2022 Annual Report

PPHC Public Policy Holding Company

Introduction

Eight years on from PPHC's incorporation and marking the first full year as a London Stock Exchange AIM quoted business, the Board of Directors is proud to report strong Group results.

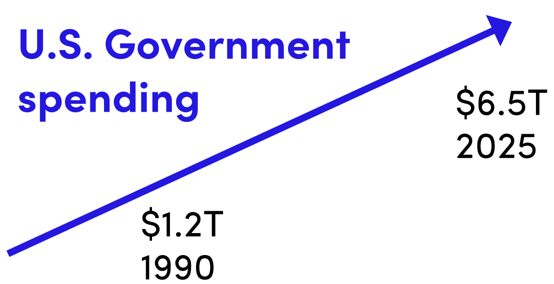
With a consistent track record of profitable growth, as demonstrated by a revenue CAGR of 31% since 2016, the management and Board of PPHC is executing on a focused goal to become the world's premier provider of government relations and public affairs services to leading companies, trade organisations, and large non-profit/NGO clients.

PPHC operates a portfolio of complimentary companies, each with a distinct brand identity, offering a range of public policy advisory, strategic communications, and US government relations services to, as of 2023, over 1,000 companies, trade associations, and non-profit clients.

Clients hire PPHC firms to help enhance and defend their reputations, inform and advance their public policy goals, manage regulatory risk, and otherwise engage with U.S. federal and state-level policymakers, regulators, and other key stakeholders.

The Group's operating companies are all nonpartisan, with active founders and senior managers operating largely in and around Washington, DC and in other state capitals, and with close professional ties to the U.S. Executive Branch, U.S. Congress, U.S. State Governments, and/or other regulatory authorities.

Demand for PPHC's services has increased significantly in the past decade, partially driven by overall growth in U.S. government spending and regulatory policy – from c$1.2 trillion in 1990 to an expected c$6.5 trillion by 2025, with large government interventions in healthcare, financial services, and many more parts of the economy.



According to U.S. Government lobbying reporting, in 2022, PPHC remained the largest provider of federal contract lobbying services in the U.S. with $66.4m of disclosed revenue. This PPHC service offering, in combination with our state lobbying activities, represents approximately 72% of the Group's total for 2022. The Group's stated strategy is to maintain this core offering while also growing related high-margin service offerings such as public affairs, research, and media management to existing and new clients.

PPHC's acquisition of KP Public Affairs, a leading firm in the State of California, completed 1 October 2022, added a strong anchor in the largest U.S. state market and an important bellwether in U.S. policymaking. This acquisition represents a crucial step in our strategy to offer support to our clients' needs across multiple jurisdictions, including select US states and in major international capitals. The Group's recent acquisition of MultiState Associates, completed 1 March 2023, while not accounted for in these 2022 results, is another significant step in this strategy.

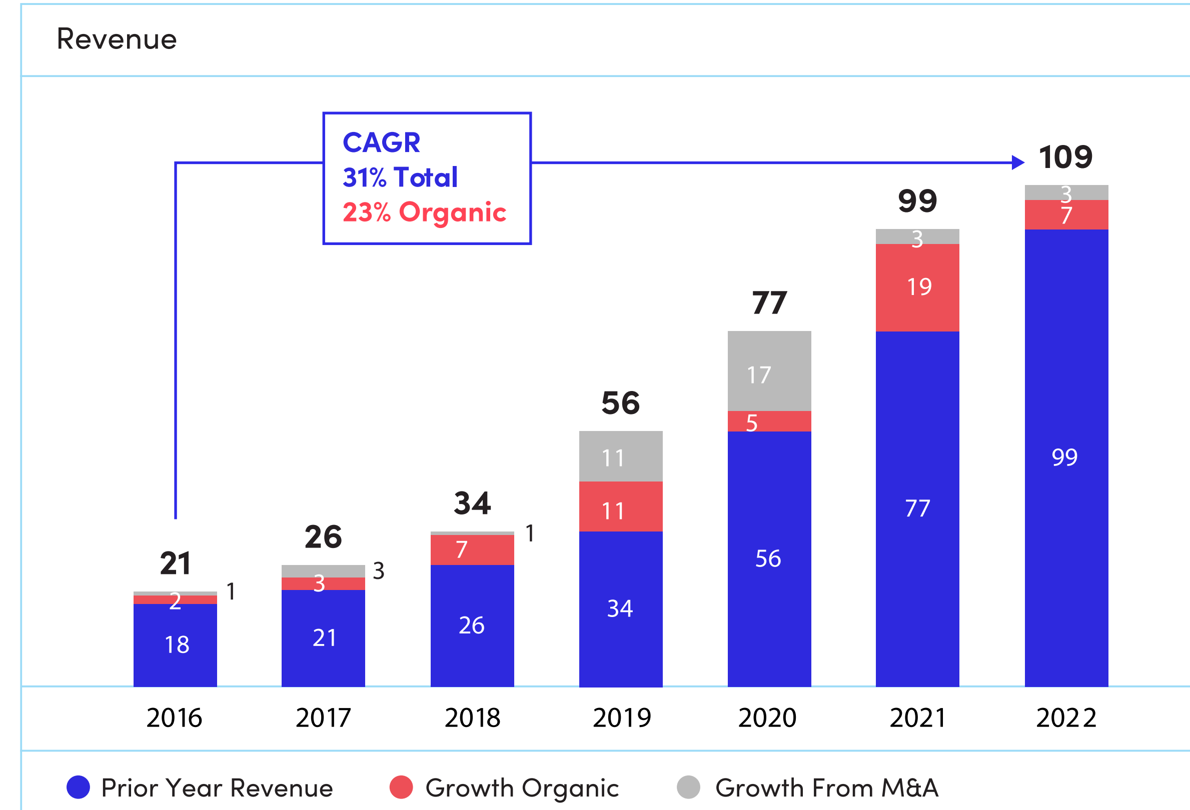
OpenSecrets FOLLOWING THE MONEY IN POLITICS

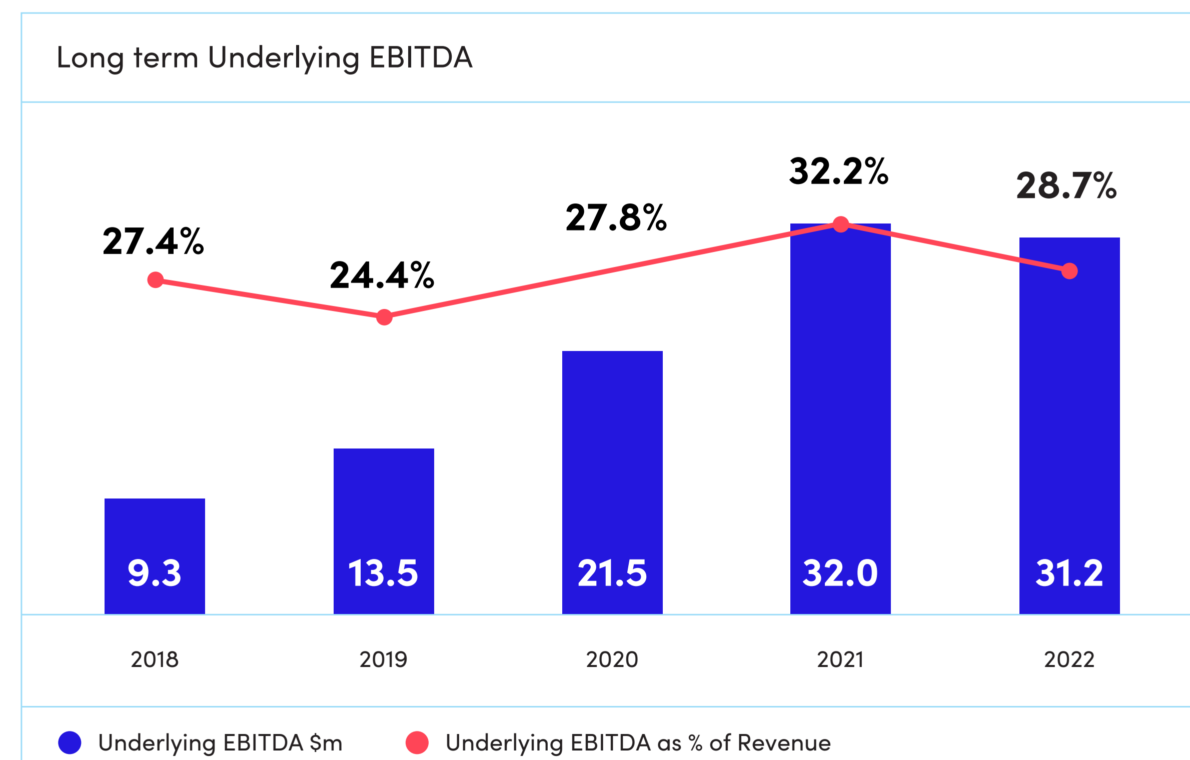
Top Lobbying Firms

Lobbying Firm	2021 Revenue (in $m)
Brownstein Hyatt Farber Schrek LLP	$60.6
Akin Gump Strauss Hauer & Feld LLP	$53.2
Holland & Knight	$43.2
BGR Government Affairs LLC	$39.2
Invariant LLC	$38.2
Cornerstone Government Affairs Inc.	$31.3
Thorn Run Partners LLC	$26.3
Capitol Counsel LLC	$25.2
Squire Patton Boggs US LLP	$25.2
Tiber Creek Group Inc.	$25.1
Forbes Tate LLC	$24.8
Mehlan Castagnetti Rosen & Thomas	$23.8
Crossroads Strategies LLC	$23.7
Cassidy & Associates Inc.	$21.7
K&L Gates LLP	$21.5
Van Scoyoc Associates, Inc.	$19.9
Alpine Group	$17.9
Ballard Partners Inc.	$17.8
Tarplin, Downs & Young LLC	$15.1
Williams & Jensen PLLC	$14.9

*Three leading PPHC brands combine to create the largest federal lobbying revenue earner in the U.S during 2022 ($66.4m). LDA billings are not entirety of PPHC revenues

In 2023, the Group intends to continue to deliver on the stated growth strategy that was set out at the time of the IPO in 2021. Management has made further progress in 2023, including the recent acquisitions, and the Board is confident that PPHC is well placed to continue to grow this year and for many years ahead.





Chairman's Statement

On behalf of the Board of Directors of PPHC, I am pleased to introduce this report reflecting a full year of strong performance post-IPO on the London Stock Exchange. Our continued financial and operational progress has been achieved through the successful execution of our growth strategy, including the accretive acquisition of a market-leading firm in California, outstanding business development and cost management in the face of considerable macro-economic challenges, and tremendous partisanship and unpredictability in the U.S. Government. This unpredictability drives clients to depend on PPHC's deep experience to navigate both risks and opportunities.

Group Results and Dividends

Annual results for the period are set out in the Consolidated Financial Statements on page 57.

Effective on 20 April 2023, the Board of Directors of the Company declared a final dividend of $0.095 per share, taking the total dividend for the year to $0.14 per share. This will represent a total aggregate dividend for the year of approximately $15.5 million, equivalent to approximately 67% of the Group's Underlying Net Profit (based on the current number of common outstanding shares). The final dividend of $0.095 per share is payable to the holders of record of all of the issued and outstanding shares of the Company's Common Stock as of the close of business on the record date, 5 May 2023. The ex-dividend date is 4 May 2023.

Corporate Governance

As its Chair since this Board's inception in December 2021, I have assumed responsibility for leading the Board and for its effectiveness in all aspects of its role. In performing these duties, I have drawn upon my experience to ensure that the Board delivers maximum shareholder value and proper consideration of all stakeholders across multiple jurisdictions.

PPHC values corporate governance very highly and the Board believes that effective corporate governance is integral to the delivery of our overarching corporate strategy, ongoing creation of shareholder value and the safeguarding of our stakeholders' long-term interests. Our compliance with the QCA Code is detailed on page 36 of this report.

Along with senior management, the Board is responsible for the Group's strategic development, monitoring of its business goals, oversight of risk, and maintaining a system of effective corporate governance.

Our employees and stakeholders

The robust performance of the Group throughout 2022, along with the acquisition and integration of KP Public Affairs, reflects the hard work and dedication of our leaders, our individual employee-owners, and each of our colleagues at all levels. We rely on their shared expertise, good judgement, and steadfast commitment to excellence. I've been pleased to meet many of the talented individuals who have made up the Group over the past year, and I look forward to more time with them in the coming months and years ahead.

On behalf of my Board colleagues, I would like to thank each of our stakeholders – staff, clients, business partners, advisors, and shareholders – for your ongoing support through 2022 and beyond.

Sincerely,

Simon Lee

Simon Lee
Chair of the Board
April 2023

CEO's Review

Across PPHC's companies, our talented policy and strategic communications specialists committed their year to undertaking critical, high-impact work for our clients. Working at the highest levels of government and clients' C-suites, our teams informed, guided, and shaped policy decisions that impact the future of the United States and the world.

It was an extraordinary year in public policy as democratic governments, corporate leaders, and ordinary citizens across the world faced simultaneous challenges, including the ongoing war in Ukraine disrupting energy markets and supply chains, historic levels of inflation, and the unrest and uncertainty in politics.

Taken together, along with ongoing Covid-19 pandemic mitigations and the 'new normal' of hybrid work, governments have responded with historic spending measures and regulatory interventions that impact every sector of the global economy.

In Washington, DC and across the United States, the November 2022 mid-term elections were the most expensive ever waged. Over $10 billion was spent and the result was a very narrowly divided US Congress (a Republican-controlled House of Representatives, a Democrat-led Senate) and likely stalemate. Despite such partisanship, the Biden Administration did achieve the narrow passage of record-breaking federal spending bills (totaling over $4 trillion) to fund economic priorities, including healthcare, clean and alternative energies, public infrastructure investments, and the support of essential industries (manufacturing of high-end semiconductors, key pharmaceuticals, and more). As such, PPHC enjoyed another strong year for revenue and profit as our clients engaged in and responded to these challenges and opportunities.

Group clients, now totaling over 1,000 companies, NGOs, and associations in 2023, depend on our firms – the breadth of our integrated services and the depth of our policy and political expertise – to navigate policy and political challenges, and to maximise the business opportunities of this political era.

We have reached our current scale and sophistication during an ideal moment in history, and with this success comes increased responsibility and well-deserved scrutiny. I know that our entire organisation takes pride in the positive steps we have taken to increase diversity amongst our team and towards building a culture of equity and inclusivity. Our people are at the heart of our work and are essential to our ongoing success. As CEO, I take responsibility for ensuring that this progress continues and stays a top priority, along with the other aspects of our ESG strategy in development for 2023 and our alignment with the QCA code.

As we begin 2023, we remain focused on a clear and differentiated strategy, as conceived of upon our founding in 2014 and restated upon our IPO in 2021. The progress we made in 2022, carrying into the start of 2023, provides further confidence in the strength of our business model and strategic ambitions. We foresee continued growth fueled by ongoing policy debates over government spending and the passage of historic spending measures in 2021-22 into sectors such as healthcare, essential manufacturing, renewable/alternative energies, and infrastructure.

I deeply thank each one of our colleagues, their families, our clients, partners, advisors, and shareholders. Along with my senior executive team at PPHC, I look forward to continuing to progress our business strategy in the days ahead.

Sincerely,

Stewart Hall
Chief Executive Officer
April 2023

Strategic Review

"In an age of political disruption, businesses can't afford to ignore government policy"

POLITICO

March 2023

Strategic Review

PPHC's three anchor federally-focused U.S. government affairs firms (Alpine Group Partners, Crossroads Strategies, Forbes Tate Partners), combined, remain the largest provider of federal lobbying services.

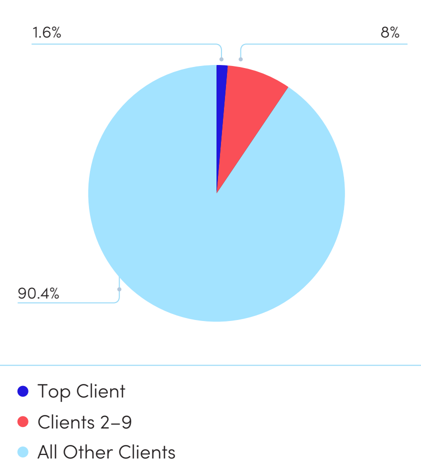
Individually ranked by brand, these wholly owned firms are consistently in the top 20 of more than 2,500 government-registered providers of federal lobbying services.

>850
clients across group
(>730 in 2021)

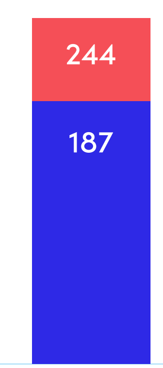
384
clients spending >/= $100K
(347 in 2021)

We ended 2022 with over 850 clients, of which 384 represented a net revenue of greater than or equal to $100,000 per annum (up from 347 in 2021).

Top Client Concentration 2022



Employees



187 of employees by end of 2021

244 of employees by end of 2022

Average of employees during 2022 was 205

We've outlined a focused growth strategy for increasing revenue and profit in three key areas of service:

1

Increasing the share of spending by our existing roster of clients with specific attention to clients with revenues greater than or equal to $100,000 annually

2

Investing in specialised public affairs/policy advisory offerings (non-lobbying) including investments in digital capabilities, talent acquisition, employee training and certifications, and through M&A activities

3

Investing in new geographies (select US-states and cities and international capitals such as London and Brussels), where active M&A efforts are underway

For 2022 we are pleased to report on a year of hard-earned progress on all fronts.

The Group's public affairs and digital media agency companies, Seven Letter and the integrated communications practices of KP Public Affairs and Forbes Tate Partners, continue leading the efforts in public affairs and digital services, which are key to clients' success.

	2022	2021*
US$ million		
Lobbying revenue	$78.2	$70.1
Public affairs revenue	$30.6	$29.2
Total revenue	**$108.8**	**$99.3**

*2021 segment revenues restated in line with classification used for 2022.

2022 Member Company Highlights

CRS CROSSROADS STRATEGIES

Joined 2014

"2022 was the most successful year in Crossroads' history in both profitability and client service. Our dynamic, bipartisan team delivered substantial wins in virtually every piece of legislation enacted by Congress. I'm proud that Crossroads continues to be viewed as both a strategic partner for clients and a firm that gets results."

Mathew Lapinski

CEO, Crossroads Strategies

New Clients in 2022:

Boeing, Micron, ExxonMobil, Kohler

FORBES | TATE PARTNERS

Joined 2014

"2022 was another strong year for FTP. Dan and I built the firm to thrive in a rapidly changing advocacy environment where the seamless integration of disciplines is integral to our clients' success. And that's what we have done. This year's addition of Engage, our new digital offer, to our core lobbying and public affairs capabilities further strengthens our hand and enables us to reach policymakers and those around them in dynamic, exciting, and effective ways. In 2022, FTP continued to evolve and change, and that's just the way we like it."

Jeffrey Forbes

Founding Partner, Forbes Tate Partners

2022 Highlights

- FTP celebrated its 10th year in business.
- The acquisition of Engage, a D.C.-based digital media agency, was finalized in November, 2022. The acquisition cemented the two firms' long-standing partnership.
- Robert Mathias was added as Managing Partner in mid-2022, the first addition to the firm's executive leadership team since 2016.
- FTP's lobbying business continued to expand, adding clients in numerous industries, including healthcare, financial services, blockchain technology, and real estate.

2022 Member Company Highlights Continued

SEVEN LETTER

Joined 2018

Erik Smith

CEO, Seven Letter

2022 Highlights

- In 2022, Seven Letter saw another year of growth through organic expansion and new capabilities.
- Drew O'Brien, former Executive Vice President at BCW, was added as Partner in Seven Letter's Boston office.
- Seven Letter Insight continued to grow in its second year in operation.
- Brendan Buck, a Seven Letter Partner in DC, spent the spring semester at the Kennedy School's IOP as a visiting fellow.

New Clients in 2022:

Distilled Spirits Council of the United States

U.S. Chamber of Commerce

Twitter

Spotify

USGBC (U.S. Green Building Council)

O'NEILL AND ASSOCIATES

Joined 2019

"2022 was an exciting year for O'Neill and Associates. It was great to welcome our staff back to the office and officially open our new office space in Boston. 2022 brought great growth and as a firm, we continued to provide exceptional service for our clients and expanded our service offerings and capabilities."

Thomas P. O'Neill III

CEO, O'Neill and Associates

2022 Highlights

In 2022, O'Neill secured millions in federal & Massachusetts state funding for:

- Massachusetts Military Support Foundation
- New England Center for Arts & Technology
- Zeiterion Theater
- Boston Logan International Airport

2022 Member Company Highlights Continued

ALPINE GROUP

Joined 2020

"Alpine continues to see increased revenue growth due to business development of new clients as well as retainer increases with long-standing, institutional clients. In Alpine's 27th year, we are seeing another record year in revenue, building upon our highest revenue recorded in 2022."

Les Spivey
CEO, Alpine Group Partners

New Clients in 2022:

lyft · AAHOA Asian American Hotel Owners Association · EDGE Theory Labs · ORIGIN

KP PUBLIC AFFAIRS

Joined 2022

"This has been an extraordinary year for KP. Joining PPHC, with its roster of the best lobbying and public affairs firms in the U.S, was a perfect fit for our future. In a short time with PPHC, we are already experiencing additional financial growth and are taking advantage of new capabilities and expertise. We have a great team at KP and look forward to continuing to achieve results for our clients."

Michael Burns
Managing Partner, KP Public Affairs

Key Details

- Founded in 1996, KP has decades of experience and proven success in the advocacy and public affairs business.
- KP is consistently ranked as one of California's top lobbying firms.
- Current clients include many Fortune 500 corporations, tech startups, local governments, and trade associations.

Financial Highlights

Revenue

$108.8m

+9.5% +6.6% organic

'21: $99.3m

Underlying EBITDA[1]

FY'22: $31.2m

-2.5% '21: $32.0m

Underlying Net Income[1]

FY'22: $23.3m

-2.5% '21: $23.9m

Net Cash[2]

Dec'22: $21.0m

+17.9% Dec'21: $17.8m

Dividend

FY'22: $15.5m

FY'22: $0.14/share
FY'21: N/A

[1] Underlying EBITDA and underlying Net Income are stated prior to non-cash items of amortisation of customer intangibles, LTIP expense, ASC 805-10-55-25 post-combination compensation charges and ASC 718-10-S99-2 share-based accounting charge. For the prior period both measures are presented on a normalised, illustrative basis and calculated on the basis that 25% of pre-bonus EBITDA is paid as bonus in line with the Group's policy post-IPO, and, in the case of Underlying Net Income, that the Group was subject to the same tax rate in 2021 that it was in 2022.
[2] Net Cash excludes long term operating lease liability

CFO Report

In our first full year post-IPO, demonstrating the stability of our core business operations, the dedication of our management teams, and the critical importance of our work to our clients, revenue grew 9.5% to $108.8 million.

	2021	2022	Change
All in $'000, unless otherwise noted			
Revenue	**99,336**	**108,814**	**9.5%**
EBITDA - Underlying	32,030	31,186	-2.6%
EBITDA margin - Underlying (%)	32.2%	28.7%	-3.5 pts
Net Income - Underlying	**23,857**	**23,271**	**-2.5%**
EPS - Underlying ($) (fully diluted) (**)	0.220	0.211	-4.0%
Dividend	703	15,511	N/M
Free Operational Cash Flow	4,638	20,678	N/M
Net Cash at year end	17,820	21,012	17.9%
Net Cash at year end	**17,820**	**21,012**	**17.9%**

PPHC's results for the year ended 31 December 2022 represent its first full reporting year post-IPO in December 2021. Strong levels of client engagement and activity have driven the Group's revenue up 9.5% to $108.8m (2021: $99.3m). All areas of the Group's business, i.e. government relations, public affairs advisory, and strategic research, achieved growth when compared to 2021.

Equally important, underlying profit remained close to 2021 levels despite the absorption of higher costs related to being a public company and the related increased investment in new hires, with an underlying EBITDA for the year of $31.2m (2021: $32.0m) at a margin of 28.7% (2021: 32.2%), within our guided range of between 25% and 30%.

The Group's cash position at the end of the year remained strong at $21.0m (2021: $17.8m), following the generation of $20.7m operational cash flow, the acquisition activity in Q4 2022, and the payment of dividends.

CFO Report Continued

Underlying Profit & Loss Statement	2021	2022	Change
All in $'000, unless otherwise noted			
Revenue	**99,336**	**108,814**	**9.5%**
Operational expenses (*)	(67,306)	(77,629)	15.3%
EBITDA (Underlying)	32,030	31,186	-2.6%
EBITDA margin (Underlying)	**32.2%**	**28.7%**	**-3.5 pts**
Depreciation	(128)	(100)	
EBIT (Underlying)	**31,903**	**31,086**	**-2.6%**
Interest	(52)	(17)	
Taxes (*)	(7,994)	(7,798)	
Net Income (Underlying)	23,857	23,271	-2.5%
Net income margin (Underlying)	**24.0%**	**21.4%**	**-2.6 pts**

(*) 2021 bonus and taxes are on a proforma basis, using 2022 rates

Bridge from Underlying to Reported results	2021	2022
Net Income (Underlying)	**23,857**	**23,271**
Share-based accounting charge	(27,609)	(33,392)
Post-combination compensation charge		(2,441)
Long Term Incentive Program charges		(318)
Amortization intangibles	(1,885)	(2,129)
2021 bonus actual	(37,519)	
2021 bonus proforma	11,401	
2021 tax actual	(495)	
2021 tax proforma	7,994	
Net Income (Reported)	**(24,256)**	**(15,009)**

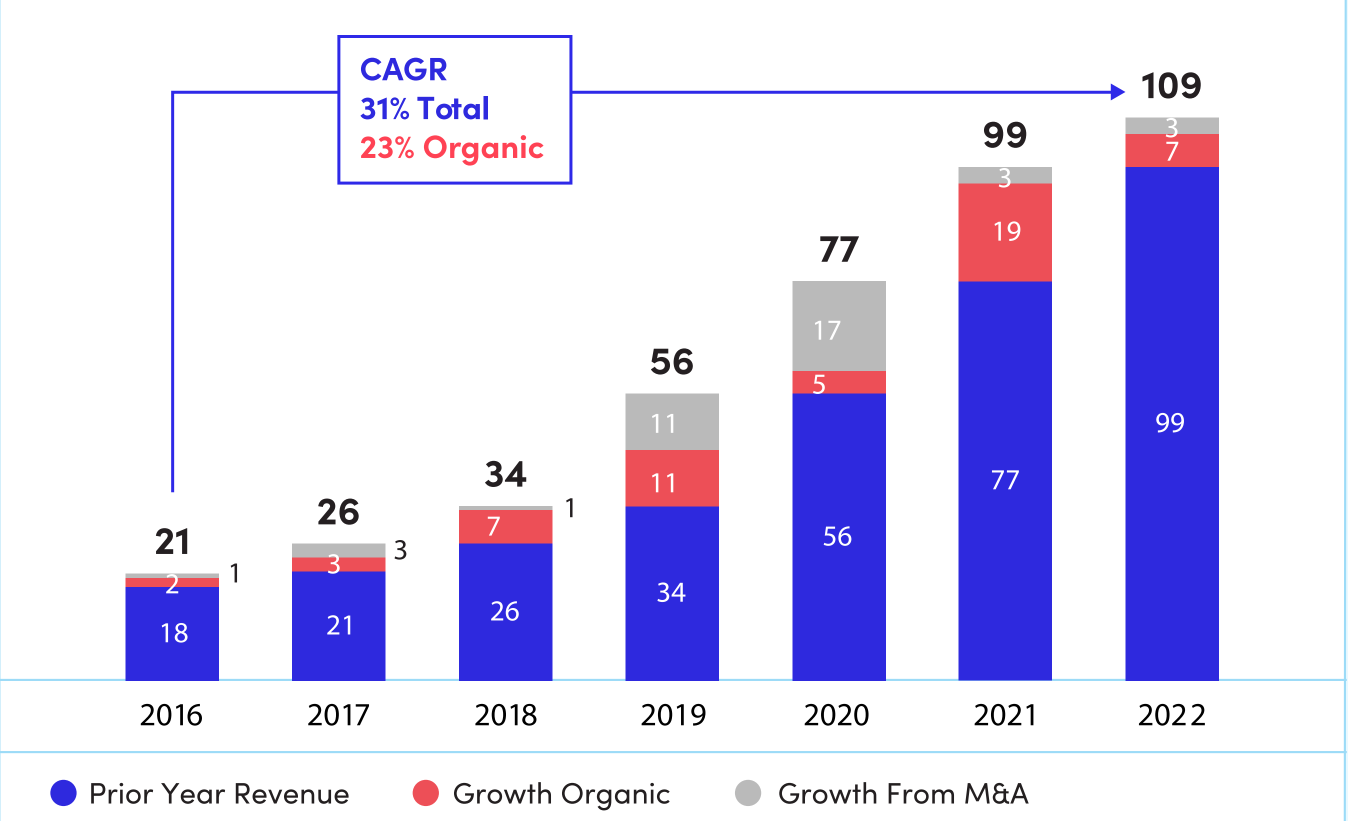
Revenue

The Group's total revenue for 2022 increased by 9.5% to $108.8 million (2021: $99.3 million). The growth was primarily organic (6.6%) and also benefitted from the acquisition of KP Public Affairs on 1 October 2022. Organic growth of 6.6% reflects the stability of our core business operations and comes on top of 28% growth in 2021, a banner year as a consequence of significant pandemic-related spending and the change of control at the executive branch.

Organic growth was driven by a high degree of retention of existing clients (typically higher in government relations and lower in public affairs, and on average 75%, based on client count) in combination with new business wins. New clients were typically Fortune 500/1000 corporations, large NGOs, and trade coalitions

The Group ended 2022 with over 850 clients, of which 384 accounted for a net revenue of equal or greater than $100,000 per annum (up from 347 in 2021). Our largest client represented 1.6% of total revenue, down from 2.5% in 2021. This success was driven by both of our primary business lines, government relations and public affairs. In 2022, our government relations business increased by 11% (8% organically) as we supported clients in managing their risks and opportunities. Our public affairs business increased by 5% (2% organically), building on a very strong performance in the previous year.

Revenue



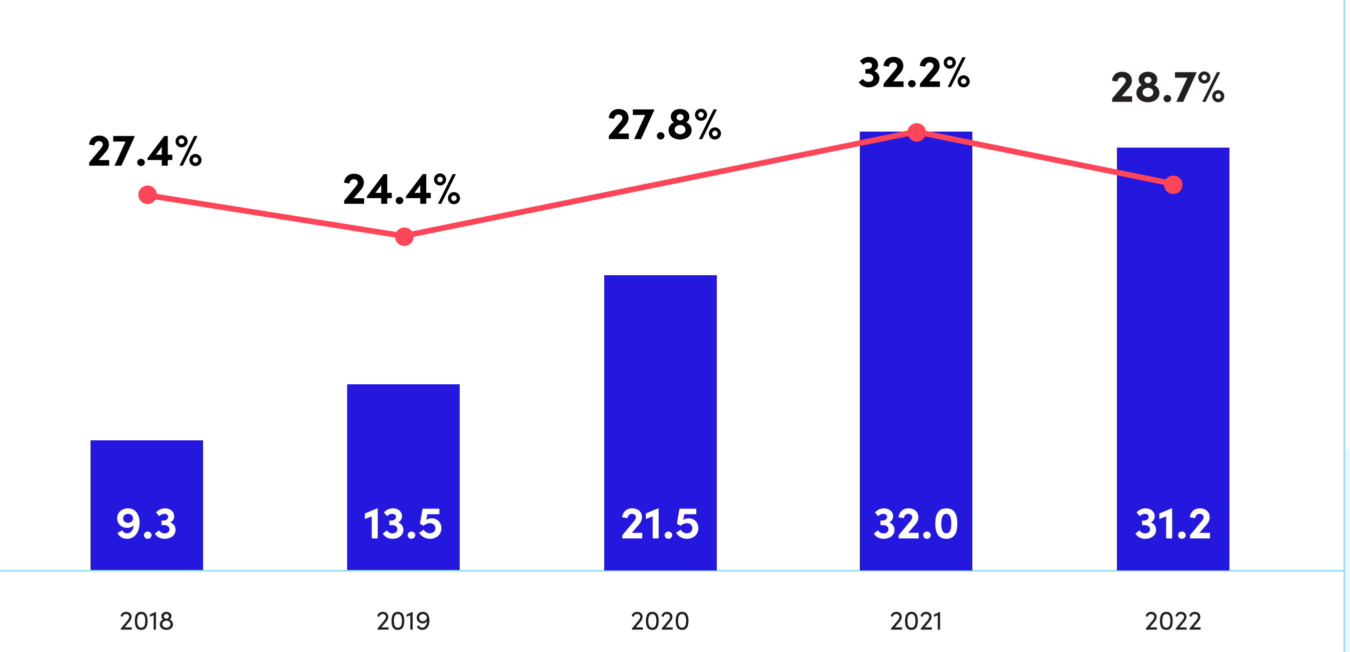
Profit

Underlying EBITDA of $31.2 million was achieved at a margin of 28.7%, consistent with the margins realised between 2018 and 2020, and in line with our guidance that margins will typically move within the range of 25% to 30%. The 32.2% margin of 2021 reflected a truly exceptional year driven by a combination of high pandemic-related spending and the change of control in the White House.

In 2022, Underlying EBITDA was also impacted by previously communicated additional expenses relating to the Group's first full year as public company. Those incremental costs, included within the calculation of Underlying EBITDA, amounted to approximately $5.4 million and included legal and registration fees, compliance costs, M&A related expenses, investments in staff at the Group's holding company, and in talent acquisition. We expect to make further investments in 2023 to build out our platform.

At an after-tax level, 2022 Underlying Net Income – which constitutes the basis of our dividend calculation – amounted to $23.3 million, slightly less than the $23.9 million for 2021 on a proforma basis.

Long term Underlying EBITDA



Employees

The Group started 2022 with 187 employees operating out of five offices. By end of year, this number had increased to 244 people, which includes 30 from the KP acquisition and 17 people hired when bringing the Engage team, a supplier to Forbes Tate, in-house. On average, during 2022 we had 206 employees.

Other

The Group's net finance costs for the year were $16k (2021: $52k), illustrating the absence of any significant debt on the Group's balance sheet. Tax accrual for 2022 amounted to $7.8 million, which represents a blended charge of 25.1% to our Underlying Profit. For comparative purposes, we have applied the same rate when calculating the 2021 proforma Underlying Profit.

Balance sheet and cash flow

The Group's net cash position as of 31 December 2022 was $21.0 million (2021: $17.8 million), taking into account the $0.2 million borrowings at that time. Our strong financial position enabled us to make the interim dividend payments and allowed us to make acquisitions, without borrowing from financial institutions.

Cash Flow	2021	2022
Net income	(24,256)	(15,009)
Add back: Sharebased compensation	27,609	33,392
Add back: LTIP		318
Add back: Amortization	1,885	2,129
Add back: Depreciation	128	100
All other changes in Working Capital	(728)	(253)
Operational Cash flow	**4,638**	**20,678**
Acquisitions	N/A	(11,912)
Investment Cash flow	**N/A**	**(11,912)**
Debt repayment	N/A	(26)
Dividend payment	N/A	(5,572)
Financing Cash Flow	**N/A**	**(5,598)**
Cash generated	**N/A**	**3,167**

Dividend

The Board of Directors of the Company declared a final dividend for 2022 of $0.095 per Common Share, which equates to an aggregate amount, based on the current number of outstanding Common Shares, of approximately $10.6 million, payable to the holders of record of all of the issued and outstanding shares of the Company's Common Stock as of the close of business on the record date, May 5, 2023. The ex-dividend date is 4 May 2023. The dividend will be paid no later than 2 June 2023.

An interim payment of $4.9 million was already made in October 2022 ($0.045 based on the outstanding Common Shares at that time), in line with the Company's intent to pay about one third of the expected total dividend for the year as an interim dividend. Consequently, the Group' total dividends for the financial year will be $0.14 per share. This represents, based on the current number of outstanding Common Shares, a total aggregate dividend for the year of approximately $15.5 million, equivalent to approximately 67% of the Group's Underlying Net Profit.

Dividend		**2021**	**2022**
All in $'000, unless otherwise noted			
Net income - Underlying		23,857	23,271
Free Operational Cash Flow		4,638	20,678
Dividend		703	15,511
Pay out ratio			67%
Payable in calendar year (interim dividend)			4,869
Payable next calendar year (final dividend)			10,642
Per share (**)			
# weighted avg shares outstanding - basic	'000	108,240	108,137
# weighted avg shares outstanding - fully diluted	'000	108,240	110,147
EPS - Reported (basic and fully diluted)	$	**(0.2241)**	**(0.1388)**
EPS - Underlying (basic)	$	0.2201	0.2152
EPS - Underlying (fully diluted)	$	0.2201	0.2113

Recent developments

As announced on 1 March 2023, the Group completed the acquisition of MultiState Associates. This was PPHC's second significant acquisition since the IPO in December 2021. MultiState's services at the state level are highly complementary to PPHC's with its strength in research and compliance adding to and enhancing PPHC's broader client offering. The initial consideration of $22 million was funded 80% ($17.6 million) in cash and 20% ($4.4 million) through the issue of new common shares in PPHC to MultiState. Further earnout payments are contingent on MultiState achieving profit growth targets between 2022 and 2027, promoting alignment with the Group's growth objectives. Significant revenue and profit synergy potential exists via the referral of existing clients from the PPHC network. The acquisition is substantially and immediately accretive to underlying earnings per share in 2023.

Also announced on 1 March 2023, and related to the MultiState acquisition, PPHC entered into a $17 million credit facility with Bank of America, N.A. Key components were:

- Facility 1: a $3 million Senior Secured Line of Credit. The interest rate payable on this facility is the Bloomberg Short-Term Bank Yield Index plus 225 basis points.
- Facility 2: $14 million Senior Secured Term Loan. The interest rate payable on this facility is the Bloomberg Short-Term Bank Yield Index plus 225 basis points.
- The Credit Facility will mature on 31 January 2026.

Credit Facility 2 was deployed alongside balance sheet cash to fund the cash element of the initial consideration in relation to the acquisition of MultiState. The Group recognises the importance of its ability to utilise, depending on market conditions, both the equity and debt markets to fund its growth strategy. Maintaining flexibility facilitates the Group's wider capital allocation policy, which includes the payment of dividends, in a de-risked manner.

Financial Guidance

- Management continues to expect revenue to grow by 5 to 10% organically, supplemented by growth from past and future M&A transactions.
- The Group continues to manage the business such that Underlying EBITDA as percentage of revenue is estimated to range between 25% and 30%.
- We expect to make further investments in 2023 to continue to build out our platform to support further growth.

Basis of preparation

The Company was incorporated on 4 February 2021, and was admitted to trading on the AIM market of the London Stock Exchange on 16 December 2021 (the "IPO"). The 2022 figures, for the consolidated financial statements in this annual report, represent the first full year of Public Policy Holding Company, Inc. following its IPO. The comparative figures presented in this report for the year ended 31 December 2021 are for Public Policy Holding Company, LLC and its subsidiary companies, the businesses of which were contributed to the Company immediately prior to the IPO. For the year ended 31 December 2021, the consolidated figures represent the results of the underlying business for the whole financial period before and after the IPO. The financial statements have been prepared in accordance with US GAAP (Generally Accepted Accounting Principles).

When the Company purchases services or goods on behalf of its clients (for example in the case of media purchases), the Group does not recognize the purchased goods as net revenue, but only the net fees earned on the purchases. Therefore, purchases on behalf of clients do not materially impact the top-line or the margins.

Management believes that Underlying EBITDA and Underlying Net Income are more useful performance indicators than the reported Net Income. Four elements distinguish our Underlying Net Income from our Reported Net Income:

1. **Share-based accounting charge:** As already mentioned in last year's report, the shares retained by employee shareholders following the IPO are subject to a vesting schedule. Also, their employment agreements contain certain provisions which enable cash derived from the sale of shares at the time of the IPO to be clawed back and forfeited on certain events of termination of employment. These items create a share-based accounting noncash charge in accordance with accounting guidance under US GAAP (Accounting Standards Codification, 718- 10-S99-2, compensation-stock compensation). Based on the value of the Company at the time of admission ($197 million) and taking into account the 14.6% of pre-admission employee shares sold in 2021, the 2022 non-cash charge is $33.4 million (2021: $27.6 million). This share-based accounting non-cash charge has no impact on either tax or Company operations.

2. **Post-combination compensation charge:** In 2022, the Group completed the acquisition of KP Public Affairs on 1 October 2022. Also, the Engage team was brought in-house (digital services supplier to Forbes Tate Partners) on 1 November 2022. To protect the interests of the Group, the shares issued as part of these two transactions were made subject to vesting schedules. And also, to a certain degree, the cash paid as part of these transactions can be clawed back and forfeited on certain events of termination of employment. The addition of these provisions to purchase price paid creates a post-combination compensation charge in accordance with accounting guidance under US GAAP (Accounting Standards Codification, ASC 805-10-55-25). The 2022 charge is $2.4 million (2021: $0 million). Again, this is non-cash charge and has no impact on either tax or Company operations.

3. **LTIP charges:** In 2022 the Group issued the first stock-based compensation units under the Omnibus Plan. This plan was introduced at the time of the IPO and allows the Group to issue up to a certain number of stock-related units (e.g. options, restricted stock). In 2022 PPHC issued 2.8 million stock options at a premium exercise price (market price at time of grant plus 20%), exercisable at the 3rd anniversary of the grant. The charges relating to this issue, $0.3 million in 2022, as reflected in our P&L were computed using the Black Scholes method.

4. **Amortization of intangibles:** The non-cash amortization charge of $2.1 million relates to the amortization of customer relationships per ASC 805.

(**) EPS Underlying Net Income for 2021 based on the average number of shares in the post-IPO period from 16 December 2021 to 31 December 2021, being 108,240,250

William Chess
Chief Financial Officer
April 2023

Roel Smits
Deputy CFO
April 2023

Management and Governance

The Board

Board Attendance

Attendance records for the Board and Committee meetings held during the year are shown below. These include scheduled Board, Audit Committee, and Remuneration Committee meetings.

Board Member	Board of Directors		Audit Committee		Remuneration Committee	
	% of attendance	Number of meetings	% of attendance	Number of meetings	% of attendance	Number of meetings
Simon Lee *Non-Executive Chair*	100%	9/9	100%	4/4	100%	6/6
Stewart Hall *Managing Director*	100%	9/9	-	-	-	-
Bill Chess *Chief Financial Officer*	100%	9/9	-	-	-	-
Zachary Williams *Executive Director*	89%	8/9	-	-	-	-
Benjamin Ginsberg *Non-Executive Director*	100%	9/9	100%	4/4	100%	6/6
Kimberly White *Non-Executive Director*	89%	8/9	75%	3/4	83%	5/6

Simon Lee

NON-EXECUTIVE CHAIRMAN

As well as Chairing PPHC, Simon is Chair of Brit Syndicates and is a Non-Executive Director of Osirium Technology plc and Fairfax International (Barbados) Ltd. Simon also serves on the global advisory boards of Sherpa Management and Entelechy. Until December 2013, he served as group chief executive of RSA Insurance Group plc, a FTSE 100 insurer. Simon also spent 17 years with NatWest Group where he held a number of senior leadership positions, including CEO of NatWest Offshore, Head of US Retail Banking, CEO NatWest Mortgage Corporation (US) and Director of Global Wholesale Markets.

Simon Lee is chair of the Audit Committee and a member of the Remuneration Committee of PPHC.

Stewart Hall

EXECUTIVE DIRECTOR

Stewart is a co-founder of the Group. He is also founder and chairman of Crossroads Strategies, a bipartisan, multi-disciplinary federal relations, advocacy and advisory firm based in Washington DC. Stewart has extensive experience in both the public and private sectors. He co-founded Federalist Group in 1999, which was acquired by Ogilvy Public Relations (WPP) in 2005. Prior to that, he served as Legislative Director to Senator Richard Shelby (R-AL) from 1992-1996, working across defense policy, appropriations and financial services committees.

William Chess

EXECUTIVE DIRECTOR

Bill is a co-founder of the Group. Previously, he was COO and CFO of Ogilvy Public Relations Worldwide (WPP), during which time he oversaw acquisition activity across all global regions. Bill began his business career with Unilever, including as Financial VP of Lever's Food Division. He is a veteran of the United States Air Force where he served as an air traffic controller.

Zachary Williams

EXECUTIVE DIRECTOR

Zachary is a Managing Partner at Forbes Tate Partners, a bipartisan, full-service government and public affairs advocacy firm that became part of PPHC in 2014. Prior to Forbes Tate Partners, he was a founder and managing partner of Cauthen and Associates.

Kimberly White

NON-EXECUTIVE DIRECTOR

Kimberly was previously senior VP and Chief Communications Officer at CVS Health. She served as global sector chair for Health at Edelman, the world's largest public relations firm. Prior to that, Kimberly spent 16 years with Ogilvy Public Relations, where she held a variety of roles including global health chair and managing director of Ogilvy's New York public relations business.

Kimberly White is Chair of the Remuneration Committee and a member of the Audit Committee.

Benjamin Ginsberg

NON-EXECUTIVE DIRECTOR

Benjamin has most recently been a political law Partner at international law firm, Jones Day, before retiring in August 2020. Prior to that he served as national counsel to the Bush-Cheney presidential campaigns in 2000 and 2004, as well as the Romney for President campaigns of 2008 and 2012. He joined Patton Boggs, a full-service global law firm, in 1993 after serving eight years as counsel to the Republican National Committee, the Republican Senatorial Committee and the Republican Congressional Committee. Benjamin is counsel to the Republican Governors Association.

Benjamin Ginsberg is a member of the Audit Committee and the Remuneration Committee.

Principles of Governance

The Directors recognize the importance of sound corporate governance and have taken account of the requirements of the QCA Code to the extent that they consider appropriate having regard to the Company's size, board structure, state of development and level of resources. Further information on the Company's compliance with the QCA Code can be found at www.pphcompany.com on the AIM Rule 26 page.

Directors support high standards of corporate governance and have decided to comply fully with the QCA Code as set out over the next few pages:

1 Principle: Establish a strategy and business model which promote long-term value for shareholders

A. The Company communicated its purpose, business model and strategy in the Company's Admission Document created and published in connection with the Company's IPO and related admission to AIM in December 2021. These have been refined and further communicated in the Company's subsequent release and publication of the Company's Annual Report for 2021 (published 23 May 2022), as well as other RNS announcements periodically made by the Company.

B. The Board holds at least one session each year dedicated to strategy, which includes input from senior members of the management team and any necessary external advisers. A strategic report reflecting the outcome of such sessions is included in the Company's Annual Report.

C. The Board, at its regularly scheduled meetings, receives detailed updates regarding M&A strategy and execution, and Operating Company operations. In addition, the Board periodically receives detailed presentations in connection with the approval of specific M&A transactions, and, separately, special presentations by senior management of the Operating Companies describing the nature of each Operating Company's business, focus, approach, personnel, outlook, and results.

D. Principal risks facing the Group were set out in the Admission Document. The Board periodically reviews and discusses these risks and identifies and deploys mitigation steps to manage these risks and confront day-to-day challenges of the business.

E. The Company's articulated mission, and related five key values, are intended to guide the Board, Company management and personnel in executing the Group's business plans and mitigate risks. The Company's mission is to become the preeminent public and government affairs organization in the world by uniting a diverse group of industry leading organizations for the collective success and profitability of the Group's clients, companies and employees. The five key values are:(i) Transparency – communicating openly, freely and with clarity; (ii) Objectivity – making unbiased and fair decisions; (iii) Fiscal Responsibility – operating under the premise that a fair return is due for all stakeholders; (iv) Integrity – putting ethics and legal compliance at the forefront of practices and procedures; and (v) Excellence – flawlessly advocating on behalf of clients to support the achievement of clients' business objectives.

F. The primary challenge to executing PPHC's model and strategy is cohesively synthesizing highly entrepreneurial, successful professionals coming from a fragmented industry lacking scalability. PPHC's approach to achieving this is to build and grow an infrastructure (centralized functions including finance, HR, benefits and payroll, client development, M&A and legal) through which complementary (and overlapping), separately branded, businesses are empowered to focus on their key competencies, executive management is encouraged to operate with entrepreneurial creativity and autonomy, and key talent is incentivized through equity participation and a robust referral system. PPHC's public company status facilitates all of this by providing channels for growth capital for the Group as well as employee participation in the Group's collective growth.

2 Principle: Seek to understand and meet the shareholder needs and expectations

A. The Board is committed to open and ongoing engagement with the Company's Shareholders. The Board communicates with Shareholders through:

- The Annual Report;
- The half-year and full-year results announcements; trading updates (where required or appropriate), although to-date, none have been issued;
- The Annual General Meetings; and
- The Company's investor relations website.

B. Regular meetings are held between the Company's Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer, and Deputy Chief Financial Officer and institutional investors and analysts to ensure that the Company's strategy, financials, and business developments are communicated effectively.

C. The Board intends to engage with Shareholders who do not vote in favour of resolutions at annual general meetings to understand their motivation.

D. The Company's Chief Strategy Officer oversees investor relations for external shareholders and prospective investors, analysts, and regulators. Communications with internal shareholders, option holders and other participants in the LTIP programme is handled in conjunction with HR and Group operations.

Principles of Governance Continued

E. The Company has created a "Management Committee" led by the Company's Chief Executive Officer and consisting of one or more senior executives from each of the Operating Companies. The Management Committee meets at least quarterly and addresses issues related to company strategy, financial operations, cross selling opportunities and other matters appropriate for the full Committee. It is important to note that issues specific to a single Operating Company or its individual clients are not discussed at this Management Committee as such matters are subject to client confidentiality and conflict assurances.

F. The Company maintains an active corporate website www.pphcompany.com and posts content regularly to social media (Linkedin, Twitter, Instagram) in order to inform stakeholders of its business updates and key milestones, along with the required financial reporting provided within the specific investor website. In 2023 and beyond, the Company intends to engage directly with retail investors via earned media and through the Investor Meets Company platform, or via similar services.

G. The Company's management receives and reviews a quarterly analysis of the Company's Shareholder register prepared by Link Market Services (Guernsey) Ltd and Stifel (as the Company's Nominated Advisor, or NOMAD). Periodically, this information is relayed to the Board.

H. The Company's management speaks regularly, on a weekly basis, with the NOMAD to share ongoing developments, ideas, and plans. They also speak periodically as additional matters arise.

3 Principle: Take into account wider stakeholder and social responsibilities and their implications for long-term success

A. The Group takes its corporate social responsibilities very seriously and is focused on maintaining effective working relationships across a wide range of stakeholders including employees, existing and new customers, academics, and its group of advisors that it collaborates with as part of its business strategy and business operation, in order to achieve long-term success.

B. The Company has articulated a Code of Ethics, including conducting business honestly and ethically wherever operations are maintained; to improve the quality of the Group's services, products and operations; to maintain a reputation for honesty, fairness, respect, responsibility, integrity, trust, and sound business judgment; managers and employees are expected to adhere to high standards of business and personal integrity as a representation of the Group's business practices, at all times consistent with their duty of loyalty to PPHC.

C. The Group intends to develop and implement an ESG Policy to include (i) assessing key issues of importance to the Group and its stakeholders, (ii) developing an approach to addressing such issues, metrics to assess results, and methods to gather data relevant for such metrics, (iii) reviewing the Group's performance and assessing any need for improvement, and (iv) reporting and disclosure to stakeholders. The Group's current efforts in this area include establishing and implementing (a) a fellowship program focused on attracting and training talented college-students from all backgrounds, (b) a Code of Ethics, (c) a policy regarding Conflicts of Interest between employees and competitors, suppliers, distributors and contractors regarding, confidentiality, customer relations, safety, security and morale, and (d) policies regarding employment practices with respect to hiring, accommodation, communication, equal opportunity and harassment.

D. The Directors and the Group maintain an ongoing dialogue with stakeholders to inform strategy and the day-to-day running of the business, including through channels highlighted in Section 2 above. This includes, among others, clients, subcontractors, and other key business partners.

E. The Group's business model, including the holding company structure with its wholly owned operating subsidiaries, facilitates identifying shared challenges and opportunities, and identifying key resources and relationships needed to successfully navigate those challenges and seize those opportunities, and communication and feedback.

F. Through the Management Committee, and various other periodic meetings and calls, the Company's Chief Executive Officer receives regular feedback from senior management of the Operating Companies. This feedback occurs in two capacities – executive-level management of each Operating Company as well as key shareholders owning (with other employees) a majority of the Company's issued and outstanding shares of stock.

G. The Company has created and maintains a platform, through ADP, to receive and share information regarding Group policies, resources, practices, and procedures.

4 Principle: Embed effective risk management, considering both opportunities and threats, throughout the organisation

A. Principal risks facing the Group and the industry in which it operates were set out in the Admissions Document. These risks are reviewed at least once a year.

B. The Company currently operates a risk framework including a risk register that is managed by the Chief Operating Officer. The risk register is intended to be reviewed at least annually by the Board and included in the Annual Report. The Chief Executive Officer and Audit Committee review the risk register regularly throughout the year.

C. The Company's risk management efforts include (i) providing ongoing educational opportunities for executives, managers and other employees regarding legal compliance as well as compliance with the Company policies and procedures, (ii) continuously evaluating the Company's practices, policies and procedures to assure compliance, (iii) hiring in-house legal counsel to serve as a resource for the Group, (iv) implementing financial security protocols, and (v) structuring management oversight and control with various checks and balances.

D. The Company's Chief Executive Officer utilizes the Management Committee, as well as regular discussions, separately, with the NOMAD and Chair of the Board to discuss risks, opportunities, and threats on a timely basis.

E. The Company's component auditors, MN Blum, LLC, periodically identify risks in connection with the annual audit of the Company's consolidated financial statements and the preparation of the Annual Report. These are discussed with Company management and the Audit Committee.

F. The Company's management regularly communicates with the Company's insurance advisors to assess

Principles of Governance Continued

changes in the Group from an organizational perspective and determine whether adjustments to the Company's insurance portfolio are appropriate.

G. The Company has engaged cybersecurity consultants to assess and develop a tailored process to enhance the Group's overall cybersecurity.

5 Principle: Maintain the board as a well-functioning, balanced team led by the Chair

A. The Board has been constructed to ensure that it has the right balance of skills, experience, independence, and knowledge of the business. Since the Company's admission to AIM, the Board consists of six individuals, three of whom are executive directors – Stewart Hall, as Chief Executive Officer, Bill Chess, as Chief Financial Officer, and Zach Williams, as a senior executive of Forbes Tate Partners. The other three directors are non-executives and include Simon Lee, as Chair of the Board and Chair of the Audit Committee, Kimberly White, as Chair of the Remuneration Committee, and Benjamin Ginsberg.

B. Benjamin Ginsberg and Kimberly White are considered by the Board to be independent non-executive directors and were selected with the objective of bringing experience and independent judgement to the Board.

C. The Board is supported by the Audit Committee and the Remuneration Committee. The Audit Committee has three members (the three non-executive directors) and is chaired by Simon Lee. The Remuneration Committee also has three members (the three non-executive directors) and is chaired by Kimberly White. Each committee has "Terms of Reference" adopted by the Board in connection with the Company's admission to AIM. Additional details of these committees are set out on pages 48 and 50 of the Annual Report.

D. The Board adheres to a Schedule of Matters Reserved to the Board adopted by the Board in connection with the Company's admission to AIM.

E. The full Board is scheduled to meet regularly and at least four times a year. In 2022, the Board met 9 times, most of which were regularly scheduled, and several of which were special meetings convened to address one or more particular matters such as an M&A transaction.

F. The Audit Committee is scheduled to meet regularly at least two times each year. In 2022, the Audit Committee met 4 times.

G. The Remuneration Committee is scheduled to meet regularly at least two times each year. In 2022, the Remuneration Committee met 6 times.

H. Processes are in place to ensure that each member of the Board is, at all times, provided with such information as is necessary for each member to discharge such member's duties. For example, prior to each Board meeting or Committee meeting, the Company's corporate Secretary, prepares and circulates for Board or Committee review a detailed "Board Pack" of materials to be reviewed prior to, and during, each meeting. These materials, and others presented at the meetings, form the basis for further discussion of each matter presented to the Board and its Committees. To facilitate Board review and reference, all Board materials are made available through an online Board portal.

I. The agenda for each Board and Committee meeting is carefully selected based on numerous conversations among the Chair and CEO, and among Company management. Minutes of the proceedings of the Board and each Committee are recorded, reviewed, approved, and maintained for reference.

J. At each meeting of the Board and each Committee, the chair of the meeting announces whether any potential conflicts have arisen regarding any matter on the agenda. If the chair is aware of no conflicts, the meeting proceeds; if a conflict is raised, it will be discussed and, if appropriate, one or more members will be recused.

K. At each meeting of the Board, the non-executive directors have an opportunity to request to meet in executive session.

L. The Company's Chief Executive Officer and the Company's non-executive Chairman of the Board speak regularly on a weekly basis to share ongoing developments, ideas, and plans. They also speak periodically as additional matters arise.

M. The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders.

N. The Bylaws of the Company state that at the annual meeting of stockholders, directors shall be elected as set forth in the Company's corporate charter. The Company's charter requires that the Board be classified, with respect to the term for which the directors severally hold office, into three classes, designated as Class I, Class II and Class III, respectively. Each class currently consists of two Directors. The initial Class I Directors (Stewart Hall and Kimberly White) served for an initial term expiring at the initial annual meeting held on June 1, 2022 (and, at such meeting, each was re-elected for a term expiring at the annual meeting of stockholders to be held in 2025), the initial Class II Directors (Bill Chess and Ben Ginsberg) are serving for an initial term expiring at the annual meeting to be held in 2023, and the initial Class III Directors (Zach Williams and Simon Lee) are serving for an initial term expiring at the annual meeting to be held in 2024.

O. The Company's non-executive Chair of the Board is subject to re-appointment by the Board annually.

6 Principle: Ensure that between them the directors have the necessary and up-to-date experience, skills and capabilities

A. The Directors believe that the Board has the appropriate balance of diverse skills and experience in order to deliver on its core objectives. The Board is not dominated by one individual and all Directors can challenge proposals put forward to the meeting, democratically. The Board has a healthy mix of those with industry experience, financial and legal experience. All Directors are encouraged to, and do, participate actively in discussions of matters presented to the Board.

B. The Directors have also received a briefing from the Company's NOMAD in respect of continued compliance with the AIM Rules and the Company's Solicitors in respect of continued compliance with UK MAR and other applicable laws. In 2022, Stifel, as NOMAD attended at least one Board meeting at which Stifel made a presentation regarding compliance and other matters.

Principles of Governance Continued

C. In addition to the Chief Executive Officer, other Company officers (the Chief Financial Officer, Deputy Chief Financial Officer, and Chief Operating Officer) regularly advise the Board on financial, M&A and other matters. The Company's corporate Secretary and the Company's Chief Legal Officer regularly advise the Board on matters regarding corporate governance, process, procedures, and compliance.

D. External advisors to the Company – and the Board – include (among others), the Company's independent certified public accountants, as well as MN Blum, the Company's component auditors, representatives of whom attend Board meetings twice each year to discuss and report on the annual audit and half-year review. Crowe UK, as the Company's statutory auditors, attends annually to discuss and report on the annual audit.

7 Principle: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

A. The Chair is responsible for ensuring an effective Board. Simon Lee, serving as PPHC's Chair, takes an active role in executing the vision of the Company through weekly calls with the Chief Executive Officer. Mr. Lee also receives regular updates from the corporate Secretary and Chief Legal Officer regarding Board and other governance matters. In carrying out his functions as Chair, Mr. Lee utilizes his extensive leadership experience (including as a board chair) with a particular focus on U.K. points of emphasis.

B. The Company plans to engage in a process to periodically evaluate the performance of the Board, the Committees, and the individual Directors against its objectives to ensure that members of the Board provide relevant and effective contribution.

C. In accordance with the QCA Code, the Company intends to utilize the following framework for periodic evaluation of the Board based on six key indicators and criteria for Board effectiveness.

1. Clear Purpose and Strong Leadership by the Chair:
   - Documented Board purpose and objectives
   - Regular engagement of the Chair with CEO and other Board members
   - Clear and communicated decision-making process
   - Opportunity for all Board members to influence agenda and actions
2. Balance of Skills, Experience and Independence:
   - Qualifications
   - Experience
   - Independence
   - Diversity
   - Succession Planning
3. Directors that Work as a Team:
   - Communication
   - Process
   - Follow-Up
   - Support
   - Strategy
4. Understanding of the Business and its Strategy:
   - Clear communication of the strategy on all fronts to an increasing set of internal and external stakeholders
5. Information and Engagement with Shareholders and other Key Stakeholders:
   - Investor relations function
   - Chair participation in discussions with key investors
   - Identify/communicate with stakeholder groups
6. Board Performance Evaluation:
   - Periodic internal evaluation
   - Communication and Feedback

8 Principle: Promote a corporate culture that is based on ethical values and behaviors.

A. The Group promotes a culture of integrity, honesty, trust and respect, and all employees of the Group are expected to operate in an ethical manner in all its internal and external dealings. The Company's Code of Ethics described in Principle 3 above articulates and reinforces this culture.

B. The employee handbook and policies promote this culture and include such matters as anti-bribery and corruption, communication, and general conduct of employees. This handbook is updated at least annually and is tailored to the Group's expanding geographic footprint.

C. The Board takes responsibility for the promotion of ethical values and behaviors throughout the Group, and for ensuring that such values and behaviours guide the objectives and strategy of the Company.

D. As described in Principles 1, 2 and 3 above, Company senior executives regularly communicate with the Chair of the Board, other Directors, each other, and with senior executives of each of the Company's operating subsidiaries. Company leadership intends to serve as examples of the Company's ethical values.

9 Principle: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

A. The Non-Executive Chair leads the Board and is responsible for its governance structures, performance and effectiveness. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Chief Executive Officer is the primary contact for the Company's

Principles of Governance Continued

Shareholders and is responsible for ensuring that the link between the Board and the shareholders is strong and efficient. The Executive Directors are responsible for the operation of the business and delivering the strategic goals agreed by the Board.

B. The Board is supported by the Audit Committee and Remuneration Committee. Details of these committees and their responsibilities are set out in the Admissions Document and highlighted on pages 48 and 50 of the Annual Report. From time to time, separate committees may be set up by the Board in order to consider and address specific issues, as and when they arise.

C. The Board intends to review the governance framework on an annual basis to ensure it remains effective and appropriate for the business going forward.

10 Principle: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

A. The Company intends to use the following principal methods of communication with its Shareholders:

- The Annual Report;
- The half-year and full-year results announcements;
- Announcements regarding M&A activity, dividends, and certain dealings activities
- Trading updates (where required or appropriate), although none were issued in 2022;
- The Annual General Meetings; and
- The Company's investor relations website

B. The Company has retained investor relations agency support with London-based firms to facilitate awareness of its business and performance of its stock amongst analysts, retail investors and others. For the full year 2022, the agency retained was Instinctif Partners, 65 Gresham Street, London EC2V 7NQ. Effective 1 February 2023, the agency retained has changed to Buchanan Communications, 107 Cheapside, London EC2V 6DN

C. The Company's website (www.pphcompany.com) is updated on a regular basis with information regarding the Group's activities and performance. The Company's reports, presentations, notices of annual general meetings, and results of voting at shareholder meetings are anticipated to be made available on the website.

D. The role of the Management Committee in facilitating communication among the Chief Executive Officer and senior leadership of the Company's operating subsidiaries who also, collectively, own a majority of the Company's outstanding stock, is described in Principle 2 above.

Board Disclosures

Dividends

Effective on 20 April 2023, the Board of Directors of the Company declared a final dividend of $0.095 per share, taking the total dividend for the year to $0.14 per share. This will represent a total aggregate dividend for the year of approximately $15.5 million, equivalent to approximately 67% of the Group's Underlying Net Profit (based on the current number of common outstanding shares). The final dividend of $0.095 per share is payable to the holders of record of all of the issued and outstanding shares of the Company's Common Stock as of the close of business on the record date, 5 May 2023. The ex-dividend date is 4 May 2023

Substantial Shareholders' and Directors' Holdings

Substantial Shareholders (as of December 31)	**Number of Common Shares**
Alpine Group Inc.	12,491,234
Jeffrey Forbes	11,515,742
Directors' Holdings (as of December 31)	**Number of Common Shares**
Stewart Hall	6,037,833
William Chess	2,169,930
Zachary Williams	4,786,037
Benjamin Ginsberg	Nil
Simon Lee	124,824
Kimberly White	Nil

Corporate Governance Report

Statement of directors' responsibilities

The Board reviews the Company's corporate governance arrangements regularly and expects to evolve these over time, in line with the Company's growth.

The Board delegates responsibilities to Committees and individuals as it sees fit.

The Chair's principal responsibilities are to ensure that the Company and its Board are acting in the best interests of shareholders. The Chair's leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness, creates the right Board dynamic and ensures that all important matters, particularly strategic decisions, receive adequate time and attention at Board meetings.

The day-to-day management of the Group's key divisions is carried out by the Group's key executives, led by the CEO who reports to the PPHC Board.

- All Directors participate in the key areas of decision making, including the following:
- Review, formulate and approve the Company's strategy;
- Review, formulate and approve the Company's budgets;
- Review, formulate and approve the Company's corporate actions; and
- Oversee the Company's progress towards its goals.

The Board delegates authority to two Committees (Audit Committee and Remuneration Committee) to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.

Whistle Blowing and Anti-Bribery Policies

The Company's Whistle Blowing Policy is aimed at preventing illegal activity and unethical business conduct by encouraging Directors, officers, and employees to report any wrongdoing or suspected violations. The Company also has an Anti-Bribery Policy to ensure the highest standards of personal and professional ethical behaviour are adhered to.

Audit Committee Report

I am pleased to present this report of the Audit Committee (the "AC") following the first full calendar year of activity after the Company's initial public offering and admission to AIM in December 2021.

In accordance with the Company's Terms of Reference for the AC (the "AC Terms of Reference"), the AC consists of three members. In addition to serving as Chairman of the Board, I serve as Chair of the AC. The Company's two other non-executive directors, Benjamin Ginsberg and Kimberly White, are also members of the AC. Jill Kendrick, the Company's Chief Operating Officer, serves as Secretary of the Company and as Secretary of the AC. As highlighted in the Company's Admissions Document, the Board has acknowledged that certain corporate governance guidelines recommend that the chair of a board not also be a member of that board's audit committee. However, the QCA Code does not include such a recommendation. The Company's Board has carefully considered the membership and chair of the Audit Committee and has concluded that I am an appropriate choice to serve as chair. In 2022, the AC held four meetings. All members attended each meeting except for one meeting at which one member was called away unexpectedly immediately before the meeting. Each of Stewart Hall, Bill Chess, Ms. Kendrick, Roel Smits and Neal Strum, as respectively, the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Deputy CFO and Chief Legal Officer, has made themselves available to all of the AC members for dialogue with the AC since its formation, providing information and insight into the Company's policies, procedures, and operations. The AC has also communicated with the Company's external auditors - the public accounting firms of MN Blum (as component auditor) and Crowe U.K. (as statutory auditor).

The AC's responsibilities are described in the AC Terms of Reference and generally include ensuring that the financial performance of the Company is properly reported on and reviewed. More specifically, the AC's role includes: (i) considering and monitoring the appointment and re-appointment of the Company's external auditors as well as advising on the terms of engagement between the Company and such auditors; (ii) ensuring procedures are in place for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; (iii) reporting formally to the Board on proceedings after each AC meeting; (iv) monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements); (v) undertaking narrative reporting and advising the Board on whether the content of the annual report and accounts provides the necessary information for shareholders to assess the Company's performance, business model and strategy; (vi) reviewing internal control and risk management systems; (vii) reviewing the Company's policies for detecting fraud; (viii) reviewing any changes to accounting policies and checking the application of these policies on a year-to-year basis; (ix) reviewing the Company's internal audit functions, (x) reviewing and monitoring the extent of the non-audit services undertaken by external auditors, and (xi) ensuring that the Company has in place the procedures, resources and controls to enable compliance with the AIM Rules and the QCA Code. Highlights of the AC's activities in 2022 include (a) reviewing the Company's 2021 financial statements and the accompanying auditors' reports of MN Blum and Crowe U.K. as well as the related results announcement, and recommending approval by the Company's Board, (b) reviewing the Company's 2022 half-year financial statements and the accompanying review report of MN Blum as well as the related results announcement, and recommending approval by the Board, (c) reviewing the terms of engagement of MN Blum as the Company's component auditor for 2022, and recommending approval by the Company's Board, (d) reviewing the terms of engagement of Crowe U.K. as the Company's statutory auditor for 2022, and recommending approval by the Board, (e) reviewing and approving the AC Report for the Company's Annual Report released in 2022, and (f) periodically reviewing and discussing the Company's Risk Register and Related Party Register. In addition, after each AC meeting, I gave the Board a full report on the AC's actions.

I look forward to attending the Company's next Annual General Meeting and to responding to shareholders' questions regarding the work of the AC.

Simon Lee
Audit Committee Chair
April 2023

Remuneration Committee Report

I am pleased to present this report of the Remuneration Committee (the "RC") following the first full calendar year of activity after the Company's initial public offering and admission to AIM in December 2021.

In accordance with the Company's Terms of Reference for the RC (the "RC Terms of Reference"), the RC consists of three members. I serve as Chair of the RC. The Company's two other non-executive directors, Simon Lee (who also serves as Chair of the Board) and Benjamin Ginsberg, are also members of the RC. Jill Kendrick, the Company's Chief Operating Officer, serves as Secretary of the Company and as Secretary of the RC.

In 2022, the RC held six meetings. All RC members attended each meeting except for one meeting at which one member was called away unexpectedly before the meeting. Each of Stewart Hall, Bill Chess, Ms. Kendrick, Roel Smits and Neal Strum, as respectively, the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Deputy CFO and Chief Legal Officer, has made themselves available to the RC members for dialogue with the RC since its formation, providing information and insight into the Company's policies, procedures, and operations.

The RC's responsibilities are described in the RC Terms of Reference and generally include determining the Company's policy on the remuneration packages of the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, other executive directors, and other senior executives as designated by the Board. The Remuneration Committee also has responsibility for: (i) recommending to the Board a remuneration policy for executive directors and other senior executives, and monitoring its implementation; (ii) approving and recommending to the Board and the Company's shareholders, the total individual remuneration package of the executive directors and other senior executives (including bonuses, incentive payments and share incentive awards or other share awards); and (iii) approving the design of, and determine targets for, any performance related pay schemes and share incentive plans operated by the Company. The remuneration of the Company's non-executive directors (including the Chair of the Board) is a matter for the Company's executive directors. No director or member of management may be involved in any discussions as to their own remuneration.

Highlights of the RC's activities in 2022 include (a) reviewing and approving the framework, structure and implementation of the Company's bonus plan for the portion of fiscal year 2021 occurring after the Company's IPO, (b) reviewing and approving the framework of the Company's bonus plan for fiscal year 2022, (c) considering and approving a proposal to authorize an interim advance of certain 2022 bonuses, (d) reviewing and approving the inaugural allocation of awards under the Company's LTIP, including initial and subsequent grants of stock options, (e) reviewing and approving the terms, conditions and other provisions of a form of stock option grant agreement to be used to implement the Company's LTIP, (f) considering and approving proposed changes in compensation of certain of the Company's officers, and (g) reviewing and approving the RC Report for the Company's Annual Report released in 2022. In addition, after each RC meeting, I gave the Board a full report on the RC's actions.

Directors' Agreements

Each of the Company's three executive directors – Stewart Hall, Bill Chess, and Zachary Williams – are parties to an Executive Employment Agreement with the Company, as described in detail in the Company's Admission Document published in connection with the Company's IPO and highlighted in the "Directors Remuneration" section of this Annual Report. Each of the Company's three non-executive directors – Simon Lee, Kimberly White and Ben Ginsberg – are parties to a letter of appointment, as described in the Company's Admission Document. Information regarding directors' remuneration is included in the following section of this Annual Report.

I look forward to attending the Company's next Annual General Meeting and to responding to shareholders' questions regarding the work of the RC.

Kimberly A. White

Kimberly White
Remuneration Committee Chair
April 2023

Directors Remuneration

Prior to the Company's pre-IPO reorganization on 10 December 2021, Stewart Hall served as the Company's sole director from the Company's formation on 4 February 2021. On 10 December 2021, the number of directors was increased to six, and each of William Chess, Zachary Williams, Simon Lee, Kimberly White and Benjamin Ginsberg was elected as a director. Mr. Hall also serves as the Company's Chief Executive Officer, Mr. Chess serves as the Company's Chief Financial Officer, and Mr. Williams is also a Managing Partner at Forbes Tate Partners, one of the Company's operating subsidiaries. Mr. Lee serves as non-executive Chair of the Board of the Company and Chair of the Board's Audit Committee. Ms. White serves as a non-executive director of the Company and Chair of the Board's Remuneration Committee. Mr. Ginsberg serves as a non-executive director of the Company.

Pursuant to an agreement with the Company dated 2 August 2021 (effective beginning at the time of the IPO on 16 December 2021), Mr. Hall is employed by the Company as Chief Executive Officer. Prior to 16 December 2021, Mr. Hall was employed by Crossroads Strategies, one of the Company's operating subsidiaries. Mr. Hall's salary is US $800,000 per annum. Mr. Hall is eligible to receive an annual cash bonus in accordance with the terms of the Company's annual bonus program, subject to the attainment of applicable performance targets to be set by the Board of Directors or its delegate. Mr. Hall is also eligible to receive equity-based awards in accordance with the Company's Omnibus Incentive Plan. With respect to the year ending 31 December 2022, during which Mr. Hall served as a director of the Company, Mr. Hall received from the Company a salary of $800,000. In addition, with respect to such year, Mr. Hall received (i) stock options (awarded under the Company's LTIP) for 50,000 shares of the Company's Common Stock, and (ii) an award of 247,197 unrestricted shares of the Company's Common Stock (awarded under the Company's LTIP) in lieu of a cash bonus for such year. Mr. Hall is also a stockholder of the Company, having received shares in connection with the Company's pre-IPO reorganization on 10 December 2021.

Pursuant to an agreement with the Company dated 1 August 2021 (effective beginning at the time of the IPO on 16 December 2021), Mr. Chess is employed by the Company as Chief Financial Officer. Mr. Chess' current salary is US $450,000 per annum. Mr. Chess is eligible to receive an annual cash bonus in accordance with the terms of the Company's annual bonus program, subject to the attainment of applicable performance targets to be set by the Board of Directors or its delegate. Mr. Chess is also eligible to receive equity-based awards in accordance with the Company's Omnibus Incentive Plan. With respect to the year ending 31 December 2022, during which Mr. Chess served as a director of the Company, Mr. Chess received from the Company a salary of $433,333. In addition, with respect to such year, Mr. Chess received (i) stock options (awarded under the Company's LTIP) for 50,000 shares of the Company's Common Stock, and (ii) an award of 139,048 unrestricted shares of the Company's Common Stock (awarded under the Company's LTIP) in lieu of a cash bonus for such year. Mr. Chess is also a stockholder of the Company, having received shares in connection with the Company's pre-IPO reorganization on 10 December 2021.

Pursuant to an agreement with Forbes Tate Partners dated 2 August 2021 (effective beginning at the time of the IPO on 16 December 2021), Mr. Williams is employed by Forbes Tate Partners as a Managing Partner. Mr. Williams' salary is US $500,000 per annum. Mr. Williams is eligible to receive an annual cash bonus in accordance with the terms of the Company's annual bonus program, subject to the attainment of applicable performance targets to be set by the Board of Directors or its delegate. Mr. Williams is also eligible to receive equity-based awards in accordance with the Company's Omnibus Incentive Plan. With respect to the year ending 31 December 2022, during which Mr. Williams served as a director of the Company, Mr. Williams received from Forbes Tate Partners a salary of $500,000. In addition, with respect to such year, Mr. Williams received (i) stock options (awarded under the Company's LTIP) for 24,026 shares of the Company's Common Stock, and (ii) a cash bonus in the amount of $35,000. Mr. Williams is also a stockholder of the Company, having received shares in connection with the Company's pre-IPO reorganization on 10 December 2021.

Pursuant to a letter of appointment with the Company dated 13 December 2021, Mr. Lee serves as non-executive Chair of the Board and as Chair of the Board's Audit Committee. The annual fee payable by the Company to Mr. Lee is US $120,000.

Pursuant to a letter of appointment with the Company dated 13 December 2021, Ms. White serves as a non-executive director of the Company and Chair of the Board's Remuneration Committee. The annual fee payable by the Company to Ms. White is US $80,000.

Pursuant to a letter of appointment with the Company dated 13 December 2021, Mr. Ginsberg serves as a non-executive director of the Company. The annual fee payable by the Company to Mr. Ginsberg is US $80,000.

Related Party Transactions

In addition to the transactions with directors described on page 52 of this Annual Report (Directors Remuneration), the Company entered into the following agreements with stockholders holding more than 10% of the Company's issued and outstanding Common Stock:

The Alpine Group Inc. – The Company agreed to provide The Alpine Group Inc. with a one-time loan in an amount up to US $750,000 in connection with certain US federal, state and local income taxes incurred in connection with certain shares of Company Common Stock sold by The Alpine Group Inc. in the Company's IPO. The loan accrues interest at a market rate and is repayable on 16 January 2025. The loan is secured by all shares of Company Common Stock owned by The Alpine Group Inc. On 14 April 2022, the Company advanced this loan in the agreed-upon amount of $513,000.

Jeffrey Forbes - Pursuant to an agreement with Forbes Tate Partners dated 2 August 2021 (effective beginning at the time of the IPO on 16 December 2021), Mr. Forbes is employed by Forbes Tate Partners as Founding Partner. Mr. Forbes' salary is US $1,000,000 per annum. Mr. Forbes is eligible to receive an annual cash bonus in accordance with the terms of the Company's annual bonus program, subject to the attainment of applicable performance targets to be set by the Board of Directors or its delegate. Mr. Forbes is also eligible to receive equity-based awards in accordance with the Company's Omnibus Incentive Plan.

ESG Strategy Report

The Group intends to develop and implement an ESG Policy to include (i) assessing key issues of importance to the Group and its stakeholders, (ii) developing an approach to addressing such issues, metrics to assess results, and methods to gather data relevant for such metrics, (iii) reviewing the Group's performance and assessing any need for improvement, and (iv) reporting and disclosure to stakeholders.

The Group's current efforts in this area include establishing and implementing (a) a fellowship program focused on attracting and training talented college-students from all backgrounds, (b) a Code of Ethics, (c) a policy regarding Conflicts of Interest between employees and competitors, suppliers. Distributors and contractors regarding, confidentiality, customer relations, safety, security, and morale, and (d) policies regarding employment practices with respect to hiring, accommodation, communication, equal opportunity and harassment.

We have developed specific expertise in ESG consulting, both within the launch of Seven Letter's corporate ESG advisory practice in March 2022 and via the recent acquisition of MultiState Associates in March 2023. We plan to use these ESG resources internally as well as outside advisors on establishing our ESG strategy going forward.

Audited Consolidated Financial Statements

Auditor's Letter

Opinion

We have audited the consolidated financial statements of Public Policy Holding Company, Inc (the "Company") for the year ended 31 December 2022, which comprise:

- The consolidated balance sheet as at 31 December 2022;
- The consolidated statement of operations for the year to 31 December 2022;
- The consolidated statement of cash flows for the year then ended;
- The consolidated statement of stockholders' equity; and
- The notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is US Generally Accepted Accounting Practice ('USGAAP')
In our opinion, the financial statements:

reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

- give a true and fair view of the Company's affairs as at 31 December 2022 and of its loss for the year then ended; and
- have been properly prepared in accordance with USGAAP.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). 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 Company in accordance with the FRC's Ethical Standard as applied to listed companies, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included obtaining the working capital projections from management, considering the appropriateness of key assumptions in comparison with historic trends and considering the ability of the Company to maintain positive cash balances in a variety of different scenarios.

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

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Company financial statements as a whole to be $1.2m, based on 1% of consolidated revenue and 5% of profit adjusted for share based payments and profit bonuses.

We use a different level of materiality of $840k ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with Management to report to it all identified errors in excess of $27k. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The audit was performed on a consolidated basis with all entities within the scope of audit testing. The underlying audit work was performed by a component auditor under the direction of the group engagement team. There was regular communication with the component audit team throughout the audit process and at the conclusion of the audit. Underlying working papers were obtained and reviewed with elements of testing reperformed and agreed to source documentation by the group engagement team.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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) that we identified. 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.

Key audit matter	How the scope of our audit addressed the key audit matter
Business Combinations We considered the risk that the business combination accounting was inappropriate in accordance with the requirements of ASC 805.	We reviewed management's analysis to determine whether the transaction classifies as a business combination under ASC 805. We obtained and reviewed the purchase price agreement and vouched the cash payments for the acquisitions to the bank statements. We obtained and reviewed the valuation performed by management's specialist and determined if the methodology for the fair value of the assets acquired and liabilities assumed is reasonable. We performed sensitivity analysis on significant assumptions and judgements utilized within the fair value model. We reviewed the disclosure in the accounts to ensure the requirements of ASC 805 have been met.
Revenue recognition We considered the risk that revenue was not recognised in accordance with the requirements of ASC 606.	We substantively tested a sample of revenue transactions to supporting contracts, invoices and cash receipts. As part of the review of the contracts we considered whether there was sufficient evidence to demonstrate that each of the five steps for revenue recognition set out in the standard had been met. We specifically considered whether, in respect of some contracts, the Company was acting as agent or principal. We reviewed the Company's accounting paper on this matter against relevant guidance.

Other information

The directors are responsible for the other information contained within the annual report. 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, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 47, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Legal invoices were reviewed for evidence of potential breaches of law and regulation;
- Confirmations were obtained from key individuals with responsibility at the Company for detecting irregularity and fraud; and
- To address the risk of management override of controls journal transactions from throughout the period were reviewed and tested.

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

Use of our report

This report is made solely to the Company's members, as a body. 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.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London, 2 May 2023

Consolidated Balance Sheets

	2022	2021
Assets		
Current assets:		
Cash	$ 21,202,456	$ 18,035,641
Accounts receivable, net	12,149,803	8,214,002
Note receivable - related party, current portion	-	263,850
Prepaid post-combination compensation, current portion	441,852	-
Prepaid expenses and other current assets	1,411,421	490,712
Total current assets	35,205,532	27,004,205
Property and equipment, net	688,313	788,598
Note receivable - related party, long term	513,000	-
Operating lease right of use asset	16,239,667	15,907,571
Goodwill	47,909,832	44,893,532
Other intangible assets, net	18,575,116	12,877,567
Deferred income tax asset	2,278,400	-
Prepaid post-combination compensation, long term	515,500	-
Other long-term assets	118,887	553,957
Total assets	$ 122,044,247	$ 102,025,430
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 12,336,324	$ 8,329,355
Income taxes payable	4,150,389	522,500
Amounts owed to related parties	1,276,479	6,696,795
Deferred revenue	2,860,889	1,942,536
Operating lease liability due within one year	3,907,543	3,374,724
Contingent consideration, current portion	1,779,000	-
Other liability, current portion	1,821,600	-
Notes payable, current portion	20,664	20,664
Total current liabilities	28,152,888	20,886,574
Notes payable, long term	189,975	216,048
Deferred income tax liability	-	2,914,600
Contingent consideration, long term	2,466,000	-
Other liability, long term	435,060	-
Operating lease liability, long term	14,815,236	15,262,878
Total liabilities	46,059,159	39,280,100
Stockholders' equity		
Common stock, $0.001 par value, 1,000,000,000 shares authorized, 109,346,480 and 108,240,250 shares issued and outstanding, respectively	108,024	108,240
Additional paid-in capital	120,713,626	86,892,903
Accumulated deficit	(44,836,562)	(24,255,813)
Total stockholders' equity	75,985,088	62,745,330
Total liabilities and stockholders' equity	$ 122,044,247	$ 102,025,430

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations

	2022	2021
Revenue	$ 108,814,491	$ 99,336,460
Expenses:		
Personnel cost	52,252,267	44,070,612
Employee bonuses	11,010,439	17,626,133
General and administrative expenses	10,432,781	8,184,253
Occupancy expense	3,933,014	3,650,562
Depreciation and amortization expense	2,229,197	2,012,645
Long term incentive program charges	317,679	-
Profit bonuses	-	19,892,634
Total expenses before share-based accounting (ASC 718-10-S99-2) charge and post-combination compensation (ASC 805-10-55-25) charge	80,175,377	95,436,839
Income from operations before share-based accounting (ASC 718-10-S99-2) charge and post-combination compensation (ASC 805-10-55-25) charge	28,639,114	3,899,621
Share-based accounting (ASC 718-10-S99-2) charge	33,392,300	27,609,214
Post-combination compensation (ASC 805-10-55-25) charge	2,441,052	-
Loss from operations	(7,194,238)	(23,709,593)
Interest expense	16,873	51,520
Net loss before income taxes	(7,211,111)	(23,761,113)
Income tax expense	7,797,600	494,700
Net loss	$ (15,008,711)	$ (24,255,813)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.14)	$ (0.24)
Weighted average common shares outstanding, basic and diluted	108,136,853	100,338,632

See accompanying notes to consolidated financial statements

Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Members' Equity	Accumulated Deficit	Total Stockholders' Equity
Balance as of December 31, 2020	-	$ -	$ -	$ 58,672,734	$ -	$ 58,672,734
Distributions to members	-	-	-	(444,235)	-	(444,235)
Shares issued due to conversion from LLC to C-Corporation	100,000,000	100,000	58,128,499	(58,228,499)	-	-
Issuance of common shares, net of commissions and fees of $1,634,554	8,240,050	8,240	13,357,206	-	-	13,365,446
Syndication costs	-	-	(4,797,076)	-	-	(4,797,076)
Income tax effect of conversion from LLC to C C-Corporation	-	-	(2,942,400)	-	-	(2,942,400)
Holdings Distribution Discount	-	-	(4,462,540)	-	-	(4,462,540)
Share-based accounting (ASC 718-10-S99-2) charge	-	-	27,609,214	-	-	27,609,214
Net loss	-	-	-	-	(24,255,813)	(24,255,813)
Balance as of December 31, 2021	108,240,050	108,240	86,892,903	-	(24,255,813)	62,745,330
Stock option expense	-	-	317,679	-	-	317,679
Dividends	-	-	-	-	(5,572,254)	(5,572,254)
Forfeiture of unvested restricted stock	(215,662)	(216)	-	-	216	-
Share-based accounting (ASC 718-10-S99-2) charge	-	-	33,392,300	-	-	33,392,300
Post-combination compensation (ASC 805-55-10-25) charge-shares	-	-	110,744	-	-	110,744
Net loss	-	-	-	-	(15,008,711)	(15,008,711)
Balance as of December 31, 2022	108,024,388	$ 108,024	$ 120,713,626	$ -	$ (44,836,562)	$ 75,985,088

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

	2022	2021
Cash flows from operating activities		
Net loss	$ (15,008,711)	$ (24,255,813)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	100,285	127,833
Amortization expense - intangibles	2,128,912	1,884,812
Amortization of right of use assets	3,115,249	2,943,400
Provision for deferred income taxes	(589,961)	(27,800)
Share-based accounting (ASC 718-10-S99-2) charge	33,392,300	27,609,214
Stock-based compensation	317,679	-
Amortization of prepaid post-combination compensation (ASC 805-55-10-25)	73,648	-
Post-combination compensation (ASC 805-55-10-25) charge-shares	110,744	-
(Increase) decrease in		
Accounts receivable, net	(3,935,801)	(3,267,547)
Other assets	(368,068)	(378,012)
Increase (decrease) in		
Accounts payable and accrued expenses	3,805,605	2,546,171
Income taxes payable	3,627,889	522,500
Deferred revenue	682,806	1,879,225
Operating lease liability	(3,362,168)	(2,668,786)
Other liability	2,256,660	-
Transactions with members/related parties	(5,669,466)	(2,276,974)
Net cash provided by operating activities	20,677,602	4,638,223
Cash flows from investing activities		
Purchases of property and equipment	-	(36,630)
Cash paid for acquisitions and prepaid post-combination compensation, net of cash a	(11,912,460)	-
Net cash used in investing activities	(11,912,460)	(36,630)
Cash flows from financing activities		
Syndication costs and other stock issuance costs	-	(4,638,271)
Issuance of common stock	-	13,755,665
Net proceeds (payments) from line of credit and notes payable	(26,073)	(1,382,030)
Distributions	(5,572,254)	(444,235)
Net cash provided by (used in) financing activities	(5,598,327)	7,291,129
Net increase in cash and cash equivalents	3,166,815	11,892,722
Cash and cash equivalents as of beginning of year	18,035,641	6,142,919
Cash and cash equivalents as of end of year	$ 21,202,456	$ 18,035,641
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 16,873	$ 51,520
Cash paid for income taxes	$ 4,770,409	$ -
Right of use assets obtained with lease liabilities	$ 3,447,345	$ 3,057,555
Contingent consideration issued for acquisitions	$ 4,245,000	$ -
Increase in deferred revenue from acquisitions	$ 235,547	$ -
Increase in accounts payable and accrued expenses from acquisitions	$ 201,364	$ -
Increase in other assets from acquisitions	$ 117,571	$ -
Income tax effect of conversion of LLC to C-Corporation	$ -	$ 2,942,400
Holdings Distribution Discount	$ -	$ 4,462,540
Commissions and fees paid through issuance of common stock	$ -	$ 1,244,335

Notes to Consolidated Financial Statements

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation:

Public Policy Holding Company, Inc. ("PPHC-Inc.") was incorporated on February 4, 2021. From PPHC-Inc.'s incorporation until December 10, 2021 (the "Conversion Date"), all of the issued and outstanding shares of stock of PPHC-Inc. were owned by Public Policy Holding Company, LLC ("PPHC-LLC"), which (i) was organized as a Delaware limited liability company on July 1, 2014, and (ii) owned certain wholly-owned operating subsidiaries, all organized as Delaware limited liability companies (the "Subsidiaries," and collectively with PPHC-Inc., the "Company"). On the Conversion Date, PPHC-LLC contributed and assigned substantially all of its assets and liabilities (including all of the Subsidiaries, but excluding certain specified assets and liabilities) to PPHC-Inc. in exchange for the issuance by PPHC-Inc. of 100,000,000 shares (the "Contribution Shares") of Common Stock, par value $0.001 per share ("Common Stock") of PPHC-Inc. Pursuant to a formula approved by the Executive Board and General Board of PPHC-LLC (the "Waterfall"), PPHC LLC then liquidated and distributed the Contribution Shares to each of PPHC-LLC's owners who (other than The Alpine Group, Inc.), in turn, distributed such shares to their respective owners in accordance with the Waterfall (collectively, the "Company Conversion").

The Company provides governmental and public affairs consulting services exclusively in the United States of America ("U.S.").

The Company has prepared the accompanying consolidated financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP"). Such consolidated financial statements reflect all adjustments that are, in management's opinion, necessary to present fairly, in all material respects, the Company's financial position, results of operations and cash flows, and are presented in U.S. Dollars. All material intercompany transactions and balances have been eliminated in consolidation.

Principles of Consolidation:

The consolidated financial statements include all of the accounts of the entities listed below:

Parent company:
Public Policy Holding Company, Inc.

Wholly owned operating subsidiaries:
Crossroads Strategies, LLC
Forbes Tate Partners, LLC
Blue Engine Message & Media, LLC, doing business as Seven Letter
O'Neill & Partners LLC, doing business as O'Neill & Associates
Alpine Group Partners, LLC
KP Public Affairs, LLC

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

On January 1, 2020, the Company formed Seven Letter ONA to do business in the State of Massachusetts. Revenue and expense from Seven Letter ONA will be allocated to Seven Letter and O'Neill & Associates.

Initial Public Offering:

On December 16, 2021, PPHC-Inc. completed an initial public offering and placement ("IPO") of its shares of Common Stock, and the admission of Common Stock to trading on the AIM market of the London Stock Exchange.

The PPHC-LLC Limited Liability Company Agreement ("LLC Agreement") provided for the payment of a "Holdings Distribution Discount" in connection with a sale or IPO of the Company, amounting to $4,462,540 (excluding an interest accrual which is being waived). The Holdings Distribution Discount represents the difference between an operating subsidiary paying three percent of its revenues annually to PPHC-LLC (which has historically been paid by all operating subsidiaries other than Crossroads Strategies, LLC and Forbes Tate Partners, LLC), and each of Crossroads Strategies, LLC and Forbes Tate, LLC, which, as the founding businesses acquired by PPHC-LLC, have paid approximately five percent of their respective revenues annually to PPHC-LLC. Historically, PPHC-LLC and its members viewed this obligation of PPHC-LLC (triggered by the IPO) as an obligation to refund Crossroads Strategies, LLC and Forbes Tate, LLC, their relative overpayments (compared to the other operating subsidiaries) because had those overpayments not been made to PPHC-LLC, those amounts could have been paid as additional bonuses or distributions to the owners of Crossroads Strategies, LLC and Forbes Tate, LLC. This obligation of PPHC-LLC has been contributed and assigned to and assumed by the Company as part of the Contribution Agreement entered into in connection with the Company Conversion. Upon the Company's payment of the Holdings Distribution Discount to Crossroads Strategies, LLC and Forbes Tate, LLC, it is anticipated that Crossroads Strategies, LLC and Forbes Tate, LLC will, in turn, distribute such amounts to their respective owners including but not limited to Stewart Hall and Zachary Williams. As of December 31, 2021, the Holdings Distribution Discount of approximately $4,463,000 is included in the amounts owed to related parties in the Company's Consolidated Balance Sheets. This amount was paid in full during 2022.

In addition, certain assets and liabilities were not contributed by PPHC-LLC to the Company as part of the Company Conversion. As of December 31, 2021, the net amount owed to the PPHC-LLC members approximates $2,234,000 and is included in amounts owed to related parties in the Company's Consolidated Balance Sheets. This amount was paid in full during 2022.

Notes to Consolidated Financial Statements Continued

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

During 2021, all the ultimate owners of PPHC-LLC ("Group Executives") entered into Executive Employment Agreements. The Group Executives sold some of their Common Stock in conjunction with the IPO ("Liquidated Pre-IPO Shares") but retained the majority of their shares ("Retained Pre-IPO Shares"). The Retained Pre-IPO Shares are subject to a vesting schedule under which the Common Stock held by each Group Executive will vest in equal installments on the first five anniversaries of the effective date of the IPO, provided that the Group Executive remains continuously employed by the employer; this vesting schedule applies to all the Company's employees holding Common Stock at the time of the IPO. In the event that a Group Executive's employment terminates (other than on death or "disability", or by the employer without "cause", or by the Group Executive for what is deemed to be for a "good reason") then the unvested proportion of the Retained Pre-IPO Shares which have not vested, will not vest and will be automatically forfeited and clawed back as of the date of such termination. In the event a Group Executive's employment terminates on death or "disability," or by the employer without "cause," or by the Group Executive for what is deemed to be "good reason," then all unvested shares will vest automatically as of the date of such termination. The Executive Employment Agreements also contain certain provisions which enable cash derived from the sale of Liquidated Pre-IPO Shares and Retained Pre-IPO Shares that have vested to be clawed back and forfeited on certain events of termination of employment or breaches of certain provisions of the Executive Employment Agreements. Pursuant to the Executive Employment Agreements for Group Executives employed by Alpine Group Partners, a pro-rata portion of the Retained Pre-IPO Shares held by (and the Liquidated Pre-IPO Shares sold by) The Alpine Group Inc. are subject to vesting, forfeiture and claw back based on the employment of certain of those Group Executives.

The addition of the vesting provisions to previously issued shares creates a share-based accounting charge in accordance with the accounting guidance in Accounting Standards Codification ("ASC") 718-10-S99-2, *Compensation-Stock Compensation*. See Note 7.

Revenue Recognition:

The Company generates the majority of its revenue by providing consulting services related to lobbying and public affairs. In determining the method and amount of revenue to recognize, the Company has to make judgments and estimates. Specifically, complex arrangements with nonstandard terms and conditions may require management's judgment in interpreting the contract to determine the appropriate accounting, including whether the promised services specified in an arrangement are distinct performance obligations and should be accounted for separately, and how to allocate the transaction price, including any variable consideration, to the separate performance obligations. When a contract contains multiple performance obligations, the Company allocates the transaction price to each performance obligation based on its estimate of the stand-alone selling price. Other judgments include determining whether performance obligations are satisfied over-time or at a point-in-time and the selection of the method to measure progress towards completion.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's general practice is to establish an agreement with a client with a fixed monthly payment at the beginning of each month for the month's service to be performed. Most of the consulting service contracts are based on one of the following types of contract arrangements:

- Fixed-fee arrangements require the client to pay a fixed fee in exchange for a predetermined set of professional services. The Company recognizes revenue at the beginning of the month for that month's services.

- Additional services include items such as 1) advertisement placement and management, 2) video production, and 3) website development, in which third-party companies may be engaged to achieve specific business objectives. These services are either in a separate contract or within the fixed-fee consulting contract, in which the Company usually receives a fixed 15% markup on the cost incurred by the Company. The Company recognizes revenues earned to date in an amount that is probable or unlikely to reverse and by applying the proportional performance method when the criteria for revenue recognition is met. Any out-of-pocket administrative expenses incurred are billed at cost.

Certain services provided by the Company include the utilization of a third-party in the delivery of those services. These services are primarily related to the production of an advertising campaign or media buying services. The Company has determined that it acts as an agent and is solely arranging for the third-parties to provide services to the customer. Specifically, the Company does not control the specified services before transferring those services to the customer, and is not primarily responsible for the performance of the third-party services, nor can the Company redirect those services to fulfill any other contracts. The Company does not have discretion in establishing the third-party pricing in its contracts with customers. For these performance obligations for which the Company acts as an agent, the Company records revenue as the net amount of the gross billings less amounts remitted to the third-party.

The following table provides disaggregated revenue by revenue type for the periods ended December 31:

	2022	2021*
Lobbying revenue	$ 78,177,680	$70,125,726
Public affairs revenue	30,636,811	29,210,734
Total revenue	$ 108,814,491	$99,336,460

*2021 segment revenues restated in line with classification used for 2022.

Notes to Consolidated Financial Statements Continued

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

See the Segment Reporting Note 11 for a description of the principal activities, by reportable segment, from which the Company generates revenue.

As of January 1, 2022 and 2021, the accounts receivable, net and deferred revenue was approximately $8,214,000 and $1,943,000 and $6,623,000 and $1,502,000, respectively. The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of December 31:

	2022	2021
Accounts receivable, net	$ 11,585,267	$ 8,109,353
Other receivables	564,536	104,649
Contract liabilities (deferred revenue)	2,860,889	1,942,536

Contract liabilities relate to advance consideration received from customers under the terms of the Company's contracts primarily related to retainer fees and reimbursements of third-party expenses, both of which are generally recognized shortly after billing. The deferred revenue of $1,942,536 and $1,502,176 from December 31, 2021 and 2020 was recognized as revenue in 2022 and 2021, respectively.

Cash and Cash Equivalents:

The Company considers all cash investments with original maturities of three months or less to be cash equivalents. At times, the Company maintains cash accounts that exceed federally insured limits, but management does not believe that this results in any significant credit risk.

Accounts Receivable:

The Company provides for an allowance for doubtful accounts based on management's best estimate of possible losses determined principally on the basis of historical experience and specific allowances for known troubled accounts, if needed. Accounts are generally considered past due after the contracted payment terms, which are generally net 30 day terms. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. As of December 31, 2022, the balance of allowance for doubtful accounts approximated $595,000. The Company determined that no allowance for doubtful accounts was necessary as of December 31, 2021.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases:

A lease is defined as a contract that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company accounts for its leases in accordance with the guidance in Accounting Standards Codification ("ASC") 842 ("ASC 842"). Substantially all of the leases in which the Company is the lessee are comprised of real estate property for remote office spaces and corporate office space. Substantially all of the leases are classified as operating leases.

As of December 31, 2022 and 2021, the Company had approximately $16,240,000 and $15,908,000, respectively, of operating lease ROU assets and $18,723,000 and $18,638,000, respectively of operating lease liabilities on the Company's Consolidated Balance Sheets. The Company has elected not to recognize right-of-use ("ROU") assets and lease liabilities arising from short-term leases, leases with initial terms of twelve months or less, or equipment leases (deemed immaterial) on the Consolidated Balance Sheets.

These leases may contain terms and conditions of options to extend or terminate the lease, which are recognized as part of the ROU assets and lease liabilities when an economic benefit to exercise the option exists and there is a significant probability that the Company will exercise the option. If these criteria are not met, the options are not included in the Company's ROU assets and lease liabilities. Variable lease payment amounts that cannot be determined at the commencement of the lease, such as common area maintenance expenses and increases in lease payments based on changes in index rates, are not included in the ROU assets or liabilities. These variable lease payments are expensed as incurred.

As of December 31, 2022, these leases do not contain material residual value guarantees or impose restrictions or covenants related to dividends or the Company's ability to incur additional financial obligations.

The discount rate for operating leases was based on market rates from a bank for obligations with comparable terms effective at the lease inception date. The following table presents lease costs, future minimum lease payments and other lease information as of December 31:

2023	$ 4,648,767
2024	3,743,718
2025	3,742,928
2026	3,735,364
2027	2,775,487
Thereafter	2,546,780
Total future minimum lease payments	21,193,044
Amount representing interest	(2,470,265)
Present value of net future minimum lease payments	$18,722,779

Notes to Consolidated Financial Statements Continued

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease Cost

	Year ending December 31: 2022	2021
Operating lease cost (cost resulting from lease payments)	$ 4,011,764	$ 3,829,749
Variable lease cost (cost excluded from lease payments)	264,179	171,958
Sublease income	(396,000)	(400,890)
Net lease cost	$ 3,879,943	$ 3,600,817
Operating lease - operating cash flows (fixed payments)	$ 4,264,516	$ 3,938,149
Weighted average lease term - operating leases	5.2 years	5.1 years
Weighted average discount rate - operating leases	4.80%	3.98%

The Company subleases office space to third parties under separate sublease agreements, which are scheduled to expire during 2023. The amount of future sublease income from subtenants as of December 31, 2022 is immaterial.

Property and equipment:

Property and equipment consists of furniture, equipment and leasehold improvements and is carried at cost less accumulated depreciation. Depreciation is provided generally on a straight-line method over the estimated useful lives of the related assets ranging from 5 to 15 years.

Business Combination

In a business combination, the acquisition method of accounting requires that the assets acquired and liabilities assumed be recorded as of the date of the acquisition at their respective fair values with limited exceptions. Assets acquired and liabilities assumed in a business combination that arise from contingencies are generally recognized at fair value. If fair value cannot be determined, the asset or liability is recognized if probable and reasonably estimable; if these criteria are not met, no asset or liability is recognized. Transaction costs are expensed as incurred. The operating results of the acquired business are reflected in the Company's consolidated financial statements after the date of acquisition.

Goodwill and indefinite-lived intangible assets:

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in business combinations and is allocated to the appropriate reporting unit when acquired. Acquired intangible assets are recorded at fair value.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill is evaluated for impairment annually during the fourth quarter, or more frequently if an event occurs, or circumstances change that could more likely than not reduce the fair value of a reporting unit below its carrying value. Goodwill is typically assigned to the reporting unit, which consolidates the acquisition. Components within the same reportable segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. As of December 31, 2022, the Company's reporting units consisted of Lobbying Consulting and Public Affairs Consulting. Goodwill is evaluated for impairment using either a qualitative or quantitative approach for each of the Company's reporting units. Generally, a qualitative approach is first performed to determine whether a quantitative goodwill impairment test is necessary. If management determines, after performing an assessment based on qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative goodwill impairment test would be required. The quantitative test for goodwill impairment is performed by determining the fair value of the related reporting units. Fair value is measured based on the discounted cash flow method, which requires management to estimate a number of factors for each reporting unit, including projected future operating results, anticipated future cash flows and discount rates. Management has performed its evaluation and determined the fair value of each reporting unit is greater than the carrying amount and, accordingly, the Company has not recorded any impairment charges related to goodwill for the years ended December 31, 2022 and 2021.

Indefinite-lived intangible assets are tested for impairment annually during the fourth quarter, or more frequently if an event occurs or circumstances change that could more likely than not reduce the fair value below its carrying value. The Company's indefinite-lived intangible assets consist of trademarks acquired through various business acquisitions. The Company has the option to first assess qualitative factors to determine whether events or circumstances indicate it is more likely than not that the fair value of the trademarks is greater than the carrying amount, in which case a quantitative impairment test is not required. Management has performed its evaluation and determined that the trademarks are not impaired for the years ended December 31, 2022 and 2021.

Customer relationship asset:

The Company's definite-lived intangible asset consists of customer relationships that have been acquired through various acquisitions. The Company amortized these assets over their estimated useful lives.

Impairment of long-lived assets:

Long-lived assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for an amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company has not recorded any impairment charges related to long-lived assets for the years ended December 31, 2022 and 2021.

Notes to Consolidated Financial Statements Continued

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Syndication costs:

Deferred offering costs consist primarily of consulting fees related to the initial public offering (IPO). Prior to the IPO, all deferred offering costs were capitalized and included in the consolidated balance sheets. During December 2021, these costs totaling approximately $4,797,000 were recorded as a reduction to stockholders' equity.

Deferred revenue:

Deferred revenue represents prepayment by the customers for services that have yet to be performed. As of December 31, 2022 and 2021, deferred revenue was approximately $2,861,000 and $1,943,000, respectively. Deferred revenue is expected to be recognized as revenue within a year.

Accounts payable and accrued expenses:

Accounts payable and accrued expenses consist of the following as of December 31:

	2022	2021
Accounts payable	$ 1,199,130	$ 2,458,292
Bonus payable	9,425,261	3,945,621
Other accrued expenses	1,711,933	1,925,442
Total	$12,336,324	$ 8,329,355

Marketing and advertising costs:

The Company expenses marketing and advertising costs as incurred. Marketing and advertising expense for the years ended December 31, 2022 and 2021 was approximately $182,000 and $102,000, respectively.

Income taxes:

Prior to the Conversion Date, PPHC-LLC was a limited liability company whereby the tax attributes were passed through to and reported on the members of PPHC-LLC's tax returns.

After the Conversion Date, the Company utilizes the asset and liability method in the Company's accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The Company records a valuation allowance against deferred tax assets when realization of the tax benefit is uncertain.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A valuation allowance is recorded, if necessary, to reduce net deferred taxes to their realizable values if management believes it is more likely than not that the net deferred tax assets will not be realized.

The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Profit bonuses:

Prior to the IPO, annual bonus payments were paid as compensation for services to senior executives and employees based on the profits of the Company.

Estimates:

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Share-based accounting charge and stock option expense:

The Company accounts for its share-based accounting (ASC 718-10-S99-2) charge using the fair value method. The fair value method requires the Company to estimate the grant-date fair value of its share-based awards and amortize this fair value to expense over the requisite service period or vesting term. For restricted and nonvested stock awards, the grant-date fair value is based upon the market price of the Company's common stock on the date of the grant. For stock options, the grant-date fair value is based on the Black-Scholes Option Pricing Model. The Company records forfeitures as they occur.

Segment information:

GAAP requires segmentation based on an entity's internal organization and reporting of revenue and operating income based upon internal accounting methods commonly referred to as the "management approach." Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), or decision making group, in deciding how to allocate resources and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company's operations are conducted in two reportable segments. These segments consist of Lobbying Consulting and Public Affairs Consulting.

Notes to Consolidated Financial Statements Continued

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (concluded)

Basic and diluted earnings (loss) per share:

The Company computes earnings (loss) per share in accordance with ASC 260, *Earnings per Share*, which requires presentation of both basic and diluted earnings per share on the face of the consolidated statements of operations. Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of outstanding shares during the period. Diluted earnings (loss) per share gives effect to all dilutive potential common shares outstanding during the period. Due to their anti-dilutive effect, the calculation of diluted net loss per share for the years ended December 31, 2022 and 2021 does not include the common stock equivalent shares below:

	2022	2021
Common shares outstanding	108,024,388	108,240,050
Stock options outstanding	2,718,809	-
Restricted stock	1,322,092	-
Total common stock equivalents	4,040,901	-
Total fully diluted shares	112,065,289	108,240,050

Fair value of financial instruments:

The carrying values of cash, accounts receivable, and accounts payable and accrued expenses at December 31, 2022 and 2021 approximated their fair value due to the short maturity of these instruments.

Reclassification:

Certain categorizations of the 2021 segment disclosures have been reclassified to conform to the 2022 presentation. These reclassifications had no impact on the total results or net assets of the Company.

Subsequent events:

Management has evaluated the subsequent events for disclosure in these consolidated financial statements.

NOTE 2 ACQUISITIONS

<u>KP Public Affairs LLC</u>

On October 1, 2022, the Company entered into an Asset Purchase Agreement ("KP Agreement") and acquired certain assets and assumed certain liabilities of KP Public Affairs LLC ("Seller" or "KP LLC") through the creation of a wholly-owned subsidiary, KP Public Affairs, LLC ("KP"). At the closing of the transaction, the Company paid the Seller cash in the amount of $10,306,800 ("Closing Cash Payment") and issued 739,589 shares of the Company's common stock ("Closing Share Payment") to Seller at an aggregate fair value of $1,145,200.

In addition, the Company will pay Seller an additional amount of consideration totaling up to $4,048,000 ("Closing True-Up Payment") based on specific operating results (as defined in the KP Agreement) of KP through December 31, 2022. The payment of the Closing True-Up Payment will be pro-rated as ninety percent cash and ten percent shares of the Company's stock. There are additional contingent payments that the Seller can earn in the future depending on certain operating results that are achieved. The total amount of consideration that the Company could be required to pay to the Seller in the amount of cash and stock ("Seller Shares") is $35,000,000. The equity component of the contingent payments ranges between 20% and 35%.

The KP Agreement provides certain forfeiture provisions applicable to any future cash or share payments owed, which generally require the owners of KP LLC ("Owner" or "Owners") to remain employed by the Company for a certain period of time to receive the full amount of those future payments. There are certain exceptions to the forfeiture provisions if termination of employment occurs under certain permitted events ("Acceleration Event") as defined in the KP Agreement.

In addition, under certain circumstances outlined in the KP Agreement, the Company can claw back a portion of certain payments previously paid if an Owner is not employed by the Company as of December 31, 2026.

If an Owner's employment is terminated as a result of an Acceleration Event, a percentage of the unvested Seller Shares (representing such Owner's ownership percentage in Seller) shall become fully vested. The Seller Shares issued have some restrictions but they also have certain legal rights consistent with the Company's other shares of Common Stock outstanding, including certain voting rights and the rights to dividends paid by the Company. In addition, the KP Agreement contains certain provisions requiring the forfeiture of a percentage of all cash and shares received by Seller if certain restrictive covenants are breached by an Owner.

Reasons for the Acquisition

The Company acquired KP LLC to expand its governmental and public affairs consulting services provided to state and local governments. Specifically, KP LLC provides significant services to companies and organizations doing business in the state of California.

Notes to Consolidated Financial Statements Continued

NOTE 2 ACQUISITIONS (continued)

Accounting for the Acquisition

The acquisition of Seller was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC 805, *Business Combinations* ("ASC 805"). The acquired assets, including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values with the excess purchase price assigned to goodwill.

Purchase Consideration

The Company determined that certain consideration provided to Sellers in the KP Agreement does not qualify as purchase consideration in accordance with the guidance of ASC 805. The Company determined that the purchase consideration consists of the amount of cash payments owed to Sellers that are not subject to a vesting or claw back provision that is directly linked to the continued employment of Sellers. The total purchase consideration consisted of the following amounts:

Closing Cash Payment	$ 10,306,800
Contingent consideration	4,245,000
Total purchase consideration	$ 14,551,800

The contingent consideration consists of the estimated fair value of the Closing True-Up Cash Payment, Interim Earnout Cash Payment, and Final Earnout Cash Payment that are not subject to a vesting requirement or claw back provision directly linked to the future employment of Owners.

Purchase Price Allocation

The allocation of the purchase consideration resulted in the following amounts being allocated to the assets acquired and liabilities assumed as of the purchase date of October 1, 2022 based on their respective estimated fair values summarized below:

Cash	$ 139,547
Other current assets	69,000
Right of use assets	3,273,766
Tradename	1,091,000
Noncompete agreements	306,000
Customer relationship	5,861,000
Deferred income tax asset	4,277,500
Goodwill	3,016,300
Other current liabilities	(208,547)
Lease liability	(3,273,766)
Total estimated purchase price	$14,551,800

NOTE 2 ACQUISITIONS (continued)

The identified definite-lived intangible assets were as follows:

Definite-lived intangible assets	Weighted-average useful life (in years)	Amount
Customer relationship	7	$5,861,000
Noncompete agreements	5	$306,000

The fair value of customer relationships was determined using the income approach, which requires management to estimate a number of factors for each reporting unit, including projected future operating results, anticipating future cash flows and discount rates. The fair value of noncompete agreements was determined using an income approach method, which requires management to estimate a number of factors related to the expected future cash flows of KP LLC and the potential impact and probability of competition, assuming such noncompete agreements were not in place. The primary factors that contributed to the goodwill recognized from the KP LLC acquisition include the key employees of KP LLC combined with additional synergies expected from increasing the Company's service capabilities.

Engage LLC

On November 1, 2022, the Company (through its wholly-owned subsidiary, Forbes Tate Partners, LLC) entered into an Asset Purchase Agreement ("Engage Agreement") and acquired certain assets and assumed certain liabilities of Engage LLC ("Engage"). At the closing of the transaction, the Company paid Engage cash in the amount of $1,925,000 ("Engage Cash Payment") and issued 487,301 shares of the Company's common stock ("Engage Restricted Shares") at an aggregate fair value of $825,000.

A portion of the Engage Cash Payment was designated to certain owners ("Junior Principal(s)") of Engage and the remaining of the Engage Cash Payment was designated to the other owners ("Senior Principal(s)") of Engage. In addition, all of the Engage Restricted Shares were issued to the Senior Principals. There are no vesting requirements or claw back provisions linked to continuing employment for the Engage Cash Payment paid to the Junior Principals. There are vesting requirements and claw back provisions linked to continuing employment of the Senior Principals for the Engage Cash Payment paid and Engage Restricted Shares issued to the Senior Principals.

Each of the Senior Principals will vest in the Engage Restricted Shares as long as they remain continuously employed through each applicable vesting date, except if the termination occurs under certain permitted events ("Engage Acceleration Event") as defined in the Engage Agreement. If one of the Senior Principals is terminated as a result of an Engage Acceleration Event, all of such Senior Principal's unvested Engage Restricted Shares shall become fully vested.

The Engage Restricted Shares issued have some restrictions but they also have certain legal rights consistent with the Company's other shares of Common Stock outstanding, including certain voting rights and the rights to dividends paid by the Company.

Notes to Consolidated Financial Statements Continued

NOTE 2 ACQUISITIONS (continued)

With respect to the Engage Cash Payment, each of the Senior Principals have a vesting requirement related to their respective cash payment. If any of the Senior Principals is terminated as a result of an Engage Acceleration Event, all of such Senior Principal's unvested Engage Cash Payment shall become fully vested,

In addition, the Engage Agreement contains certain provisions requiring the forfeiture of a respective Senior Principal's Engage Restricted Shares and a portion of the Engage Cash Payment made to both the Junior Principals and Senior Principals if certain restrictive covenants are breached by the respective Junior Principal or Senior Principal.

Reasons for the Acquisition

The Company acquired Engage to expand its governmental and public affairs consulting services provided within the U.S.

Accounting for the Acquisition

The acquisition of Engage was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC 805, *Business Combinations* ("ASC 805"). The acquired assets, including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values with the excess purchase price assigned to goodwill.

Purchase Consideration

The Company determined that certain consideration provided to Engage in the Engage Agreement does not qualify as purchase consideration in accordance with the guidance of ASC 805. The Company determined that the purchase consideration consists of the amount of Engage Cash Payment paid to the Junior Principals and the Engage Cash Payment to the Senior Principals that is not subject to vesting or claw back linked to continuing employment, which totaled $894,000. The value of the Engage Restricted Shares of $825,000 and the remaining Engage Cash Payment amount of $1,031,000 ("Prepaid Post-Combination Compensation") will be recognized as a charge to expense in accordance with ASC 805-10-55-25 (See Note 6).

NOTE 2 ACQUISITIONS (concluded)

Purchase Price Allocation

The allocation of the purchase consideration resulted in the following amounts being allocated to the assets acquired and liabilities assumed as of the purchase date of November 1, 2022 based on their respective estimated fair values summarized below:

Cash	$ 179,793
Other current assets	48,571
Right of use assets	173,579
Tradename	14,000
Noncompete agreements	140,000
Customer relationship	414,461
Deferred income tax asset	325,539
Other current liabilities	(228,364)
Lease liability	(173,579)
Total estimated purchase price	$ 894,000

The identified definite-lived intangible assets were as follows:

Definite-lived intangible assets	Weighted-average useful life (in years)	Amount
Customer relationship	7	$414,461
Noncompete agreements	4	$140,000

The fair value of customer relationships was determined using the income approach, which requires management to estimate a number of factors for each reporting unit, including projected future operating results, anticipating future cash flows and discount rates. The fair value of noncompete agreements was determined using an income approach method, which requires management to estimate a number of factors related to the expected future cash flows of Engage and the potential impact and probability of competition, assuming such noncompete agreements were not in place.

Notes to Consolidated Financial Statements Continued

NOTE 3 RELATED PARTY TRANSACTIONS

On November 1, 2018, PPHC-LLC advanced $833,000 to the original members of Blue Engine Message & Media, LLC for the purchase of the ownership interest of JDA Frontline Partners, LLC in the form of a promissory note. The note was scheduled to mature on October 31, 2022, and required the borrowers to make 16 quarterly installment payments of $52,063 commencing on February 15, 2019. Interest on the note was the London Interbank Offered Rate ("LIBOR") daily floating rate plus 2.4%. The note receivable was repaid in full in April 2022. The note receivable balance as of December 31, 2021, was approximately $260,000 with interest receivable of approximately $4,000, which are recorded in note receivable - related party.

As of December 31, 2021, the amounts owed to related parties include the Holding Distribution Discount of approximately $4,463,000 and the amount owed to PPHC-LLC members as part of the Company Conversion of approximately $2,234,000. These amounts were paid in full during 2022. See Note 1. As of December 31, 2022, the amounts owed to related parties totaling approximately $1,276,000 include the amounts expected to be refunded to the owners of KP LLC and Engage related to the working capital adjustments associated with those acquisitions.

During December 2021, the Company entered into a term note agreement ("2021 Note") with The Alpine Group, Inc. ("Alpine Inc"). The 2021 Note provided Alpine Inc with the ability to request a one-time borrowing of up to $750,000 from the Company at any time prior to December 31, 2022. The purpose of the 2021 Note was to provide Alpine Inc with funds to cover certain federal and state income taxes to be owed by Alpine Inc in connection with the sale of shares of the Company's common stock in the IPO. During April 2022, the Company advanced $513,000 to Alpine Inc in accordance with the terms of the 2021 Note. The interest rate on the 2021 Note is equal to the Prime Rate as published in the Wall Street Journal. The 2021 Note requires an annual payment of accrued and unpaid interest on the last business day of December each year and through the maturity date of January 16, 2025. The note receivable and accrued interest balance as of December 31, 2022 was approximately $526,000, which are recorded in note receivable - related party and prepaid expenses and other assets.

NOTE 4: GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill is an indefinite lived asset with balances as follows as of December 31:

	2022	2021
Goodwill	$ 47,909,832	$44,893,532

As of December, 31, 2022 and 2021, there have been no impairments to goodwill . During 2022, goodwill increased by approximately $3,015,000 as a result of the acquisition of KP LLC and Engage. See Note 2.

NOTE 4: GOODWILL AND INTANGIBLE ASSETS (concluded)

Goodwill is allocated to each segment as follows, as of December 31:

	2022	2021
Goodwill		
Lobbying consulting	$ 35,587,063	$ 34,286,212
Public affairs consulting	12,322,769	10,607,320
Total	$ 47,909,832	$ 44,893,532

Intangible Assets

The Company's intangible assets consist of customer relationship assets acquired through various acquisitions as well as noncompete agreements acquired through the acquisition of KP LLC and Engage, which are definite lived assets and are amortized over their estimated useful lives. The estimated useful lives for the customer relationship assets range from 7 to 9 years and the estimated useful lives for the noncompete agreements range from 4 to 5 years. In addition, intangible assets consist of tradenames, which are indefinite lived assets and evaluated for impairment on an annual basis or more frequently as needed. The cost of the Company's tradenames, customer relationships and noncompete agreements, and the accumulated amortization of the Company's customer relationships and noncompete agreements is as follows as of December 31:

	2022	2021
Customer relationships	$21,596,261	$15,320,800
Noncompete agreements	446,000	-
Accumulated amortization	(8,385,145)	(6,256,233)
Total indefinite lived assets, net	13,657,116	9,064,567
Tradenames	4,918,000	3,813,000
Total intangible assets, net	$18,575,116	$12,877,567

Amortization expense for customer relationship and noncompete agreement assets approximated $2,129,000 and $1,885,000 for 2022 and 2021, respectively.

The approximate estimated future amortization expense for the next five years is as follows:

	Amortization
2023	$ 2,667,000
2024	2,456,000
2025	2,440,000
2026	2,288,000
2027	2,237,000

Notes to Consolidated Financial Statements Continued

NOTE 5 LINE OF CREDIT AND NOTES PAYABLE

A) Line of credit

The Company had a $2,000,000 revolving line of credit, which was secured by all business assets. As a sub-facility under the line, standby letters of credit could be issued up to $750,000 to secure office leases. During 2021, the Company repaid the outstanding balance on the line of credit and closed the line of credit. Interest expense on the line of credit for the year ended December 31, 2021 was approximately $41,000.

B) Note payable - landlord

The Company executed a lease amendment on March 23, 2018, and received a loan of approximately $316,000 to fund certain tenant improvements. The Company shall repay the loan in equal monthly principal and interest installments over the lease term at an interest rate of 8%, with the final payment due on March 1, 2029. Notwithstanding the foregoing, the Company may submit a notice to the landlord to prepay the outstanding balance upon terms to be agreed upon by the landlord and the Company. The balance on the loan as of December 31, 2022 and 2021, was approximately $211,000 and $237,000, respectively. Interest expense on the note payable - landlord for the years ended December 31, 2022 and 2021 was approximately $17,000 and $19,000, respectively.

As of December 31, 2022, the only outstanding long-term debt is the note payable - landlord and the future maturities of this note payable at December 31 is as follows:

2023	$ 27,074
2024	29,321
2025	31,755
2026	34,390
2027	37,245
Thereafter	50,854
Total	$ 210,639

NOTE 6 STOCKHOLDERS' EQUITY AND SHARE-BASED ACCOUNTING CHARGE

As of December 31, 2022, the authorized capital of the Company consists of 1,100,000,000 shares of capital stock, $0.001 par value per share, of which 1,000,000,000 shares are designated as common stock and 100,000,000 shares are designated as preferred stock. There are no shares of preferred stock outstanding.

As of December 31, 2022, the number of the Company's shares of common stock outstanding for legal purposes was greater than the number of shares of common stock outstanding for accounting purposes. Therefore, the difference between the legally outstanding shares of common stock on the face of the balance sheet of 109,346,480 shares and the amount outstanding on the statement of equity of 108,024,388 consists of shares issued with restrictions (collectively "Restricted Shares") as follows:

Statement of Equity, as of December 31, 2022	108,024,388
Restricted Shares:	
Closing Share Payment	739,589
Engage Restricted Shares	487,301
Other Restricted Shares	95,202
Total Restricted Shares	1,322,092
Legally Outstanding Shares, as of December 31, 2022	109,346,480

The weighted-average common shares outstanding, basic and diluted reported on the consolidated statement of operations is 108,136,853, which is different from the 108,024,388 ending shares as of December 31, 2022 due to the first number representing an average during the year compared to the amount outstanding at the end of the year.

Other Restricted Shares consists of shares issued in 2022 to convert a consultant of the Company to a full-time employee. These shares were valued at approximately $178,000 and vest equally on each of January 1, 2023, January 1, 2024 and January 1, 2025.

ASC 718-10-S99-2 Charge

As discussed in Note 1, during 2021 the Company entered into Executive Employment Agreements with Group Executives. As a result, the addition of the vesting provisions to previously issued shares created a share-based accounting charge in accordance with the accounting guidance in ASC 718-10-S99-2, *Compensation-Stock Compensation*. As a result, the Company recorded a share-based accounting (ASC 718-10-S99-2) charge of $33,392,300 and $27,609,214 in 2022 and 2021, respectively.

Notes to Consolidated Financial Statements Continued

NOTE 6 STOCKHOLDERS' EQUITY AND SHARE-BASED ACCOUNTING CHARGE (concluded)

As of December 31, 2022, the total number of Liquidated Pre-IPO Shares subject to the claw back provisions totaled 11,328,809. As of December 31, 2022, there were 85,320,625 Retained Pre-IPO Shares subject to vesting requirements and 17,080,032 of these shares were fully vested. These shares were issued in 2021 and the weighted-average grant date fair value of these shares was $1.82 as of the grant date. As of December 31, 2022, the unrecognized compensation cost from these restricted shares was approximately $120,826,000, which is expected to be recognized over a weighted-average period of 4 years.

ASC 805-10-55-25 Charge

During 2022, the Company acquired KP LLC and Engage (see Note 2) for a combination of cash, shares of Company Common Stock and future contingent payments ("Acquisition Payments"). As described in Note 2, a portion of the Acquisition Payments are subject to vesting and/or claw back provisions that are directly linked to the continuing employment of the Owners of KP LLC or Senior Principals of Engage, respectively ("Post-Combination Payments"). As a result, in accordance with the guidance of ASC 805-10-55-25, *Business Combinations*, the Post-Combination Payments are not considered part of the purchase consideration for these acquisitions and the fair value of the Post-Combination Payments is being recognized as a charge for post-combination compensation over the period of the applicable vesting requirement or the period over which the claw back rights linked to employment lapse.

For the year ended December 31, 2022, the post-combination compensation charge recorded by the Company was approximately $2,441,000. Approximately $2,257,000 of this amount is recorded as other liability at December 31, 2022. Approximately $111,000 of the post-combination compensation charge is from the issuance of Common Stock that vested as of December 31, 2022 and the remaining approximately $74,000 was from the 2022 amortization of the prepaid post-combination compensation asset. As of December 31, 2022, the unrecognized post-combination compensation charge was approximately $10,104,000, which is expected to be recognized over a weighted-average period of 2.5 years. The actual amount of Post-Combination Payments is subject to significant estimates and could change materially in the future.

NOTE 7 OMNIBUS INCENTIVE PLAN

During 2021, the Company adopted the Public Policy Holding Company, Inc. 2021 Omnibus Incentive Plan (the "Omnibus Plan"), under which Options (both nonqualified options, and incentive stock options subject to favorable U.S. income tax treatment), stock appreciation rights, restricted stock units, restricted stock, unrestricted stock, cash-based awards and dividend equivalent rights may be issued. An award may not be granted if the number of common shares committed to be issued under that award exceeds ten percent of the ordinary shares of the Company in issue immediately before that day, when added to the number of common shares which have been issued, or committed to be issued, to satisfy awards under the Omnibus Plan, or options or awards under any other employee share plan operated by the Company, granted in the five previous years.

As of December 31, 2021, no awards were outstanding under the Omnibus Plan. As of December 31, 2022, the total amount of shares authorized by the Board of Directors under the Omnibus Plan was 2,805,852. During the year ended December 31, 2022 the Company granted 2,794,859 stock options to employees. The stock options have a contractual term of ten years and vest three years after their issuance.

Determining the appropriate fair value model and the related assumptions requires judgment. The fair value of each option granted is estimated using a Black-Scholes option-pricing model on the date of grant as follows:

	For the year ended December 31, 2022
Estimated dividend yield	6.00%
Expected stock price volatility	60.00%
Risk-free interest rate	2.7% to 4.1%
Expected life of option (in years)	6.50
Weighted-average fair value per share	$0.58

The expected volatility rates are estimated based on the actual volatility of comparable public companies over the expected term. The expected term represents the average time that options that vest are expected to be outstanding. Due to limited historical data, the Company calculates the expected life based on the midpoint between the vesting date and the contractual term, which is in accordance with the simplified method. The risk-free rate is based on the United States Treasury yield curve during the expected life of the option.

Notes to Consolidated Financial Statements Continued

NOTE 7 OMNIBUS INCENTIVE PLAN (concluded)

The following summarizes the stock option activity for the year ended December 31, 2022:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	-	$ -	-	$ -
Granted*	2,794,859	2.13	-	-
Exercised	-	-	-	-
Cancelled/Forfeited*	(76,050)	2.13	-	-
Outstanding as of December 31, 2022*	2,718,809	$ 2.13	9.4	$ -
Exercisable as of December 31, 2022	-	-	-	-
Vested and expected to vest as of December 31, 2022*	2,718,809	$ 2.13	9.4	$ -

*The options are exercisable in Great British Pounds ("GBP") as the Company's shares are issued in GBP. The weighted-average exercise price has been adjusted based on the December 31, 2022 exchange rate of GBP to U.S. Dollars of 1 GBP equals $1.21.

The following table summarizes certain information about the stock options outstanding and exercisable as of December 31, 2022:

Exercise Price	Number of Options Outstanding	Weighted-Average Remaining Life	Number of Options Exercisable
$2.10*	100,000	9.8	-
2.13*	2,568,809	9.4	-
2.15*	50,000	9.6	-
	2,718,809		-

Stock option expense for the year ended December 31, 2022 was approximately $318,000. As of December 31, 2022, there was approximately $1,254,000 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements, which is expected to be recognized over a weighted-average period of 2.4 years.

NOTE 8 INCOME TAXES

Prior to December 10, 2021, the net income (loss) related to the Company's operations were reported as part of a partnership income tax return for federal and state income tax purposes. Because the partnership entity was not subject to income tax at the Company level, no provision for income taxes was required for periods prior to December 10, 2021.

Due to the Company Conversion that occurred on December 10, 2021, an initial net deferred tax liability was recorded in conjunction with the Company's operations that would be taxable at the corporate entity level. An initial deferred tax liability in the amount of $2,942,400 was recorded, with a corresponding adjustment to stockholders' equity.

The Company recorded the following income tax expense (benefit) for the year ended December 31, 2022 and for the period December 10, 2021 through December 31, 2021.

	2022	2021
Current tax expense:		
Federal	$ 5,944,400	$ 375,100
State	2,443,100	147,400
	8,387,500	522,500
Deferred tax expense (benefit):		
Federal	$ (475,500)	$ (21,600)
State	(114,400)	(6,200)
	(589,900)	(27,800)
Total Provision for Income Taxes:	$ 7,797,600	$ 494,700

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. None of the goodwill that was reported on the Consolidated Balance Sheets as of December 31, 2021 is deductible for income tax purposes. The acquisitions of KP LLC and Engage are taxable asset acquisitions. As such, the purchase consideration for these acquisitions will generate tax-deductible goodwill in the combined amount of approximately $20,760,000. A deferred tax asset has been recorded in relation to the excess of the tax deductible goodwill as compared to the GAAP carrying value of goodwill. Of the $20,760,000 of tax deductible goodwill, approximately $8,300,000 is eligible to begin being amortized for tax purposes during the 2022 tax year.

Notes to Consolidated Financial Statements Continued

NOTE 8 INCOME TAXES (concluded)

Significant components of the Company's deferred tax assets and liabilities are as follows as of December 31:

	2022	2021
Deferred income tax assets:		
Other assets	$ 197,600	$ 40,600
Goodwill	4,797,000	-
ASC 842 Lease liability	5,107,000	5,036,200
Total deferred income tax assets	10,101,600	5,076,800
Deferred income tax liabilities:		
Property and equipment	(188,200)	(213,100)
Prepaid compensation	(281,000)	-
Intangible assets	(2,924,000)	(3,479,800)
Right of use asset	(4,430,000)	(4,298,500)
Total deferred income tax liabilities	(7,823,200)	(7,991,400)
Total Net Deferred Tax Asset (Liability):	$ 2,278,400	$ (2,914,600)

A reconciliation for the difference between actual income tax expense (benefit) compared to the amount computed by applying the statutory federal income tax rate to net loss before income tax of ($7,211,111) and ($25,778,400) for the year ended December 31, 2022 and for the period between December 10, 2021 and December 31, 2021, is as follows:

	December 31, 2022		December 10, 2021 - December 31, 2021	
	Amount	% of Pretax Earnings	Amount	% of Pretax Earnings
Federal income tax benefit at statutory rate	$ (1,514,300)	21.0	$ (5,413,500)	21.0
State income taxes, net of federal income tax benefit	(452,800)	6.3	(1,552,300)	6.0
Nondeductible share-based accounting charge	9,775,100	(135.6)	7,460,500	(28.9)
Other	(10,400)	0.1	-	-
Total Provision for Income Taxes	$ 7,797,600	108.2	$ 494,700	(1.9)

As of December 31, 2022, there are no known items that would result in a material liability related to uncertain tax positions, as such, there are no unrecognized tax benefits. The Company's policy is to recognize interest and penalties related to uncertain tax positions in the provision for income taxes. As of December 31, 2022, the Company had no accrued interest or penalties related to uncertain tax positions. The Company's 2021 and 2022 tax years are open under the statute of limitations for examination by the taxing authorities.

NOTE 9 RETIREMENT PLAN

Effective January 1, 2020, the Company established the Public Policy Holding Company, LLC 401(k) Plan ("PPHC Plan"). The PPHC Plan covers employees that reach certain age and length of service requirements. Eligible employees can contribute into the plans through salary deferral. The PPHC Plan does not have any employer contribution and expenses are immaterial.

NOTE 10 CONCENTRATION OF CREDIT RISK

Geographic location

Most of the Company's assets are located in the Washington D.C. metropolitan area. Therefore, the Company is subject to certain economic risks resulting from the majority of its revenue being derived from one geographic location.

NOTE 11 SEGMENT REPORTING

As of December 31, 2022, the Company has two reportable segments; Lobbying Consulting and Public Affairs Consulting. Lobbying Consulting services include federal and state advocacy, strategic guidance, political intelligence and issue monitoring. Public Affairs Consulting services include crisis communications, community relations, social and digital podcasting, public opinion research, branding and messaging, relationship marketing and litigation support.

Corporate is primarily comprised of selling, general and administrative expenses. These expenses include corporate office expenses and certain other centrally managed expenses that are not fully allocated to operating divisions, salaries, annual bonuses and other miscellaneous benefits for corporate office employees, financial statement audits and legal, information technology and other consulting services that are engaged and managed through the corporate office, and rental expense for properties occupied by corporate office employees.

The Company measures the results of its segments using, among other measures, each segment's net revenue and operating income, which includes certain corporate overhead allocations. The Company's chief operating decision maker does not evaluate the total assets, liabilities or income tax expenses at the segment level but rather evaluates these items on a consolidated basis. Information for the Company's segments, as well as for corporate and support, including the reconciliation to income (loss) from operations is provided in the following tables, as of December 31:

	2022	2021
Revenue		
Lobbying consulting	$ 78,177,680	$ 70,125,726
Public affairs consulting	30,636,811	29,210,734
Total	$ 108,814,491	$ 99,336,460

Notes to Consolidated Financial Statements Concluded

NOTE 11 SEGMENT REPORTING (concluded)

	2022	2021*
Income (loss) from operations		
Lobbying consulting	$ 26,065,442	$ 4,808,030
Public affairs consulting	8,252,450	878,878
Share-based accounting (ASC 718-10-S99-2) charge	(33,392,300)	(27,609,214)
Post-combination compensation (ASC 805-10-55-25) charge	(2,441,052)	-
Corporate	(5,678,778)	(1,787,287)
Total loss from operations	$ (7,194,238)	$(23,709,593)

	2022	2021*
Depreciation and amortization		
Lobbying consulting	$ 1,834,519	$ 1,728,875
Public affairs consulting	313,340	202,432
Corporate	81,338	81,338
Total depreciation and amortization	$ 2,229,197	$ 2,012,645

*2021 segment revenues restated in line with classification used for 2022.

NOTE 12 SUBSEQUENT EVENTS

On February 28, 2023, the Company entered into a $17,000,000 credit facility with a bank ("Credit Facility"). The Credit Facility has two components, Facility 1 is a Senior Secured Line of Credit in the amount of $3,000,000 and Facility 2 is a Senior Secured Term Loan in the amount of $14,000,000. The interest rate on Facility 1 and Facility 2 is the Bloomberg Short-Term Bank Yield Index plus 225 basis points. The Credit Facility is collateralized by substantially all of the net assets of the Company. The Credit Facility matures on January 31, 2026. The Company has drawn $14,000,000 from Facility 2 and utilized those funds as part of the consideration to acquire MultiState Associates, Inc. ("MultiState").

On March 1, 2023, the Company acquired MultiState for initial consideration of $22,000,000 ("Initial Consideration"). MultiState is a United States based state and local government relations specialists and a provider of state-based government relations services, state issues tracking and compliance solutions. The MultiState Consideration consisted of $17,600,000 in cash and the issuance of 2,740,717 new shares of the Company's common stock valued at $4,400,000. In addition to the Initial Consideration, the owners of MultiState could receive up to three additional payments ("Contingent Payments") based upon the achievement of certain milestones related to profit growth targets between 2022 and 2027. These Contingent Payments would be paid fifty percent in cash and fifty percent in shares of the Company's common stock. The maximum amount of consideration that the Company could pay for the acquisition totals $70,000,000.

NOTE 12 SUBSEQUENT EVENTS (concluded)

During March 2023, the Company entered into certain lease amendments, which among other things, added additional square footage of office space and extended the lease terms. The amended leases were scheduled to expire during 2023. As a result of the lease amendments, the Company's estimated future minimum lease payments disclosed in Note 1 will increase by approximately $11,000,000 through January 2031.

IN MEMORIAM

Greg Means, a founding principal of the Alpine Group, died on February 5, 2023:

“One of his favorite statements was that a guy from the small town of Hampton, Arkansas, who had a tattoo of his home zip code on his ankle to remind him to never forget his roots, had created one of the Top 20 government relations firms in the Nation’s Capital.”

Politico Influence, February 6, 2023

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Public Policy
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