651	1%
China	**22**	**0%**	42	0%
Singapore	**1,390**	**2%**	431	1%
Abu Dhabi	**391**	**1%**	299	1%
United States	**70**	**0%**	–	–
Morocco	**319**	**0%**	–	–
	65,332	**100%**	47,550	100%

No individual client sales were greater than 10% of Group revenue (2019: 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:

	2020 €'000	2019 €'000
Communications	**35,092**	23,678
Advocacy and public affairs	**18,716**	13,038
Integrated services	**11,524**	10,834
	65,332	47,550

3. Revenue (continued)

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.

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:

Client based revenue	2020 €'000	2020 %	2019 €'000	2019 %
Europe	**39,191**	**61%**	35,418	74%
Australia & Oceania	**17,498**	**27%**	4,914	10%
South America	**3,119**	**5%**	3,669	8%
Asia	**3,297**	**5%**	2,232	5%
North America	**1,499**	**2%**	944	2%
Africa	**728**	**0%**	373	1%
	65,332	**100%**	47,550	100%

4. Operating costs

	Notes	2020 €'000	2019[1] €'000
Employee expenses		**37,112**	23,386
Amortisation of intangible assets	9	**407**	95
Depreciation of tangible assets	10	**3,121**	2,059
Impairment of goodwill	9	**95**	–
Impairment of trade receivables		**485**	243
Loss on disposal of subsidary	24	**2**	–
Professional and consulting fees		**4,371**	2,827
Marketing and advertising		**1,565**	2,486
Establishment costs		**1,426**	721
Other administrative and operating expenses		**4,245**	4,140
		52,829	35,957

1 The operating cost note is a new note in the the consolidated financial statements, combining totals of the following notes previously disclosed in the SEC Newgate S.p.A Annual Report & Accounts for the year ending 31 December 2019. 2019 comparative combines employee expenses (€23,386,000), service costs (€8,982,000), depreciation and amortisation (€2,154,000) and other operating costs (€1,271,000) notes, reduced by other opertaing income (€164,000). The new operating cost disclosure is considered by the Board to be a more transparent and simplified reflection of the SEC Newgate Group's operating activities. These disclosure changes have no impact on the Group's Consolidated Income Statement.

5. Employees expenses

	2020 €'000	2019 €'000
Wages, salaries and non-executive fees	**31,380**	18,414
Social security costs	**3,855**	3,087
Severance indemnity and pension contributions	**1,748**	1,473
Share based payments[1]	**–**	32
Other employment related welfare costs	**339**	380
	37,322	23,386

1 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. Stock option costs in the year of €nil (2019: €32,000) above have a corresponding tax impact of €nil (2019: €8,000).

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

	2020 Number	2019 Number
Fee earners	**461**	464
Management	**30**	44
Administration	**79**	84
	570	592

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

	2020 €'000	2019 €'000
Salaries of key managers	**1,860**	90
End of mandate allowance	**–**	18
	1,860	108

5. Employees expenses (continued)

Directors' remuneration

31 December 2020	Fees and Salaries	Pension Contributions	Bonus	Other benefits[2]	Total
Executive Directors					
Fiorenzo Tagliabue	**109**	**–**	**–**	**–**	**109**
Emma Kane[1]	**476**	**20**	**–**	**6**	**502**
Brian Tyson[1]	**375**	**13**	**–**	**–**	**388**
Anna Milito	**85**	**–**	**–**	**–**	**85**
Sergio Penna	**–**	**–**	**–**	**–**	**–**
Thomas Parker	**244**	**–**	**144**	**–**	**388**
Mark Glover[1]	**134**	**–**	**–**	**–**	**134**
Andrea Cornelli	**128**	**–**	**–**	**–**	**128**
Non-executive Directors					
John Foley[1]	**25**	**–**	**–**	**–**	**25**
Luigi Roth	**33**	**–**	**–**	**–**	**33**
David Mathewson	**34**	**–**	**–**	**–**	**34**
Paola Bruno	**34**	**–**	**–**	**–**	**34**
	1,677	**33**	**144**	**6**	**1,860**

31 December 2019	Fees and Salaries	Pension Contributions	Bonus	Other benefits[2]	Total
Executive Directors					
Fiorenzo Tagliabue	145	23	–	–	168
Emma Kane[1]	152	7	–	1	160
Brian Tyson[1]	124	4	–	–	128
Anna Milito	76	29	–	–	103
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	**63**	**25**	**1**	**1,010**

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.

6. Net finance costs

	2020 €'000	2019 €'000
Financial income		
Interest income on bank deposits	**104**	68
Dividend income	**–**	1
Fair value gains on financial assets at fair value through profit or loss	**22**	119
Net gain on modifying lease assets	**7**	–
Finance income	**133**	188
Financial expenses		
Interest expense	**(735)**	(337)
Interest on lease liabilities	**(348)**	(265)
Net foreign exchange loss	**(188)**	(127)
Finance expense	**(1,271)**	(729)
Net finance costs	**(1,138)**	(541)

7. Taxation

	2020 €'000	2019 €'000
Current tax charge	**(1,814)**	(1,366)
Adjustment in respect of prior years	**(8)**	-
Deferred tax charge	**137**	95
Total tax charge for the year	**1,669**	1,271

The activities of the Group are located across a number of geographical locations including Italy, UK, Spain, Germany, Belgium, Poland, Columbia, France, Australia, USA, 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 effective tax rate for the Group is 50% (2019:100%), and is the taxation charge for the year recognised in the Income Statement expressed as a percentage of profit before taxation. The significantly higher tax rate in 2019 primarily related to tax incurred on the acquistion of the Porta Group (see note 24 for details of the acquistion).

7. Taxation (continued)

The tax assessed for the year differs from the standard rate of tax in Italy at 24% (2019: 24%) for the reasons set out in the following table:

	2020 €'000	2019 €'000
Profit before taxation on continuing activities	**3,045**	1,271
Tax using the Company's domestic tax rate of 24% (2019: 24%)	**(731)**	(305)
Tax effect of:		
Temporary timing differences	**(506)**	(533)
Non-deductible expenses	**(175)**	(411)
Non-taxable income	**(69)**	31
Utilisation of tax losses in current period	**251**	254
Tax losses carried forward	**(250)**	(225)
Recovery of IRAP taxable amounts on IRES purposes	**(94)**	7
Tax incentives	**-**	17
IRAP on Italian entities	**(15)**	(94)
Adjustment in respect of prior years	**(8)**	–
Non Italian jurisdictions tax rates reconciliation	**(93)**	(12)
Taxable profits allocated to partnership interests	**21**	–
Total tax charge for the year	**(1,669)**	(1,271)

	Notes	2020 €'000	2019 €'000
Deferred tax assets	12	**2,213**	2,053
Deferred tax liabilities	16	**(188)**	(224)

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

	2020 €'000	2019 €'000
At 1 January	**1,829**	1,088
Recognised in income statement	**137**	95
Acquisition through business combination	**–**	456
Other movements	**45**	155
Translation differences	**45**	35
At 31 December	**2,025**	1,829

The Group believes that its accurals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

8. 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 14) as fair value through profit or loss, its other investments (note 11) 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 recognised in equity is included in the profit or loss for the year.

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

	Notes	2020 Carrying Value €'000	2019[1] Carrying Value €'000
Financial assets			
Investments	11	**16**	16
Other assets	12	**593**	1,458
Trade and other receivables	13	**15,150**	16,467
Financial investments	14	**–**	280
Cash and cash equivalents	15	**12,036**	6,138
		27,795	24,359
Financial liabilities			
Trade and other payables	16	**6,632**	8,876
Lease liabilities	19	**5,627**	8,468
Earn out liabilities[1]	20	**6,337**	6,399
Other liabilities	20	**365**	590
Borrowings[2]	17	**19,587**	14,878
		38,548	39,211

1 Earn out liabilities (current and non-current) have been aggregated. 2019 comparatives have been restated to ensure consistent reporting. Earn out liabilities of €4,754,000 have been reclassified from other liabilities (reducing 2019 balance of €5,344,000 non-current liabilities) to earn out liabilities (increasing 2019 balance of €1,645,000).

2 Borrowings include overdrafts of €72,000 (2019: €31,000).

8. Financial instruments and risk management (continued)

Financial investment at fair value (continued)

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

	2020 €'000	2019 €'000
Due in six months or less	**10,591**	13,221
Due between six months and 1 year	**2,610**	2,609
Due between 1 year and 2 years	**7,879**	3,741
Due between 2 and 5 years	**12,207**	16,041
Due in 5 years or more	**5,261**	3,599
	38,548	39,211

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-to-date 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 2020, the Group had amounts due from 12 major customers amounting to 14% (2019: 16 amounting to 20%) of the trade receivables balance. Major customers are defined as customers with outstanding trade receivable balances of more than €100,000.

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.

8. Financial instruments and risk management (continued)

Financial risk management (continued)

Credit risk (continued)

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 13.

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. Generally the Group maintains long-term borrowing facilities to fund acquistion activity and short term borrowing facilities for working capital requirements.

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.

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.

8. Financial instruments and risk management (continued)

Effect on profit/(loss) before tax	**+5% 2020 €'000**	**-5% 2020 €'000**	+5% 2019 €'000	-5% 2019 €'000
British Pound	**56**	**(56)**	(56)	56
Australian Dollar	**243**	**(243)**	55	(55)
Singapore Dollar	**24**	**(24)**	2	(2)
Hong Kong Dollar	**(16)**	**16**	(8)	8
UAE Dirham	**(10)**	**10**	1	(1)
Colombian Peso	**–**	**–**	6	(6)
Polish Zloty	**(2)**	**2**	4	(4)
Chinese Yuan	**–**	**–**	1	(1)
US Dollar	**11**	**(11)**	19	(19)

Effect on equity	**+5% 2020 €'000**	**-5% 2020 €'000**	+5% 2019 €'000	-5% 2019 €'000
British Pound	**1,952**	**(1,952)**	1,311	(1,311)
Australian Dollar	**107**	**(107)**	78	(78)
Singapore Dollar	**43**	**(43)**	61	(61)
Hong Kong Dollar	**7**	**(7)**	7	(7)
UAE Dirham	**(2)**	**2**	8	(8)
Colombian Peso	**15**	**(15)**	12	(12)
Polish Zloty	**6**	**(6)**	7	(7)
Chinese Yuan	**-**	**-**	(2)	2
US Dollar	**28**	**(28)**	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 17 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.

9. Intangible assets

	Goodwill €'000	Websites, software and licences €'000	Total €'000
Cost			
At 1 January 2019	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**
Additions in the year	–	**241**	**241**
Disposals in the year	–	**(8)**	**(8)**
Translation differences	–	**(34)**	**(34)**
At 31 December 2020	**29,354**	**2,392**	**31,746**
Amortisation and impairment			
At 1 January 2019	–	(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)**
Charge for the year	**–**	**(407)**	**(407)**
Impairment	**(95)**	**–**	**(95)**
Eliminated on disposal	**–**	**31**	**31**
Translation differences	**–**	**28**	**28**
At 31 December 2020	**(95)**	**(1,127)**	**(1,222)**
Net book value			
At 1 January 2019	14,359	1,255	15,614
At 31 December 2019	29,354	1,414	30,768
At 31 December 2020	**29,259**	**1,265**	**30,524**

Refer to note 24 for details of business acquisitions and disposals during the year.

9. 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	2020 €'000	2019 €'000
ACH Sec Global SL	2014	**397**	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	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**	8,235
SEC Newgate UK Limited (formerly Newgate Communications Limited)	2019	**4,411**	4,411
Newgate Communications (HK) Limited	2019	**976**	976
21:12 Communications Limited	2019	**713**	713
Newgate Communications (Singapore) Pte. Ltd	2019	**617**	617
Newgate Communications FZ-LLC	N/A	**43**	43
CLAI SAS (local ledger goodwill)	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)		**632**	632
		29,259	29,354

9. Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill (continued)

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	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Discount rate	4.5%	3.5%	4.0%	3.9%	5.2%	4.0%	5.4%

	SEC-L	NGAS	SECN UK	NGHK	21:12	NGSN	NGAD
Average market rate	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Discount rate	11.0%	7.8%	4.0%	7.2%	4.0%	7.1%	4.9%

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 2021 to 2025 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-L is subject to an earn-out based on company EBITDA over three years (2018 to 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 €348,000 was accrued as of 31 December 2020 (2019: €408,000) (see note 20).

Acquisition of CLAI is subject to an earn out based on company EBITDA over seven years (2019 to 2025); the Group holds preferred shares in CLAI representing 10% of the company's share capital and entitling the Group to 51% of voting rights with the option to increase ownership to 100% 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 €5,989,000 was accrued as of 31 December 2020 (2019: €5,962,000) (see note 20). The final total consideration is subject to uncertainty and depends on the company performance over the ongoing financial year.

10. Tangible Assets

	Leasehold property €'000	Leasehold improvements €'000	Equipment €'000	Furniture and fittings €'000	Total €'000
Cost					
At 1 January 2019	–	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)
Revaluations increase	56	–	–	–	56
Translation differences	194	67	29	32	322
At 31 December 2019	**9,742**	**2,113**	**1,193**	**1,921**	**14,969**
Additions in the year	**310**	**15**	**328**	**61**	**714**
Disposals in the year	**(354)**	**–**	**(53)**	**(278)**	**(685)**
Revaluations decrease	**(84)**	**–**	**–**	**(3)**	**(87)**
Translation differences	**(245)**	**(61)**	**(46)**	**(47)**	**(399)**
At 31 December 2020	**9,369**	**2,067**	**1,422**	**1,654**	**14,512**
Depreciation					
At 1 January 2019	–	(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)**
Charge for the year	**(2,441)**	**(251)**	**(217)**	**(212)**	**(3,121)**
Eliminated on disposal	**223**	**–**	**44**	**110**	**377**
Translation differences	**105**	**46**	**33**	**33**	**217**
At 31 December 2020	**(4,773)**	**(1,541)**	**(925)**	**(1,273)**	**(8,512)**
Net book value					
At 1 January 2019	–	417	94	269	780
At 31 December 2019	7,082	777	408	717	8,984
At 31 December 2020	**4,596**	**526**	**497**	**381**	**6,000**

10. Tangible Assets (continued)

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

	Depreciation charge for the year 2020 €'000	Depreciation charge for the year 2019 €'000	Net book value 2020 €'000	Net book value 2019 €'000
Leasehold property	**2,445**	1,594	**4,596**	7,082
Leasehold improvements	**30**	31	**200**	47
Equipment	**135**	41	**238**	87
Furniture and fittings	**13**	59	**24**	206
	2,623	1,725	**5,058**	7,422

Additions to the right-of-use assets during the year were €533,000.

Amounts included in revaluations above relates to an adjustment to office leases recognised under IFRS 16.

11. Investments

	Owned by	Ownership %	2020 €'000	2019 €'000
Sec & Partners S.r.l.	SEC Newgate	95	**5**	5
Other equity investments	Various	n/a	**11**	11
			16	16

12. Other assets

	2020 €'000	2019 €'000
Deferred tax assets	**2,213**	2,053
Rental deposits	**564**	1,097
Directors benefits	**29**	361
	2,806	3,511

Rental deposits include bank deposits of €59,000 (2019: €21,000) to guarantee office leases.

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 20).

13. Trade and other receivables

	2020 €'000	2019 €'000
Trade receivables	**14,463**	15,685
Less: provision for impairment	**(840)**	(591)
	13,623	15,094
Accrued income	**1,527**	1,373
Prepayments	**1,170**	1,915
Tax on income	**458**	478
VAT receivable	**79**	574
Other receivables	**568**	222
	17,425	19,656

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:

	2020 €'000	2019 €'000
Neither past due nor impaired	**6,787**	6,874
Past due but not impaired:		
Up to three months	**5,388**	6,466
Between three and six months	**654**	680
Between six months and one year	**410**	357
Over one year	**384**	717
	13,623	15,094

After recognising provisions for specific impaired balances, the following analysis was made in order to estimate expected credit losses (ECL):

	Maturity analysis €'000s			
	0 - 365	365 -730	730 - 1826	1826+
ECL rate	0%	30%	70%	100%
Estimated carrying value amount at default	–	403	99	367
Lifetime ECL	–	121	69	367

13. Trade and other receivables (continued)

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

	2020 €'000	2019 €'000
At 1 January	**591**	433
Provision made	**409**	126
Acquired on business combinations	**–**	131
Amounts written off	**(171)**	(2)
Amounts recovered	**21**	(106)
Translation differences	**(10)**	9
At 31 December	**840**	591

14. Financial investments

Level 1 fair value investments – measured FVTPL	2020 €'000	2019 €'000
UBS S.A. investment (bonds)	**–**	280

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

	Funds €'000
At 1 January 2019	583
Acquisitions	–
Disposals during the year	(379)
Changes in fair value	76
At 31 December 2019	**280**
Acquisitions	**–**
Disposals during the year	**(302)**
Changes in fair value	**22**
At 31 December 2020	**–**

15. Cash and cash equivalents

	2020 €'000	2019 €'000
Cash at bank and in hand	**11,738**	5,817
Restricted cash	**298**	321
	12,036	6,138

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.

16. Trade and other payables

	2020 €'000	2019 €'000
Trade payables	**4,464**	7,462
Accrued expenses	**2,168**	1,414
Deferred income	**1,527**	1,412
Deferred tax liabilities	**188**	224
VAT payable	**2,014**	1,466
Other taxes and institutional payables[1]	**3,561**	3,464
Other payables	**935**	1,419
	14,857	16,861

1 2019 comparatives have been restated to aggregate employee and payroll related liabiliites €2,699,000, government institutions €368,000 and tax on income €397,000 and disclose as other taxes and institutional payables.

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

Other payables includes €nil (2019: €142,000) due to a director of SEC and Partners.

17. 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.

	Current 2020 €'000	Non-Current 2020 €'000	Total 2020 €'000	Current 2019 €'000	Non-Current 2019 €'000	Total 2019 €'000
UBS	–	1,762	1,762	–	1,762	1,762
Deutsche Bank	742	2,054	2,796	784	2,242	3,026
Banco Popolare di Milano	298	669	967	57	–	57
Inveready convertible bonds	–	2,457	2,457	–	–	–
UniCredit	948	3,109	4,057	919	3,275	4,194
Carige	134	1,317	1,451	401	–	401
Hawk Investment Holdings	–	4,702	4,702	–	4,703	4,703
Retro Grand Limited	–	432	432	–	449	449
CommBank	–	313	313	–	–	–
KBC Bank	140	–	140	141	–	141
Bankinter	18	82	100	100	–	100
Itau Corpbanca	–	–	–	2	–	2
Intesa Sanpaolo	22	30	52	–	–	–
Banco de Bogotá	41	61	102	–	–	–
Banco Agrario	12	35	47	–	–	–
Bancoomeva	6	5	11	–	–	–
Scotiabank Colpatria	2	–	2	–	–	–
NatWest	–	110	110	–	–	–
Total loans	2,363	17,138	19,501	2,404	12,431	14,835
Transaction costs [1]	86	–	86	43	–	43
Total borrowings [2]	2,449	17,138	19,587	2,447	12,431	14,878

1 Transaction costs relate to bank borrowings.

2 Total borrowings include overdrafts.

17. Borrowings (continued)

Analysed as below, excluding transaction costs:

Details of bank borrowings	Type of borrowing	Total facility €'000	Outstanding balance €'000	Interest rate	Maturity date	Repayment term
UBS (Italy) S.p.A[1]	Bank loan	1,762	1,762	Euribor +1.25%	Open Ended	Open Ended
Deutsche Bank	Bank loan	3,000	2,796	Euribor +1.7%	August 2024	Quarterly
Banco Popolare di Milano	Bank loan	1,000	967	Euribor +1.65%	December 2023	Monthly
UniCredit	Bank loan	4,000	3,804	Euribor	July 2026	Quarterly
UniCredit	Bank loan	1,000	200	1.2%	June 2022	Monthly
Banca	Bank loan	1,000	993	Euribor +1%	May 2026	Monthly
Banca	Bank loan	1,000	458	Euribor +1.2%	May 2023	Biannually
Bank Inter	Bank loan	100	100	1.7%	April 2025	Monthly
KBC bank	Bank loans	140	143	0.85%	June-December 2021	Monthly
Intesa Sanpaolo	Bank loan	30	30	1.13%	April 2026	Monthly
Scotiabank Colpatria	Bank loan	126	2	0%	December 2021	Monthly
Banco Agrario	Bank loan	47	47	DTF + 6.57%	June 2023	Monthly
Banco de Bogotá	Bank loan	102	102	DTF + 4.3%	June 2023	Monthly
Bancoomeva	Bank loan	117	11	DTF + 8.58%	November 2022	Monthly
Commonwealth Bank of Australia	Bank loan	313	313	6.0%	November 2025	5 years
NatWest	Business interuption loan	110	110	0%	July 2026	Monthly
Overdrafts	Overdraft	–	72	0%	N/A	N/A
Total bank borrowings [3]			**11,910**			

1 Pledge on Silvia Anna Mazzucca financial instruments has been provided as security

2 90% guaranteed by Guarantee Fund as determined by "Decreto Liquidità" for Coronavirus disease

3 Total bank borrowings excludes transaction costs and includes overdrafts

17. Borrowings (continued)

Details of other borrowings	Type of borrowing	Face Value €'000	Carrying amount €'000	Interest rate	Maturity date	Repayment term
Hawk Investment Holdings	Deep discounted bond	5,365	4,702	5.87%	April 2023	Lump sum at maturity date
Inveready convertible bonds	Convertible bonds	2,500	2,457	3.50%	March 2027	Lump sum at maturity date
Retro Grand	Convertible loan	432	432	0%	April 2024	Lump sum at maturity date
Total other borrowings			**7,591**			

In March 2020 the Group issued convertible bonds to Inveready Convertible Finance (Inveready), a Spanish joint venture, in a single tranche of €2,500,000 of 25 bonds with a nominal value of €100,000 each. The bonds are convertible into a maximum of 3,821,375 Ordinary shares representing 152,855 Ordinary shares per bond in March 2027 at the option of the holder. Any unconverted bond notes become payable on demand. The equity component of €34,000 (net of transaction costs of €63,000) is recognised in the Statement of Comprehensive Income.

In January 2020 the Group secured a new bank loan for €1,000,000 from Banco BPM S.p.A. In June 2020 a further €1,000,000 bank loan was secured from Banca Carige.

The UniCredit bank loans are subject to bank covenants, whereby the Group is required to meet certain key financial performance requirements in relation to debt/equity and debt/EBITDA ratios. In cases of a breach of these bank covenants the bank is entitled to demand immediate repayment of the outstanding loans. In June and December 2020 the Group reported a breach of the debt/EBITDA ratio. UniCredit did not request repayment of the outstanding loans, and has agreed to waive the breach. In 2021 the Group has renegotiated with UniCredit a revised covenant criteria more reflective of the Group's current situation. Based on these new criteria, no breach has been reported at 31 December 2020; the loans have been disclosed as non-current liabilities.

18. Analysis of cash net of debt

2020	Notes	1 January 2020 €'000	Cash flow movements €'000	Non-cash movements €'000	31 December 2020 €'000
Cash, cash equivalents	15	6,138	6,042	–	12,180
Overdraft	17	–	(72)	–	(72)
		6,138	5,970	–	12,108
Bank loans including transaction costs	17	(9,726)	(2,008)	(190)	(11,924)
Other borrowings	17	(5,152)	(2,500)	61	(7,591)
Lease liabilities	19	(8,468)	3,166	(325)	(5,627)
Cash and cash equivalents net of debt		**(17,208)**	**4,628**	**(454)**	**(13,034)**

2019	Notes	1 January 2019 €'000	Cash flow movements €'000	Non-cash movements €'000	31 December 2019 €'000
Cash, cash equivalents	15	5,220	918	–	6,138
Bank loans including transaction costs	17	(6,963)	(2,672)	(91)	(9,726)
Other borrowings	17	–	(5,359)	207	(5,152)
Lease liabilities	19	(5,749)	(2,172)	(547)	(8,468)
Cash and cash equivalents net of debt		(7,492)	(9,285)	(431)	(17,208)

19. Lease liabilities

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

Lease liabilities	2020 €'000	2019 €'000
Current	2,217	2,861
Non-current	3,410	5,607
	5,627	8,468

Additions and carrying amount for right-of-use assets included in the Consolidated Statement of Financial Position has been disclosed in note 10.

19. Lease liabilities

Depreciation charged on right-of-use assets in the Consolidated Statement of Comprehensive Income has also been disclosed in note 10. The Consolidated Statement of Comprehensive Income also shows the following amounts relating to leases:

	2020 €'000	2019 €'000
Interest expense	**348**	265
Expense relating to short-term leases	**101**	20
Expenses relating to variable lease payments not included in lease liabilities	**46**	–
Expense relating to leases of low value assets	**39**	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	2020 €'000	2019 €'000
Due in six months or less	**1,251**	1,405
Due between six months and 1 year	**966**	1,456
Due between 1 and 2 years	**953**	2,268
Due between 2 and 5 years	**1,391**	1,879
Due in 5 years or more	**1,066**	1,460
	5,627	8,468

20. Provisions and other liabilities

	2020 €'000	2019 €'000
Earn out liabilities	**1,903**	1,645
Dilapidations provision	**78**	–
Current provisions and other liabilities	**1,981**	1,645
Directors benefits	**66**	397
Earn out liabilities	**4,434**	4,754
Dilapidation provisions	**277**	293
Other non-current liabilities	**299**	193
Non-current and other liabilties	**5,076**	5,637

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 12).

Non-current earn out liabilities relates to the acquisitions of SECL and CLAI and are valued at fair value through profit or loss (see note 8).

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

21. Employee benefits

	2020 €'000	2019 €'000
Severance indemnity	**2,152**	2,013

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 2019	1,950
Service cost	97
Net interest	29
Benefit paid	(196)
Actuarial loss	133
Additions through business combinations	–
At 31 December 2019	**2,013**
Service cost	**239**
Net interest	**16**
Benefit paid	**(137)**
Actuarial loss	**21**
At 31 December 2020	**2,152**

22. Share capital

Authorised, issued and fully paid capital

31 December 2020	**Number**	**€**
Ordinary shares of 0.10 EUR each	**24,516,707**	**2,451,670.70**

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

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.

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

	Number	**€**
At 1 January 2019	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**
Additions during the year	**265,800**	**26,580.00**
At 31 December 2020	**24,516,707**	**2,451,670.70**

22. Share capital (continued)

Authorised, issued and fully paid capital (continued)

On 3 September 2019, the Group 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 UKFH Limited, formerly Porta Communications Plc ("Porta"). Per the scheme of arrangement a ratio of 1 newly issued share for each 88.495575 shares of Porta 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 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.

On 9 June 2016 the General Assembly resolved to issue a maximum of 675,000 shares as part of a stock grant plan to the employees. In accordance with the approvals, on 26 December 2020, 265,800 shares were granted to the Group's employees for €0.10 each under the stock grant plan. A further 409,200 remained unsubscribed at 31 December 2020 (2019: 675,000 shares unsubscribed).

Earnings per share

Earnings per share are based on the a profit attributable to owners of the Company and the weighted average number of shares in issue during the year. Earnings per share, basic, is determined as follows:

	2020	2019
Profit for the year attributable to owners of the company	**€813,000**	(€99,000)
Weighted average number of shares	**24,255,264**	17,036,245
Earnings per share, basic	**€0.034**	(€0.006)

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. As noted above, 265,800 of the stock grant plan have been granted to 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.

At 31 December 2020 only 265,800 shares under the stock grant plan had been granted (2019: none), with the remaining approved shares under the warrant and stock plans unsubscribed, representing dilutive shares of 1,023,200 (2019: 1,289,000 dilutive shares).

In addition, in March 2020 the Group issued 25 convertible bonds to Inveready Convertible Finance, see note 17 for details. The bonds are convertible into a maximum of 3,821,375 Ordinary shares representing 152,855 Ordinary shares per bond in March 2027 at the option of the holder.

22. Share capital (continued)

Earnings per share (continued)

For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of dilutive shares. Earnings per share, diluted, is determined as follows:

	2020	2019
Profit for the year attributable to owners of the company	**€813,000**	(€99,000)
Weighted average number of shares	**27,319,873**	18,325,245
Earnings per share, diluted	**€0.030**	(€0.005)

23. Other equity and reserves

The following table describes the nature of each reserve:

	2020 €'000	2019 €'000
Share premium	**12,456**	12,456
Legal reserve	**187**	148
Revaluation reserve	**(3,202)**	(3,076)
Retained earnings	**6,630**	6,222
	17,071	15,750

Share premium

	€'000
At 1 January 2019	3,741
New issues during the year	9,861
Issue costs	(1,146)
At 31 December 2019 and 31 December 2020	**12,456**

On 3 September 2019, SEC Newgate S.p.A. issued 10,748,374 Ordinary shares as detailed in note 22. 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.

Legal reserve

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

Revaluation reserve

Gains and 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 Company and its subsidaries.

Given the very positive result of financial year ended 31 December 2020, the Board has recommended a final dividend of 0.5 pence per fully paid ordinary share to be approved at the General Assembly. The aggregate amount of the proposed dividend is GBP 123,554.61.

24. Interests in subsidiaries

Summary of acquisitions and disposals

The effect of acquisitions and disposals on the in financial position of the Group:

	Notes	Disposal Cambre Advocacy Maroc 2020 €'000	Acquisition Porta Group 2019 €'000
Tangible assets		**88**	–
Trade receivables		**379**	5,413
Cash and cash equivalents		**25**	1,824
Other assets		**–**	7,935
Trade payables		**(155)**	(870)
Other liabilities		**(380)**	(17,864)
Goodwill	9	**–**	14,995
Loss on disposal	4	**(2)**	–
Gross consideration		**(45)**	11,433
% (disposed)/acquired		**(51%)**	100%
Fair value of shares issued		**–**	10,935
Fair value of previously held equity interests		**–**	423
Deferred consideration payable		**(24)**	–
Net (liabilities)/assets attributable to non-controlling interests		**(21)**	74
Cash consideration at 31 December		**–**	–

In December 2020 the Group disposed of a small loss making subsidiary Cambre Advocacy Maroc. The Group invested in the start-up business in late 2019 and has agreed to pay the non-controlling interest 51% share of the losses incurred to the date of disposal.

In September 2019, the Company, who previously held 16.9% of UKFH Limited, formerly 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.

24. Interests in subsidiaries (continued)

Summary of acquisitions and disposals (continued)

Goodwill of €14,995,000 (note 9) 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 9.

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

Company	% acquired in year	% owned at year end	Consideration
Newgate Hong Kong	15.0%	100%	20
Newgate Communications Pty Limited	8.8%	76%	508,334

Company	% disposed in year	% owned at year end	Consideration
21:12 Communications Limited	7.0%	67%	460

In addition to the above acquisitions, on 1 July 2020 the Group established SEC Newgate US LLC, a new commercial venture based in the USA in which the Group has a 55% interest.

Set out below are details of the subsidiaries held directly, unless otherwise stated, by the Group at 31 December 2020:

Name	Country of incorporation	Percentage held	Principal activity
13 Communications Limited	UK (London)	100%*	Dormant
21:12 Communications Limited	UK (London)	67%*	Marketing & advertising agency
ACH Sec Global SL	Spain (Madrid)	65.7%	Public relations & corporate affairs consultancy
Cambre Associates SA	Belgium (Brussels)	76%	Public relations & corporate affairs consultancy
CLAI SAS	France (Paris)	10%	Corporate advocacy & public affairs consultancy
Curious Design S.r.l.	Italy (Milan)	75%	Non-trading
Della Silva Communication Consulting S.r.l.	Italy (Milan)	51%	Non-trading
EngageComm Pty Limited	Australia (Sydney)	100%**	Public relations & corporate affairs consultancy
HIT S.r.l.	Italy (Milan)	57.71%	Events management & human resources provider
ICAS Limited	London (UK)	100%*	Dormant

24. Interests in subsidiaries (continued)

Name	Country of incorporation	Percentage held	Principal activity
Impact PR Limited	London (UK)	100%*	Dormant
Kohl PR und Partner GMBH	Germany (Berlin)	75%	Public relations & corporate affairs consultancy
Martis Consulting Sp. z o.o.	Poland (Warsaw)	60%	Public relations & corporate affairs consultancy
Newgate Brussels SPRL	Belgium (Brussels)	100%*	Dormant
Newgate Communications (HK) Limited	China (Hong Kong)	100%*	Public relations & corporate affairs consultancy
Newgate Communications (Singapore) Pte. Ltd	Singapore (Singapore)	51%*	Public relations & corporate affairs consultancy
Newgate Communications Germany GmbH	Hamburg (Germany)	100%*	Non-trading
Newgate Communications Pty Limited	Sydney (Australia)	75.52%*	Public relations, corporate affairs & research consultancy
Newgate Communications (Beijing) Limited	China (Beijing)	100%*	Public relations & corporate affairs consultancy
Newgate Communications FZ-LLC	United Arab Emirates (Abu Dhabi)	76%*	Public relations consultancy
SEC Newgate UK Limited (formerly Newgate Communications Limited)	UK (London)	100%*	Public relations, corporate affairs & research consultancy
Newgate Media Holdings Limited	UK (London)	100%*	Intermediate holding company
Newgate PR Holdings Limited	UK (London)	100%*	Intermediate holding company
Newgate Public Affairs Limited	UK (London)	100%*	Dormant
Newgate Public Relations Limited	UK (London)	100%*	Dormant
Newgate Sponsorship Limited	UK (London)	85%*	Dormant
Newington Communications Limited	UK (London)	60%	Public relations & corporate affairs consultancy
Porta Australia Holdings Pty Limited	Australia (Sydney)	100%*	Intermediate holding company

24. Interests in subsidiaries (continued)

Name	Country of incorporation	Percentage held	Principal activity
Porta Communications Midco Holdings Limited	UK (London)	100%*	Intermediate holding company
UKFH Limited (formerly Porta Communications Plc)	UK (London)	100%	Intermediate holding company
PPS (Local & Regional) Limited	UK (London)	100%*	Dormant
Redleaf Polhill Limited	UK (London)	100%*	Public relations consultancy
Sec & Associati S.r.l.	Italy (Torino)	51%	Public relations & corporate affairs consultancy
Sec & Partners S.r.l.	Italy (Roma)	50.5%	Public relations & corporate affairs consultancy
Sec Mediterranea S.r.l.	Italy (Bari)	51%	Public relations consultancy
SEC+Latam Communications Estrategica SAS	Colombia (Bogota)	51%	Public relations & corporate affairs consultancy
SEC Newgate US LLC	US (New York)	55%	Public relations & corporate affairs consultancy
SEC Newgate US Holding Corp	US (Delaware)	100%	Public relations & corporate affairs consultancy
Springall Gbr	Germany (Hamburg)	100%*	Dormant
Velvet Consultancy Ltd	UK (London)	100%*	Dormant

*Indirectly held

**Indirectly held with an economic interest of 51%

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.

24. Interests in subsidiaries (continued)

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
- Porta Communications Midco Holdings Limited
- ICAS Limited
- Newgate Public Affairs Limited
- Newgate Public Relations Limited
- Newgate Sponsorship Limited
- PPS (Local & Regional) Limited
- Redleaf Polhill 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 Ltd

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
- Porta Communications Midco Holdings Limited
- ICAS Limited
- Newgate Public Affairs Limited
- Newgate Public Relations Limited
- Newgate Sponsorship Limited
- PPS (Local & Regional) Limited
- Redleaf Polhill Limited

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

- Velvet Consultancy Ltd

25. Non-controlling interests

Set out below is summarised financial information for each subsidiary that has NCI 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 2020

€'000	ACH	CAM	CLA	HIT	KOHL	MRT	NEW	NGSN	NGHK	NGAS	SEC-L	SEC-P	2112
Non-current assets	237	482	723	308	49	102	290	536	129	1,146	65	940	224
Current assets	192	1,942	2,390	582	150	163	1,468	932	185	5,607	1,048	1,229	1,103
Non-current liabilities	(469)	(303)	(119)	(141)	(28)	(78)	(382)	–	(35)	(1,710)	(229)	(141)	(4,202)
Current liabilities	(243)	(1,263)	(1,394)	(139)	(68)	(75)	(1,275)	(182)	(102)	(3,845)	(670)	(622)	(773)
Net (liabilities)/ assets	(283)	858	1,600	610	103	112	101	1,286	177	1,198	214	1,406	(3,648)
NCI	(97)	207	–	258	26	45	40	630	–	293	105	696	(1,204)

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 (liabilities)/ assets	(19)	822	1,697	666	77	132	609	1,231	321	944	343	1,421	(3,964)
NCI	(7)	197	–	282	19	53	244	603	48	314	168	703	(1,031)

The total non-controlling interest (NCI) at the year end is €563,000 (2019: £99,000). The NCI is in respect of those subsidiaries (as listed in note 24) that the Group does not own a holding of 100%.

25. Non-controlling interests (continued)

Summarised income statements

At 31 December 2020

€'000	ACH	CAM	CLA	HIT	KOHL	MRT	NEW	NGSN	NGHK	NGAS	SEC-L	SEC-P	2112
Revenue	836	4,326	4,614	796	513	662	3,394	1,433	1,055	17,398	3,326	1,575	3,732
(Loss)/Profit for the period	(264)	386	477	2	26	(12)	(483)	393	(126)	1,899	146	34	101
(Loss)/Profit attributable to NCI	(91)	93	–	1	7	(5)	(193)	193	(5)	548	72	16	32

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 NCI	(69)	87	-	22	8	28	(99)	2	7	113	128	64	(213)

26. Related party transactions

Compensation paid to key management personnel has been set out in the directors' remuneration table within note 5. In addition, from time to time the Group enters into transactions with its associate undertakings.

During the year, SEC Newgate UK Limited paid Barbican Centre Trust Ltd, a registered charity and a company of which Emma Kane is the Chairman, €27,000 (£24,000) for corporate membership. As at 31 December 2020, €13,000 (£12,000) was due to the Barbican Centre Trust Ltd.

During the year, the Group was invoiced €5,000 (A$7,800) for flowers by Buds and Poppies, a florist company owned by the wife of Brian Tyson. An annual membership fee of €10,000 (A$16,500) 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.

27. Ultimate controlling party

There is no ultimate controlling party. At 31 December 2020, SEC Newgate S.p.A is 36.04% controlled by Fiorenzo Tagliabue.

28. Subsequent events

On 18 January 2021, the Group announced the restructuring and rebranding of its largest UK agencies; the Group increased its stake in Newington from 60% to 100%, and the business and assets of Newington were transferred to SEC Newgate UK Ltd.

On 2 February 2021, Sergio Penna was appointed to the Board of SEC Newgate S.p.A. as Group CFO; Anna Milito, Deputy Group CFO, stepped down from the Board.

On 22 March 2021, the Group announced the establishment of a new commercial venture, SEC Newgate CEE (SECN CEE), in Poland, to accelerate the business development across the Central Eastern Europe Region. SECN CEE has been established as a 51% owned subsidiary.

Regarding the UK headquarters, notice has been given to both the London offices, SEC Newgate UK Ltd will move to new premises, heads of terms were signed the on 9 April 2021 for a 10-year lease (with a five year break clause).

In accordance with the agreement signed on 23 December 2020, the Group acquired a 60% interest in Orca Affairs GmbH (Orca) in April 2021 for an initial consideration of €2.2m, with the consideration potentially increasing to a maximum of €3.5m contingent on Orca's performance. The consideration is payable in four instalments between 2021 to 2024, the first instalment of €700,000 was paid on 14 April 2021 acquiring 15% of the issued share capital of the target, with attached voting rights of 60% passing to SEC Newgate S.p.A.

On 19 May 2021 the Group agreed with UniCredit a revised covenant criteria related to the bank loan of €4.0m signed in 2019, more reflective of the Group's current situation. Based on these new criteria, no breach has been reported at 31 December 2020; the loan has been disclosed as a non-current liability.

SEC Newgate S.p.A.

Registered Office in Milan, Via Ferrante Aporti, 8

Share capital Euro 2.471.092,20 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 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.

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. 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 2nd, 2021. 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.

Pursuant to Article 106, paragraph 2, of D. L. no. 18 of March 17, 2020 on "Measures to strengthen the National Health Service and economic support for families, workers and businesses related to the epidemiological emergency from Covid-19", converted with amendments into Law no. 27 of April 24, 2020, whose effectiveness has been last extended by Decree-Law no. 183 of December 31, 2020, converted with amendments into Law no. 21 of February 26, 2021(the "Decree"), the Shareholders' Meeting will be held exclusively by means of telecommunications that will ensure the identification of participants, their participation and the exercise of voting rights, without in any case the need for the chairman and the secretary taking the minutes to be in the same place. Voting procedures by correspondence or electronic means are not envisaged.

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, with an Identification Document (in case of a legal entity, copies of the documentation proving the powers of representation to be attached). To facilitate the verification activities, the Company recommends that the documentation should be sent promptly and in any case by June 4th, 2021. The Company may ask for further documentation with the purpose to identify shareholders entitled to take part to the shareholders' meeting and exercise voting rights.

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 secnewgate.com (section "Investors"/ in RECENT SHAREHOLDER COMMUNICATIONS) or at the Company's registered office.

The proxy may be notified to the Company, within 4 June 2021 and 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. It is necessary that the original proxy form is sent to the Company.

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.

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.

Documentation

The 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, 21 May 2021

For the Board of Directors

The Chairman

John Foley

Proxy Form (1) To Attend The Ordinary Shareholders' Meeting

With reference to the Ordinary Shareholders' Meeting of SEC NEWGATE S.p.A., convened in Milan, via Ferrante Aporti, no. 8, at the Company's registered office, on June 7th 2021, at 11.00 on first call and, if necessary, on second call on June 8th 2021 ("Shareholders' Meeting") at the same time and same place, as per the notice of call published in the daily newspaper Milano Finanza on 22 May 2021 and, in the extended version, on the Company's website at 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 2020, 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 2020. Related and consequent resolutions.
2. Approval of the allocation of the result for the year. Related and consequent resolutions.
3. Appointment of the Board of Statutory Auditors.
   a. Appointment of the members of the Board of Statutory Auditors.
   b. Appointment of the Chairman of the Board of Statutory Auditors.
   c. Determination of the remuneration of the members of the Board of Statutory Auditors.

whit 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.

Information pursuant to Articles 13 and 14 of EU Regulation 2016/679 and the national legislation in force on the protection of personal data

Pursuant to Articles 13 and 14 of EU Regulation 679/16, we provide you with the following information on the processing that may take place as a result of the compilation and sending of the data in the form you are about to fill in.

The holder of the treatment is SEC Newgate S.p.A., contactable by email at secrp@legalmail.it.

The data contained in the proxy form will be processed by the Company - the data controller - in order to manage the Shareholders' Meeting operations, in compliance with the current legislation on the protection of personal data. We remind you that the data marked with the symbol * (asterisk) must be provided in order to allow the proxy holder to take part in the meeting. The compilation of the other data in the form is optional and you are free to decide whether to fill them in or not.

The data communicated by you may be disclosed to the data processors of the data controller for the pursuit of the above purposes: such data may be disclosed or communicated to specific subjects in compliance with a legal obligation, regulation or EU legislation, or on the basis of provisions issued by Authorities empowered to do so by law or by supervisory and control bodies.

The data will be kept until the completion of the services requested or your request for cancellation, and, in case of organizational needs or regulatory requirements, may be stored in specific archives for the period strictly necessary for such purposes.

We remind you of your right to exercise your right to ask the data controller for access to your personal data, its rectification or cancellation, or the limitation of its processing and to object to such processing, as well as the right to data portability; you may exercise these rights using the contact details above.

We also remind you of your right to lodge a complaint with the Control Authority, in Italy represented by the Guarantor for the protection of personal data (www.garanteprivacy.it).

KEY INFORMATION

Directors:

Directors

John Foley (Chair)

Luigi Roth (NED, Deputy Chair)

Paola Bruno (NED)

David Mathewson (NED)

Fiorenzo Tagliabue (Group CEO)

Emma Kane (Deputy Group CEO)

Tom Parker (Deputy Group CEO)

Brian Tyson (Deputy Group CEO)

Mark Glover (Executive Director)

Andrea Cornelli (Chief Innovation Officer)

Anna Milito (Interim Group CFO, resigned on 2 February 2021)

Sergio Penna (Group CFO appointed on 2 February 2021)

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 plc

Solicitors:

Osborne Clarke LLP
One London Wall
London EC2N 2AX

Financial Communications:

SEC Newgate UK

secn@secnewgate.co.uk

Company website:

secnewgate.com

EPIC Code:

AIM: SECN

THE GROUP'S PRINCIPAL BRANDS ARE:

- ACH (Spain)
- Cambre Associates (Belgium)
- Cambre Maroc (Morocco)
- Clai (France)
- Kohl PR un Partner (Germany)
- Martis Consulting (Poland)
- SEC Newgate Colombia
- Newgate Communications (Abu Dhabi, Australia, Greater China, Singapore, UK)
- Newgate Research (Australia, UK)
- Newington (UK)
- Publicasity (UK)
- SEC Newgate S.p.A. (Italy)
- 2112 (UK)