Annual Report
2017

“Logic will get you from A to B.
Imagination will take you everywhere”

Albert Einstein

INDEX

HIGHLIGHTS, SEC AT A GLANCE

Revenues: 20,96 € millions

Ebita 1,69 € millions

Equity: 9.35 € millions
(attributable to Equity holders)

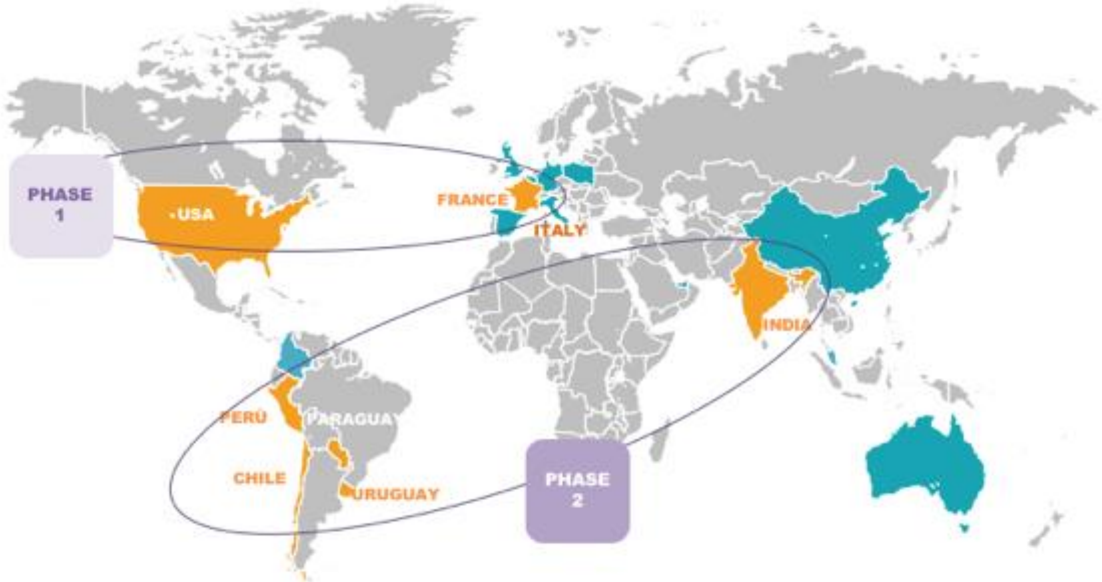
Cash flow: 4,67 € millions

OUR OBJECTIVES

1. **Re-launch organic growth through a new model for new business**

2. **Continue acquisitions plan, complete European step with France, start in North America and continue in Latam**

3. **Invest in digital transformation**



4. **Add consultancy value to our offer**

5. **Attract always more talents**

INFORMATION ON THE GROUP

1. INTRODUCTION

SEC S.p.A., headquartered in Milan, is the holding company of a Group providing public relations, advocacy business ad public affairs consultancy. The Group has operations across Europe and South America. The business was originally founded in 1989 and has subsequently grown both organically and by acquisition.

In recent years the Group has acquired a number of controlling stakes in various companies, leaving existing management incentivised with minority shareholdings. The Group's Italian operation is now the largest independent PR agency in the country. Directors consider that the Company is ideally positioned to become a consolidator in the growing public relations and advocacy sectors. The strategy of the Group is to become a global PR business, differentiated from its competitors (most of whom are US based) by its European roots. The Placing and Admission to AIM is an important part of executing this strategy.

2. BACKGROUND

SEC was founded by the current Chief Executive, Fiorenzo Tagliabue. It subsequently grew organically focusing on media relations, institutional and B2B events, publishing and institutional relations. From 1997, the Company expanded across Italy opening offices in Torino, Naples, Roma, Bari and Catania. Following consistent growth over a number of years, in 2013 the Group began to expand internationally with a series of acquisitions in Bruxelles, Spain, Germany, United Kingdom, Poland and Colombia (30 December 2017). The Group currently comprises eleven subsidiaries in which the Company holds stakes ranging between 51 and 75 per cent. of the share capital.

Company's activities comprise Public Relations, Advocacy and Integrated Services. Typically clients will engage the Company on a retained basis with an annual or semi-annual rolling contract.

Public Relations Services, which showed a decrease of 8,16% of revenue in the financial year ended 31 December 2017 compared to 2016's figures, include:

- **Brand Equity Management –** The development of strategies to preserve and/or raise the brand value of a client, be it a company and its brand(s), a cultural institution or large real estate projects. This is typically based on detailed understanding of perception and uses various communication levers and processes of perception analysis.
- **Corporate and Financial Communication -** Provision of consulting and communication services for companies and financial institutions related to mergers and acquisitions, capital markets and investor relations.

- **Reputation Safeguard: Issues & Crisis Management –** The development of strategies to help companies and institutions rapidly and effectively combat potential or actual crises, which could cause severe damage to their reputation and ultimately their business operations.
- **Corporate Social Responsibility -** Services related to every aspect of social engagement and reputation of a client.
- **External and Internal Relations -** Professional communication focusing on Customer Relationship Management (CRM), social and content management and projects addressed at employees to align and reenergise.
- **Media Relations -** Services designed to enhance relations with journalists, bloggers and editors.
- **Digital Relations -** New age digital communications including social media audits and analysis, digital press office and digital PR, social media strategies, video reporting, monitoring of local media networks and facilitating training sessions to clients.

Advocacy activities, which show an increase of 19,58% of revenue in the financial year ended 31 December 2017 compared to 2016's figures, include:

- **Government Relations -** Services aimed at enabling companies to interact effectively with local, national and international governments.
- **Public Affairs -** Assisting clients, ranging from local interest communities to global opinion leaders, through research and campaigning, to mobilise opinion across regions.
- **Community Relations and Consensus Building -** Helping companies manage potential or actual conflicts related to its goods, services or projects, building reputation in the communities where they operate.
- **Issue Management -** Helping organisations prioritize and proactively address public policy and reputation issues that can affect their success.
- **Political Communication -** Services provided to political parties during election periods, ranging from communication management and strategy to media coverage.

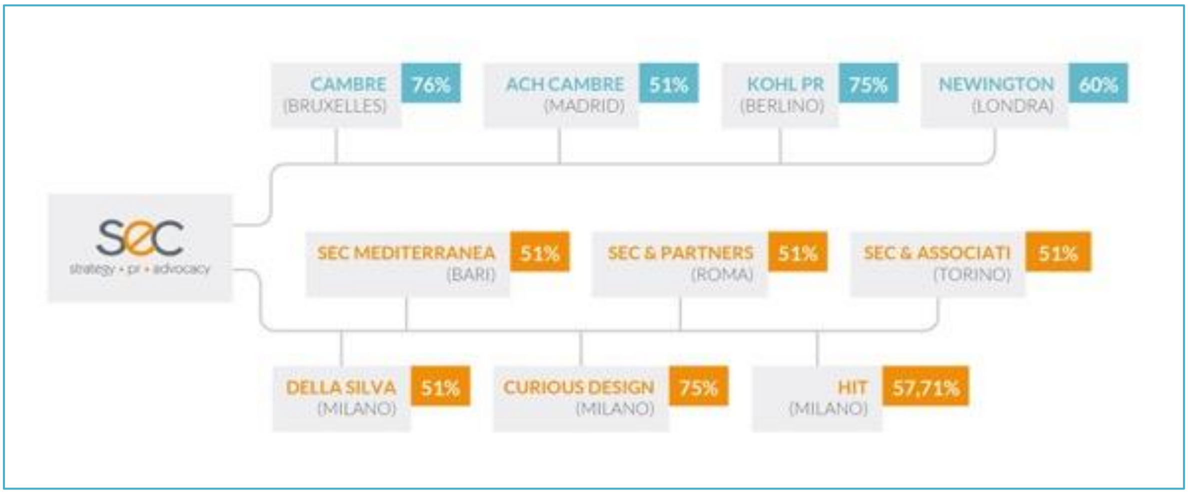
Integrated Services, which show an increase of 131,01% of revenue in the financial year ended 31 December 2017 compared to 2016's figures, include:

- **Social Media Management -** Covering all the stages of social media communication, from strategic and editorial decisions to direct administration of social media channels.
- **Event Management -** Services focused on organising events, assisting the clients in every step of the process, including design, promotion and organisation of an event, and budget management, in order to deliver a strong return on client spend.
- **Association Management -** Services ranging from the launch and day-to day management of an association to providing the back office of an industry coalition. Association management services help clients to ensure legal and financial compliance and represent clients' industries and advocate on clients' issues.
- **Integrated Communication -** Encompasses advertising campaigns coordination and multidisciplinary projects, leveraging synergies with artists, screenwriters and advertising agencies.

3. SUBSIDIARIES

SEC S.p.A.

SEC S.p.A. is the Milano operations as well as the Group's head office. The Company also has a team based in Roma, which is solely focused on advocacy.



SEC Group in 2016

SEC & Associati S.r.l. (Italy)

SEC & Associati S.r.l., based in Torino, was incorporated in 1997 and represents SEC's first operations outside of Milano. SEC & Associati provides a wide range of PR services to various types of clients, including large corporates, trade associations and regional governments and municipalities. It also has the capability to offer basic advocacy services, with more complex advocacy referred to SEC's Milano office. SEC owns a 51% stake in SEC & Associati. The remaining 49% is owned by a group of senior partners that include Mr. Maurizio Ravidà, Managing Director.

SEC Mediterranea S.r.l. (Italy)

SEC Mediterranea S.r.l., based in Bari in Southern Italy, provides a wide comprehensive range of PR and community relations services to clients which include corporates and trade associations.. SEC S.p.A. owns a 51% interest in SEC Mediterranea, with the remaining 49% held by Managing Director, Mr. Gianluigi Conese.

SEC and Partners S.r.l. (Italy)

SEC and Partners S.r.l. principally provide its clients, including a number of large corporations, with corporate and financial PR services from its office in Roma, where it was incorporated in 2014. SEC S.p.A. has a 51% interest in SEC and Partners S.r.l., with the remaining 49% owned by Managing Director, Giancarlo Frè.

Curious Design S.r.l. (Italy)

Curious Design S.r.l., located in Milano, is a corporate identity and graphic design agency. In 2010 Mr. Alberto Scotti, President and Creative Director, joined the company. SEC acquired part of its holding in Curious Design (75%) in 2011 with Alberto Scotti owning the remaining 25%. It provides its clients, which include a number of large well-known businesses and brands, with a wide range of design services including website design and layout, product packaging design, branding and corporate image design.

HIT S.r.l. (Italy)

HIT was established in 1994, and provides human resources for the different enterprise communication activities. The company has a database of over 10,000 contacts from which it can supply its clients' events throughout Italy with stewards, promoters, entertainers, event hosts, interpreters and security operators on a 24 hours a day, 7 days a week basis. It also offers highly specialised administrative communication services such as recall services, mailing lists, email and telephone hotlines as well as professional technical services (audio, video and lighting) for corporate events. SEC S.p.A. owns a 57.7% interest in HIT, with the remaining 42.3% owned by a group of senior partners.

Cambre Associates SA (Bruxelles)

Cambre Associates SA is an advocacy business based in Bruxelles where it has operated since 2001. SEC acquired its stake in 2013. The team at Cambre have an understanding of European Union Government issues and specialise in government relations, public affairs and public relations. Cambre assists its clients to mobilise opinion across Europe from local interest communities to global opinion leaders. Cambre skills are based around research, understanding legislative procedure, networks, search engine optimisation, infographics, personal profiling, polling, online campaigning or multimedia. Cambre's clients include governments, industry associations and multinational companies. SEC S.p.A. owns a 76.0% interest in Cambre Associates SA, 22.0% is held by Outcom SPRL (a company controlled by Tom Parker) and the remaining 2.0% of the issued share capital is held by Cambre Associates SA in itself (but with voting rights suspended).

ACH Cambre, Consejeros De Relaciones Públicas S.L. (Spain)

ACH Cambre was formed when SEC bought Cambre group (including Cambre Associates SA in Madrid) in 2013, and integrated Cambre Madrid with ACH Spain. Its main office is in Madrid and it also operates from Barcelona. ACH Cambre provides reputation services, media and investor relations, opinion analysis, CSR projects and reports, and financial PR. ACH Cambre has a track record spanning over 30 years and is therefore very well known. The Directors consider that ACH Cambre has a strong reputation in Spain because the founder and now minority shareholder, Antonio Hernando Pinilla, has been influential in the history of its market. SEC S.p.A. owns a 65,7% interest in ACH Cambre, with the remaining 34,3% owned by a group of senior partners.

Kohl PR & Partner Unternehmensberatung für Kommunikation GmbH (Germany)

Kohl PR was founded in 1984 and has been owner-managed since. It was one of the first PR agencies in Germany to focus on political communication, which is its core strength, along with government relations. The business is headquartered in Berlin, close to the Reichstag, leading media outlets and offices of the members of the German Bundestag. SEC S.p.A. owns a 75% interest in Kohl PR, with 20% owned by Mr. Peter Rall and the remaining 5% owned by Invester Private Equity GmbH.

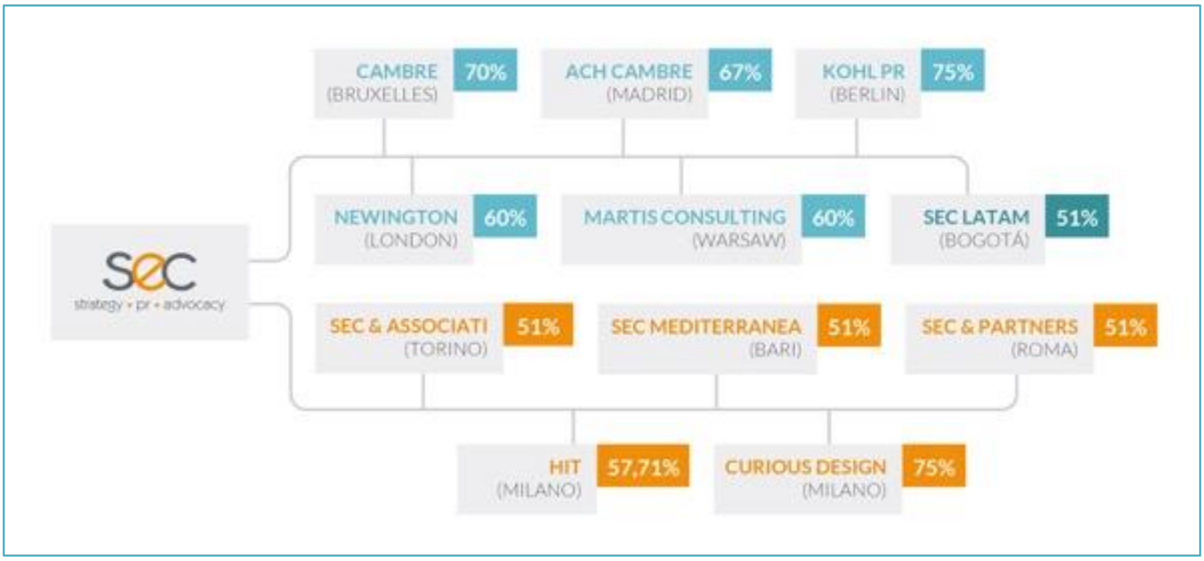
Newington Communications Limited

Newington Communications Limited is an award-winning, multi-disciplinary communications consultancy specialising in Corporate and Public Affairs for the UK and European markets. The team of up to 50 experienced consultants is based across offices in London, Edinburgh, Manchester, Birmingham and Chelmsford. Newington is the fifth largest public affairs consultancy in the UK as measured by PR Week (2016). Its continued success, noted by the industry and recognised by domestic and international awards, and its considerable growth is due to its strong emphasis on client care, ethics and delivering tangible outcomes. From 2016 SEC S.p.A. owns a 60.0% interest in Newington with the remaining 40.0% owned by founders Mark Glover and Phil Briscoe.

At end of 2016 SEC decided to wind up Della Silva Srl, whilst, in April 2017, SEC bought the Polish agency Martis Consulting.

Martis Consulting(Poland)

Founded in Warsaw in 2001 by Ewa Baldyga and Dariusz Jarosz, professionals with over twenty years of experience in corporate communications, Martis had significant development that brought the company among the first ten of the sector in Poland, and to position as agency of reference for most of blue chips listed at the Warsaw Stock Exchange.
Moreover Martis Consulting has a strong track record in public and corporate affairs in Poland and throughout Europe. Its specialist consultants work in a range of sectors including oil and gas, energy and environment, financial services, healthcare, housing, justice and legal, as well as property development and transport. Sec S.p.A. owns a 60% interest in Martis Consulting whit the remaining 40% owned by founders Ewa Baldyga and Dariusz Jarosz
Martis Consulting is run by existing management who retain equity in the business and are incentivised to deliver strong growth.



SEC Group in 2017

CHAIRMAN'S STATEMENT

After the IPO (July 2016) we kept our promises to the market with three new acquisitions (2017) and an extraordinary deal

After our admission to AIM in July 2016 we completed two acquisitions (Martis Consulting in Warsaw, Newlink, now SEC Latam in Bogotà, Colombia) and we continue to seek acquisition opportunities. Moreover, on August 3rd 2017, SEC Group acquired 19.3% of Porta Communication plc. shares, a communication and marketing group listed on AIM, a market of the London Stock Exchange. This deal was an investment which provided SEC with the opportunity to acquire the capital of another listed communication Group and expand SEC's footprint with limited overlaps, to expand know how and market reach, and to consolidate our management skills. Today the platform Porta-SEC operates in 5 continents with a great offer and development perspective.

According to the latest rankings published by @theHolmesReport (source: www.holmesreport.com Global ranking 2018) SEC is Italy's first international Group in the Global PR rankings 2018.

SEC is now ranked 75th in these listings, in a market with volumes rising over the last 12 months (source: www.holmesreport.com Global ranking 2018)..

Finally, during the period under review,we have strengthened the Board by appointed Mark Glover, Newington founder and Managing Director, as executive director.

We are optimistic for the year ahead.

Luigi Roth
SEC Spa
Chairman

CHIEF EXECUTIVE'S STATEMENT

Global economic outlook in 2017 has been stronger than expected reaching the best growth since 2011 up to +3% versus a +2,4% in 2016 accordingly to World Bank (http://pubdocs.worldbank.org/en/890001512062601032/Global-Economic-Prospects-Jan-2018-Highlights-Chapter-1.pd)

Growth has been stronger in emerging economies who reached a +4,3% growth versus advanced economies who grew less. Nevertheless growth in Advanced economies is investment-led which represent a good base for protracting this trend.

The European economic outlook showed a 2,4% increase from a 1,8% (https://ec.europa.eu/info/publications/economy-finance/european-economic-forecast-winter-2018-interim_en).

The global economic outlook is expected to positively continue for the next couple of years (https://ec.europa.eu/info/publications/economy-finance/european-economic-forecast-winter-2018-interim_en). This in spite of an eventually increasing volatility in the financial markets where a degree of uncertainty continues to exist towards Inflation rate, consequent decision on interest rates and still in place QEs.

We believe that trade tariff negotiations are a worrying factor for the world trading system and its output can have important effects of the global trade and as a consequence on the GDP trend.

As some increasing signs of conflicts in very complex part of the world may have uncertainty effects.
Nevertheless global sentiment of populations towards the future, seems to remain stable with an improving orientation to investments and consumption.
This seems to be reflected in the positive trends going forward and in the un-employment

reduction in many places, some approaching the almost full employment rate.

The recent round of elections in the four major European Countries France, Germany, Spain and Italy have not really contributed to EU stability and has prompted a discussion on the fine tuning of European Union approach to a number of issues. Brexit is also representing a changing factor. Increasing populism, booming immigration and terroristic attack continue to be a destabilizing factor.

The global communication market is forecasted to growth 3,6% up from 3,1% last year. A positive development. In Italy the same market is forecasted to grow only 0,4% vs. previous year. The global growth is boosted by the economic grow and some major sport events.
Most part of the growth is linked with digital and social media which continue to develop at a higher rate with traditional media, a part of television and radio, continuing to face problematic times.

Public Relation, Public Affairs and Advocacy market, our specific sector have grown 5% in 2017 and is forecasted to continue with a possibly increasing pace.
Largest player seems to have more difficult to intercept this growing trend than the less structured and lean companies. The latter seems to be quicker in adapting to a constantly changing market were the ability to fast decision taking and no bureaucracy tent to favor less complex structure.

The directors believe SEC has structured itself to respond to the economic uncertainty by consolidating but maintaining a very lean chain of decision taking. Whilst continuing to implement its expansion project and boosting organic growth to further enhance its footprint and intercept faster growing markets.

During the year we have had seen very good performances particularly in Italy, with Sec S.p.a., Sec & partners and Hit beating budget, in the UK with a strong performance after rebranding and moving to larger premises Some operations have faced management changes like Spain, where a new stronger management team is now in place boosting growth for 2018, Brusells which having seen a temporary suspension of one of its major client is now back on track and Germany suffering for the departing of a key member of team.

In the mean time we believe we have seen the growth of synergies to serve clients in more than one market. The list of client served in more than one market includes names as Autogrill, CES, IKEA, Medtronic, Tesla and, Federlegno

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New business generated in 2017 was more than €3 million at a Group level. The Company has also recruited a new Chief Sales Officer, to boost activities and to propose our services to global large multinationals.

With regards to costs, we continue to apply great attention to cost control specially increasing efficiency of our processes and reducing our staff-to-revenues ratio in accordance with our strategic plan.

The SEC Group holding company continues to implement investments to continue the expansion process by way of acquisition and the related cost for the M&A activities.

A major chapter to these investment is represented by the investment to leverage digital and artificial intelligence to our know how.

Furthermore, in 2017 SEC became the largest single shareholder of Porta Communication Plc., also AIM quoted, with SEC CEO Fiorenzo Tagliabue named Non Executive Director and Vice-Chairman on the Porta board.

The collaboration plan between the two entities, is expected to produce increasing commercial opportunities for both operations.

Revenues

The positive context above described has contributed the positive result of the Group.

Revenues are at € 20.964.302 up 13.4% against 2016 (€ 18.486.777)
EBIDTA (see note on financial highlights) is at €1.695.188 vs. €1.130.080 last year, up 50%.

Profit

The year-end Net Profit is € 772.937 vs. € 445.472 last year. A 73,5% increase.

Net asset

Equity (attributable to Equity holders) has increased from €9,157M to € 9,354M.

Group Cash position

The group Cash position remains strong at €4,672M at the end of the period.

Outlook

The directors believe that new business generated in 2017 and the pipeline of all the Group's companies give the board confidence for 2018.
The current year, thanks to a huge effort in new business, has started well.

I would like to thank all the partners and our employees for their continued efforts.

Fiorenzo Tagliabue
SEC Spa CEO

2017, the first year after the IPO has been the year of full speed and the start to transform the Group from a sum up of individual companies to a really integrated Group to improve productivity and efficiency. The process will not be quick and easy, nevertheless the work is in in progress and the first results are coming.

This has meant:

- Management Committee (MC), in which all Group companies' managing directors are members, with the primary scope of evaluating and leveraging every possible synergy starting with commercial ones, worked very hard during the year. Chaired by Tom Parker, the MC has addressed, in particular, two main objectives: the creation of an international marketing unit headed by a CSO, Chief Sales Officer, whose selection is just completed; the unit will promote the group, intercept multinational group challenges, build an identity based on the strategic choice of our business model: a group of entrepreneurs, before a group of companies.

The second objective was to start a discussion about the sharing central costs related to Group management, up to now sustained by the parent Company. Since January 1st 2018 they will be shared accordingly to the gross profit of each individual company.

- The implementation of the management system NetSuite, one of the most sophisticated and diffuse in the world for service companies, for the group at a central level but also for all the subsidiaries. This will permit a more punctual and rigorous management of monthly reports under the profile of the economic accounts and asset situation. As well as providing a series of instruments to improve the efficiency of the service supply process by measuring timings and profitability, these interventions, in the respective areas, has started to produce results in 2017, to become fully functioning in 2018.

In 2017, two acquisitions were finalised: Martis Consulting (April), Newlink, today SEC Latam, (December 30th).

MARTIS Consulting

The project presented during the roadshow ahead of the IPO foresaw a development scheme into three steps: Europe, Americas and Asia. European footprint would include – as for the first step – Europe key markets that comprehended Poland for Eastern Europe. In fact with its nearly 39 million inhabitants, Poland is by far the most relevant Country in East Europe beside Russia.

A Member State of the European Union since May 1st 2004 (yet still not in the euro zone) Poland has a solid growing economy and from the restoration of democracy has kept a liberalization of national economy which allow Poland to be considered as one of the most successful case of transition from centralized to free market economics. As a matter of fact in 2010 Poland overcame the Netherlands to establish itself as Europe's sixth economic power.

According to McKinsey's provisions, if Poland will keep its growing ratio it is likely that by 2020 they can surpass or at least get very close to per capita GDP of Italy, Spain, Portugal or France.

The new course strongly promoted a privatization process of many small and medium State companies that turned into a fast development of a lively private sector within national economy. Restructuring and privatization of such crucial sectors as coal, steel, rails and energy is in full deployment. Polish GDP rise is at 4,6%%, best performer in EU.

Warsaw Stock Exchange is the Easter most important stock exchange of Easter Europe.

Within this framework we selected MARTIS Consulting, an agency based in Warsaw standing at the 7th place of local PR rankings which claims two specific expertise: financial comms (one of the founder having been an economy columnist himself for many years) and corporate comms / public affairs.

The agency will deeply benefit (the process is only started so far) from being part of a Group based, among others, in Italy and Germany two key Countries as far as Polish industrial and commercial relations are concerned.

PORTA COMMUNICATIONS Plc.

Porta Communications Plc. is a PR Group – as SEC Group – listed at LSE's AIM segment. 2017 turnover was in excess of 40 million pounds. Its focus is financial comms under the brand Newgate Communications with operations in London, Singapore, Honk Kong, Shanghai, Abu Dhabi and Australia (with 5 branches in the most relevant Australian cities). In addition Porta controls three other UK based brand: Redleaf (financial comms with a special focus on SME), Publicasity (marketing communication) and 2112 (digital).

In the past Porta suffered some mismanagement issues that led to critical situations, namely in the UK market where they were seeking for an industrial partner they then found in SEC Group. For the sake of this strategic partnership, Porta arranged a dedicated capital increase (August 3rd 2017) by which SEC now owns 18,6% of Porta Plc's shares, its first shareholder. Following this operation, SEC's CEO Fiorenzo Tagliabue was appointed as Deputy Chairman of PORTA.

Starting September 2017 a significant restructuring plan has been carried out that generated savings worth 1.9 million.

PORTA and SEC has no overlaps since UK based SEC partner is mostly focused on Public Affairs, a business not performed by Porta operations in UK market.

The SEC-PORTA platform is now present in five Continents (Europe, Africa, Asia, Australia and Latin America) and shows an impressive potential of commercial synergies that, once the restructuring plan will be completed, will be further implemented.

NEWLINK (now SEC LATAM)

The acquisition of a significant participation in PORTA has prompt SEC to modify its strategic plan in a slightly different direction in respect to what presented to analysts and market at IPO. In fact, through PORTA our footprint in Asia is already satisfactory. From 2017 we turned our attention to American Continent. In North America we are in negotiations with a potential target, while in South America we completed the first acquisition of a Colombian PR agency based in Bogotà, the second in the domestic market.

Several reasons made up our decision to begin approaching South America starting from Colombia. Colombia is the 5th South American economy and, after the FARC pacification roadmap was finished, they have one of the most solid and stable political landscape in the Region. At the time of EXPO 2015, when SEC was the advisor of the Colombian Pavilion, we were offered the chance to build a consistent network of relations with local institutions, including the former Vice President German Vargas, now one of the candidates to the Presidency in end of May electoral round.

Many European and American corporations have operations in Colombia such as, only to quote some examples ENEL, BAT (British American Tobacco) both Sec current client, Ford Foundation, Huawei, Coca Cola, etc..

In Colombia the Group invested into a large size agency (over 3 million euros turnover, 65 staff) aiming at establishing there our LatAm hub. Under this assumption they will run directly the first screening stages of selection of agencies in Chile and Peru our next two target markets for further acquisitions.

In addition, the two founders of the agency have an impressive networking ability within local business community and institutional landscape. The former control shareholder, now the person holding the key part of the minority shares has been herself the Minister of Transport and TLC for some years.

As from April 1st 2018 Newlink has changed its name into SEC Latam to underline to be part of Sec Group.

During the whole 2017 a working group made up at the holding company and coordinated by the CEO came up with a strategic investment plan in the area of technology with the aim of taking advantage of the benefits of the digital revolution in an industry that appears to be not very active in the use of advanced technologies. It is not possible here to describe the five projects developed by the group, but all of the tools generated by these projects will be able to be used in linguistic contexts other than Italian (starting with the principal languages spoken in Europe) in order that they become assets of every company in the Group. The investments, moreover, will be able to benefit from tax benefit of the Italian Governmental programme "Piano Industria 4.0" ["Industry Plan 4.0"] designed by the Minister of Economy to stimulate Italian SMEs to use new technologies.

OUTLOOK

2018, also thanks to a huge effort in new business, has started well, in line with our expectations. The parent Company is working to complete two more acquisitions before the end of the year in two strategical markets like France and USA.
We have budgeted an organic growth of 3% (at a group level) and in the second part of the year we should have the first results of the investment in digital transformation.

GROUP OVERVIEW

Latin name, European vocation, Italian DNA. This is SEC, an independent agency born in Milano in 1989 and today the first Italian agency in the world-ranking list (Holmes Report 2016 and PR Week), with offices and subsidiaries throughout Italy, Europe and Latin America. To strengthen the international placement and to finance the business development plan, SEC was listed on AIM at London Stock Exchange on 26th July 2016. Identification, integration and proximity are the basis of a strategic daily consulting crossing traditional, digital and complete communication.

THE STRATEGY

The Group's strategy develops four main factors.

1) To create best conditions to attract talent and adopt retention plan; thus, after the listing a 5% Stock Grant Plan has been made available to all employees who have certain prerequisites (two years with the company). This will vest two years after the quotation, on July 26th 2018.

2) Invest in technology to take advantage of opportunities offered by the digital transformation

3) Overcome the "commoditization" of certain practices in this industry through the acquisition of a solid leadership in the areas most subject to this process and to increase consulting capacities of the Group through strategic partnerships.

4) The size. The Group must grow even faster in order to be competitive in large commercial pitches at global level. To intercept big multi-Country assignments, we must build a network of agencies, owned or associated, that will allow us to respond to our potential Clients' needs in the five continents of the world. The Group is strongly committed to reaching this goal.

OUR VALUES

Certain principles guide our actions and behaviours towards our clients, our shareholders, our staff, our suppliers and the communities we live in.
For many years, we have adopted a deontological code that brings together the main ethics and rules that collaborators, consultants, suppliers, and all the external subjects who operate with and on behalf of the Company have to observing when undertaking their activities.

1) People are at the centre of our professional work with our clients. Therefore, we take care of selection, training and retention of our people.
2) Reliability is key to our work with our clients. That is: capability of strategy and execution, realism and concreteness in projects, flexibility and orientation of the outcome.
3) Intelligent Capacity in interpreting complex situations, defining priorities and mobilising relations and necessary resources.
4) Proximity to Client to share their growth step by step.
5) Capacity to involve stakeholders to become our Clients' advocates.

PERSPECTIVE OF THE MARKET IN EUROPE

There is reasonable optimism in terms of growth (already visible in last year's study and reports.) The main topics:

- PR consulting is finally developing in the Eastern part of the region. After years of basic brand PR and stunts, local agencies are becoming more sophisticated in their services.
- There is still a limited number of networks operating across the borders of Central and Eastern Europe (SEC is one of these after the acquisition of Martis Consulting).
- According to the latest ratings published by @theHolmesReport 2018 in general mid-sized Groups, those around the 50 million dollars turnover, performed better than the established large players and proved to be capable of faster reactions. This observation confirms one of SEC vision's paradigm and how consistently our business model is to tackle the current market scenario in order to establish ourselves such a key player of these peers.
- Strategic communications, public affairs and lobbying are growing in importance, becoming new areas of consulting for many agencies as the institutional landscape becomes more complex. Our strong presence in Bruxelles allows us to provide consultancy and services both at a national and European level.
- More sophisticated services are required, due to a more and more demanding business context: the role and status of PR is getting bigger in all industries.
- There is no doubt that creativity is an asset today, as standards improve and clients are observing their agency's performance in terms of international awards.
- Digital is everywhere. There is still a lot to do around integration. Also, smart data analysis and measurement are still key challenges for PR agencies in Europe.

OUR SOCIAL RESPONSIBILITIES

PORTOFRANCO ONLUS

"It takes a village to educate a child". In this African proverb is the reason SEC supports Portofranco Onlus, an organization that created in Milano (and replicated in other cities) an extraordinarily effective and beautiful place for high school students to get support with studying.

Here, working and retired teachers, professionals, university students volunteer their time to help children with difficulties with individual lessons, and it is the children themselves who book the lessons and choose to come and study, with no obligation from the school or their family. Here, spontaneously, they have generated one of the most meaningful experiences in Italy, which integrates immigrant students of different generations.

SEC's involvement will support the organization's fundraising and the involvement of some of its directors.

VALORE D

From 2017 SEC is partner of Valore D the first corporate association to promote women's talents, diversity and leadership in order to foster national enterprises development.
SEC acknowledges the association's goals that are:

- to foster corporate welfare policies aiming at implementing innovative and flexible working places where personal needs are taken into account
- taking inclusive and diversity driven strategies in human resource management in order to improve on each individual know how and competence
- to promote inclusive and balanced leadership and governance models to foster participation, collaboration and dialogue inside the organization
- to offer sustainable and new social models aiming at orienteering girls study courses and overcoming gender based stereotypes in families and workplaces

These principles stand strongly in our agency where a significant role is led by women employees: both the GM and CFO, in fact, are women as well as 7 supervisors out of 12 and 7 account directors out of 9.

A sensitive attention to maternity and parental needs is part of our human resource management style. In turn not only is the agency born ratio sensibly higher then national average but our careers development schemes positively integrate with the increase of family responsibilities: 8 of our 12 supervisors in fact have child while those 9 female supervisors that are also mothers spent maternity leaves (often Monroe then one) while at SEC. (?)
Through partnering with Valore D, which offer to its members seminars, companies benchmark and development schemes for staff, SEC is aiming at further improving its employees opportunities both on the professional and the work-life balance sides.

THE BOARD

The Board, composed of 8 members, was integrated during the last year and now it is composed of:

- three Non-Executive Directors, the Italian **Luigi Roth** as Chairman, who has prestigious experience as CEO and/or President of many other listed companies; now is the Chairman of Equita SIM spa, listed on AIM in Milan; **David Mathewson** and **Paola Bruno**, both with significant experience on the boards of companies quoted on the London AIM;



- and, as executive directors, **Tom Parker**, the managing director of Cambre, the PA company based in Bruxelles, **Mark Glover**, founder and managing director of Newington, the UK subsidiary, second company of the Group, **Cesare Valli**, already managing director of Hill & Knowlton Strategy for South Europe, and the CFO, **Anna Milito**. The board is completed by CEO, **Fiorenzo Tagliabue**.

PRINCIPAL RISKS AND UNCERTAINTIES

An investment in ordinary shares is highly speculative and involves a high degree of risk. the attention of prospective investors is drawn to the fact that the company is subject to a variety of risks which, if any were to materialise, could have a significant adverse effect on the company's business and/or financial condition, results or future operations. in such case, the market price of the ordinary shares could decline and investors might lose some or all of their investment.

In addition to the information set out in the rest of this document, the following risk factors in this part should be considered carefully in evaluating whether to make an investment in the company. the following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the company and they are not set out in any order of priority. Additionally, there may be risks not mentioned in this document of which the board are not aware or believes to be immaterial but which may, in the future, adversely affect the group's business and the market price of the ordinary shares.

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

1. RISKS RELATING TO THE GROUP

1.1. Exposure of the Group to economic conditions

Demand for the Group's services may be significantly affected by the general level of economic activity and economic conditions in the regions and sectors in which the Group operates. Therefore, an actual or perceived economic downturn, especially in regions or sectors where the Group's operations are focused, could have a material adverse effect on the Group's business and financial results. In addition, there may be a delay between the occurrence of an actual or perceived threat of economic downturn and the impact this could have on the Group's financial results. Diversification trough investments in different regions and sectors is a key action to ensure the mitigation of the above risks.

1.2. The Group is reliant on key executives and personnel

The Group's business, development and prospects are dependent upon the continued services and performance of its Directors, in particular Mr. Fiorenzo Tagliabue, Paola Ambrosino, Tom Parker and other key personnel. The experience and commercial relationships of the Group's Directors and key personnel help provide the Group with a competitive edge. The Directors believe that the loss of services of any existing key executives for any reason, or failure to attract and retain necessary personnel, could adversely impact the business, development, financial condition, results of operations and prospects of the Group. In order to mitigate the above risks the group aims at creating the best opportunities for personal development and career enhancement. Recruiting specialised, experienced staff is also crucial.

1.3 Acquisition strategy

The Group employs an acquisition strategy whereby it seeks bolt-on acquisitions. A result of this is an ever-increasing number of management teams within the Group which require oversight by the Board. Additionally, and despite following the acquisition criteria outlined in this document, there remains the risk that all acquisitions may not be accretive. There is a risk related to the Group's ability to accurately identify suitable targets and to successfully execute transactions for such a strategy. As consideration for such acquisitions, the Company may seek to issue Ordinary Shares. There can be no guarantee that sellers of target companies, businesses or assets will be prepared to accept shares traded on AIM as consideration, and this may limit the Group's ability to grow its activities and pursue its strategy. The difficulties involved in integrating any companies, businesses or assets acquired by the Group may divert financial and management resources from the Group's core business, which could adversely affect the Group's business, financial condition and operating results.

When completing new acquisitions in order to mitigate those risks the best practices in terms of screening are used. Due diligence studies are also conducted by external advisors on the selected target companies.

1.4 Reliance on subcontractors

The Group utilises subcontractors on a project-by-project basis to meet its contractual obligations. Such projects will rely on the subcontractors performing their duties and obligations, not only in terms of timely delivery but also in terms of their performance obligations. Any such non-performance may result in time and cost over-run of the Group's projects and reduce the value of the Group's returns.

In order to mitigate the above risks, the Group relies on long-term partnerships with well renowned subcontractors.

1.5 Timing of large contracts

The Group's revenues are generated from a mix of longer and shorter lead time orders. The timing of order placement and delivery of the larger orders are inherently difficult to predict potentially causing material fluctuations in actual results compared with expectations or plans.

1.6 Competition for investment

The Group may face significant competition from both domestic and international competitors who have greater capital, greater resources and superior brand recognition that the Group and who may be able to provide better services, adopt more aggressive pricing policies or pay higher prices to acquire businesses. There is no assurance that the Group will be able to compete successfully in such an environment.

1.7 Internal controls

Future growth and prospects for the Company will depend on the Directors' ability to manage the business of the Group and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations. The Group is investing in a new integrated accounting and managerial software the use of which will play a key role in mitigating the risk of internal control failures.

1.8 Quality of the Group

The Group's success is correlated to the reputation of its services by its clients. The Group's results, therefore, depend on its ability to maintain the quality of its services, as well as on the maintenance of a strong image of its brands. Any failure to guarantee the quality of its services could have material adverse effects on the Group's reputation, which could harm its business, financial condition, and operating results. The Group aims at providing the best possible services to its client. In order to do so, training and updating courses are offered to all employers.

2. RISKS RELATING TO THE GROUP'S OPERATIONS OVERSEAS

2.1 General

It is expected that a significant proportion of the Group's revenues will be generated overseas. The Group's business could therefore be adversely affected by changes in local and regional economic, political and social conditions or the policies of the relevant government, such as changes in laws and regulations, taxation and imposition of restrictions on currency conversion. In addition, the occurrence of war, public disorder, economic sanctions, terrorism and local or national strikes or labour unrest in any of the overseas locations in which the Group operates may disrupt or permanently prevent the Group from operating in these locations or recovering its investment in whole or in part. The Group's investments may be denominated in currencies other than Euro. Accordingly, fluctuations in exchange rates between Euro and the relevant local currency and the costs of conversion and exchange control may have an unfavourable effect on the profitability of such operations.

2.2 Financial risks

Revenue and profitability

The Company cannot guarantee that the Group will be able to achieve or sustain revenue growth and achieve or sustain profitability in the future. If the Company is unable to achieve or sustain profitability, the business could be severely harmed. The Group's operating results may fluctuate as a result of a number of factors, many of which are beyond its control. These factors include, amongst others, the growth rate of markets into which the Group sells its services or products, market acceptance of and demand of its services and products and those of its customers and unanticipated delays, problems in the introduction of its services or products. If the Company does not realise sufficient revenue levels to sustain profitability, it may require additional working capital and financing in the medium term, which may not be available on attractive terms, or at all.

Exchange rate risk

The Company and the Group will be exposed to several exchange risks. The Company is raising funds in Sterling pursuant to the Placing and the Subscription. Most of the Group's expenses and the sale of its products will be denominated in Euros. Exchange rate fluctuations could adversely affect the Company's profitability or the price competitiveness of its products. Fluctuations in exchange rates between currencies in which the Group operates may cause fluctuations in its financial results which are not necessarily related to its underlying operations. The Group does not currently have a foreign currency hedging policy.

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2016	*Year ended 31 December 2017*
Revenue	**18.487**	**20.964**
EBITDA[1]	**1.130**	**1.695**
EBIT[2]	**788**	**1.235**
Profit Before Tax	**734**	**1.103**
Net Profit	**445**	**773**
Net Profit to the Group	**182**	**449**
Net Profit to minorities	**263**	**324**
Net Financial position	**3.115**	**1.501**

Full Year Highlights

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

[1] EBITDA is calculated as: SALES - LABOUR COSTS– SERVICE CHARGES– OTHER OPERATING COSTS– PUBLIC COMPANY COSTS + OTHER OPERATING INCOME

[2] EBIT is calculated as: EBITDA – DEPRECIATION OF TANGIBLES AND INTANGIBLES – OTHER ACCRUALS AND DEPRECIATION

FINANCIAL INFORMATION OF SEC S.P.A. FOR THE TWO YEARS ENDED 31 DECEMBER 2017

CONSOLIDATED INCOME STATEMENT

Continuing Operations	Note	Year ended 31 December 2016 €'000	Year ended 31 December2017 €'000
Revenue	4	**18,487**	**20,964**
Employees expenses	5-6	(8,296)	(10,380)
Service costs	7	(8,699)	(7,502)
Depreciation & amortization	8	(128)	(155)
Other operating income and charges	9	77	37
Other operating costs	10	(646)	(1,729)
Profit from operations		**795**	**1,235**
Finance income and expense	11	(61)	(132)
Profit before taxation		**734**	**1,103**
Taxation	12	(289)	(330)
Profit for the year		**445**	**773**
Profit for the year attributable to owners of the company		182	449
Non-controlling interest		263	324
Profit for the year		**445**	**773**
Earnings per share attributable to the equity holders of the Company			
Basic, per share	27	0.01	0.036
Diluted, per share		0.01	0.034

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Continuing Operations	Note	Year ended 31 December 2016 €'000	Year ended 1 December 2017 €'000
Profit for the year		**445**	**773**
Items that may be subsequently reclassified to profit or loss:			
Gain/(loss) on revaluation of available for sale investments		36	(238)
Gain /(loss) on exchange rates		(6)	(21)
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension plans		(1)	14
Total comprehensive income for the year		**474**	**529**
Total comprehensive income for the year attributable to:			
Owners of the Company		216	214
Non-controlling interest		258	315
Net Group comprehensive income for the year		**474**	**529**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	*Year ended 31 December 2016 €'000*	*Year ended 31 December 2017 €'000*
Intangible assets	13	5,703	9,402
Tangible assets	14	454	413
Investments		7	7
Other financial assets	15	16	18
Other assets	16	917	924
Non-current assets		**7,097**	**10,764**
Trade receivables	17	7,304	8,436
Other receivables	18	657	854
Financial investments	19	1,049	4,509
Cash and cash equivalents	20	6,776	4,672
Current assets		**15,786**	**18,472**
Total assets		**22,883**	**29,235**
Trade payables	21	2,261	2,537
Borrowings	22	901	1,807
Other payables	23	2,911	3,482
Provisions	24	651	1.180
Current liabilities		**6,724**	**9,006**
Employee benefits	25	1,504	1,680
Borrowings	22	3,353	5,873
Other non-current liabilities	26	256	1,280
Non-current liabilities		**5,311**	**8,833**
Total liabilities		**11,837**	**17,839**
Net assets		**11,046**	**11,397**
Share capital	27	1,222	1.222
Reserves	28	7,753	7,683
Profit of the year		182	449
Equity attributable to equity holders Of the Company		**9,157**	**9,354**
Equity non-controlling interests	29	1,889	2,042
Total equity		**11,046**	**11,396**
Total equity and liabilities		**22,883**	**29,235**

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Operating activities		
Profit for the year	445	773
Adjusted for:		
Corporation tax	289	330
Impairment charges	0	0
Net interest	61	45
Depreciation tangible assets	123	102
Amortization intangible assets	5	53
Other depreciations	121	295
Pension provisions	359	168
Long-term provisions	(528)	(402)
Other non- cash movements	99	(11)
Changes in working capital:		
(Increase)/decrease in trade and other receivables	1,579	(933)
Increase/(decrease) in trade and other payables	(667)	225
Cash generated from operations	**1,885**	**645**
Income tax paid	**(1,439)**	**(426)**
Net cash flow from operating activities	**446**	**219**
Investing activities		
(Purchase)/sale tangible assets	(169)	(1)
Acquisitions and earn-outs	(1,653)	(1,332)
(Purchase)/sale of other intangibles assets	(89)	(416)
Cash from acquisitions	143	47
(Purchase)/Sale of financial assets	(10)	(3,697)
(Purchase)/Sale of investment	0	0
Net cash used in investing activities	**(1,779)**	**(5,938)**
Financing activities		
Interest paid	(61)	(45)
Increase in financial borrowings	2,150	4,370
Decrease in financial borrowings	(819)	(946)
Dividend payments	(341)	(164)
Share issues	2,849	-
Own shares operation	(404)	-
Minorities	(303)	(141)
Net cash used in financing activities	**3,071**	**(2,103)**
Net increase in cash and cash equivalents	**1,739**	**2,104**
Cash and cash equivalents at beginning of period	**5,036**	**6,676**
Cash and cash equivalents at the end of period	**6,776**	**4,672**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital €'000	Legal reserve €'000	Other reserves €'000	Retained earnings €'000	Total equity shareholders' funds €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2016	**1,000**	**20**	**(38)**	**5.635**	**6,617**	**1,849**	**8,466**
Net profit for the year	-	-	-	182	182	263	445
Other comprehensive income	-	-	34	-	34	(6)	28
Ordinary shares issued	222	-	-	2,627	2,849	-	2,849
Dividends paid	-	-	-	(100)	(100)	(241)	(341)
Others	-	38	-	(41)	(3)	9	6
Own shares operations	-	-	-	(422)	(422)	(275)	(697)
Acquisition of subsidiaries with non-controlling interest	-	-	-	-	-	290	290
Balance at 31 December 2016	**1,222**	**58**	**(4)**	**7,881**	**9,157**	**1,889**	**11,045**
Net profit for the year	-	-	-	449	449	324	773
Other comprehensive income	-	-	(241)	-	(241)	(10)	(252)
Ordinary shares issued	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(164)	(164)
Others	-	-	-	(10)	(10)	(85)	(95)
Own shares operations	-	-	-	-	-	-	-
Acquisition of subsidiaries with non-controlling interest	-	-	-	-	-	88	88
Balance at 31 December 2017	**1,222**	**58**	**(245)**	**8,320**	**9,354**	**2,042**	**11,936**

1. CORPORATE INFORMATION

SEC S.p.A. (the "Company") was incorporated in March 1989 and is based in Milan. The registered office and principal executive office of SEC S.p.A. is located at Via Panfilo Castaldi, 11, Milan 20100.

The consolidated financial statements for the two years ended 31 December 2017, represent the result of the Company and its subsidiaries (together referred to as "Sec Group" or the "Group").

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

The subsidiaries of the Company included in the consolidated financial information, are as follows:

Company	Key	Location	SEC shareholdings as of December 31, 2017
Hit S.r.l.	HIT	Milan (Italy)	57.71%
Sec & Associati S.r.l.	SEC-A	Turin (Italy)	51.00%
Sec Mediterranea S.r.l.	MED	Bari (Italy)	51.00%
Della Silva Communication Consulting S.r.l	DS	Milan (Italy)	51.00%
Curious Design S.r.l.	CUR	Milan (Italy)	75.00%
Cambre Associates SA	CAM	Brussels (Belgium)	76.00%
ACH Cambre SL	ACH	Madrid (Spain)	65.70%
Sec and Partners S.r.l.	SEC-P	Rome (Italy)	50.50%
Kohl PR & Partners GMBH	KOHL	Berlin (Germany)	75.00%
Newington Communications LTD	NEW	London (UK)	60.00%
Martis Consulting sp z o..o	MRT	Warsaw (Poland)	60.00%
Newlink Comunicaciones Estrategica SAS	NWC	Bogotà (Colombia)	51.00%

The acquisitions completed during the two years ended 31 December 2017 were as follows:

- September 2016: Newington Communications LTD
- In January 2016, Sec Spa acquired additional shares of 10% in Cambre Associates SA, and during the year Cambre Associates SA acquired 8% of its own shares, increasing ownership of Sec Spa to 76% at 31 December 2016.
- April 2017: Martis Consulting sp z o.o
- December 2017: Newlink Comunicaciones Estrategica SAS

2. Accounting policies

a. Basis of preparation

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

The financial information has been prepared in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively "IFRSs") issued by the International Accounting Standards Board (IASB) and adopted by the European Union ("adopted IFRSs"). The Group adopted IFRS for the first time for the period from 1 January 2013.

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

The functional currency of the Group is Euro (EUR), and all amounts are presented in functional currency.

a (bis). Translation of the Financial Statements of foreign companies

- The Group records transactions denominated in foreign currency in accordance with IAS 21 - The Effect of Changes in Foreign Exchange Rates. The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- Income and expenses for each consolidated statement of income are translated at average exchange rates.
- Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

b. New standards, interpretations and amendments not yet effective

At the date of this financial information, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the SEC Group. These are listed below:

- IFRS 9: Financial Instruments (effective 1 January 2018)
- IFRS 15 standards and clarifications: Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16: Leases (effective 1 January 2019)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
- Amendments to IAS 7: disclosure initiative (effective 1 January 2017)
- Amendments to IFRS 1 and IAS 28: First-time Adoption of International Financial Reporting Standards and Investments in Associates and Joint Ventures (effective 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)
- IFRIC interpretation 22: Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Property (effective 1 January 2018)
  The adoption of these standards, interpretations and amendments are not expected to have a material impact on SEC Group in the period they are applied.
- IFRIC interpretation 23: Uncertainty over Income Tax Treatments (effective 1 January 2019)
- Amendments to IFRS 9 Financial Investments and to IAS 28 Investments in Associates and Joint Ventures (clarifications on how to combine IFRS 9 and IAS 28)
- Amendments to IAS 12 Income Taxes, IAS 23 Borrowing Costs, IFRS 3 Business Combination and to IFRS 11 Joint arrangements (effective 1 January 2019)
- Amendment to IAS 19 Employees Benefits (effective 1 January 2019)

c. Going Concern

The directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the Group is a going concern. As part of its normal business practice, the Group prepares annual plans and directors believe that the Group has adequate resources for the future. Therefore, the Group continues to adopt the going concern basis in preparing the financial information.

d. Basis of consolidation

A company is classified as a subsidiary when the SEC Group has the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.
- The financial information presents the results of the company and its subsidiary undertakings as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.
- The financial information includes the results of the Company and its subsidiary undertakings made up to the same accounting date. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation.

e. Business combinations

The results of subsidiary undertakings acquired during the period are included from the consolidated income statement from the effective date of acquisition.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the date of acquisition, and the amount of any non-controlling interest in the acquired entity. Non-controlling interest are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Acquisitions costs incurred are expensed and included in administrative expenses except where they relate to the issue of debt or equity instruments in connection with the acquisition.

f. Segment reporting

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

The Board considers that SEC Group's protect activity constitutes one operating and one reporting segment, as defined under IFRS 8. Management reviews the performance of the SEC Group by reference to total result against Budget.

Services provided by Group entities located in each geography are as follows:

	Year ended 31 December 2016		*Year ended 31 December 2017*	
	€'000	%	*€'000*	%
Italy	9,933	54%	10,580	50%
United Kingdom	989	5%	4,074	19%
Belgium	4,736	25%	3,624	17%
Germany	1,245	7%	957	5%
Spain	1,584	9%	900	4%
Poland	-	-	829	4%
Total revenue	18,487	100%	20,964	100%

g. Revenue

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

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

Costs incurred with external suppliers on behalf of the clients are excluded from revenue.

h. Intangibles Assets

Goodwill

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

Goodwill has indefinite useful life and therefore not amortized. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment in carrying value is recognized as an expense and is not subsequently reversed.

The valuation of the CGUs for goodwill impairment testing has been prepared on a discounted cash flow basis.

Other

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

i. Tangible assets

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

Depreciation is provided on all items of property and equipment so as to write off their carrying value, less its residual value, over their expected useful economic lives. It is provided at the following rates:

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other operating income and changes".

j. Investments

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

k. Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Financial investment at fair value

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

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

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

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

The fair values of the primary financial assets and liabilities of the company together with their carrying values are as follows:

	Year ended 31 December 2016 €'000		*Year ended 31 December 2017 €'000*	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Trade and other receivables	7,961	8,066	9,290	9,290
Financial investments	1,049	1,049	4,509	4,509
Cash and cash equivalents	6,776	6,776	4,672	4,672
Financial liabilities				
Trade and other payables	5,1771	5,171	6,019	6,019
Financial liabilities	4,254	4,254	7,679	7,679

Trade and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for bad debts and doubtful account.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the

amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.
For trade receivables, which are reported net, such bad debt provisions are recorded in a separate allowance account with the loss being recognized within other operating costs in the Consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

l. Cash and equivalents

Cash and cash equivalents comprise cash, deposits held at call with banks and other short-term liquid investments with an original maturity of up to three months or less. In the consolidated statement of financial position, bank over draft are shown within borrowings in current liabilities.

m. Financial liabilities

Financial liabilities comprise loans and trade and other payables, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method. The interest element of the borrowings and short-term financial liabilities is expensed over the repayment period at a constant rate. In accordance with IAS 39 Financial Instruments: "Recognition and Measurement, a financial liability of the Group is only released to the consolidated income statement when the underlying legal obligation is extinguished".

n. Operating leases

Assets leased under operating leases are not recorded in the statement of financial position. Rental payments are charged directly to the income statement on a straight-line basis.

o. Share capital

SEC S.p.A.'s ordinary shares are classified as equity instruments.

p. Dividends

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

q. Taxation

Income tax for each period comprises current and deferred tax.
The current tax is based upon the taxable profit for the year together with adjustments, where necessary, in respect of prior periods, and calculated using tax rates that have been enacted or substantively enacted at the end of the financial year. Italian Corporate entities are subject to a corporate income tax (IRES) and to a regional production tax (IRAP).
Current tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.
Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilized.
The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

r. Employee benefits

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

1. for defined benefit plans, as regards the portion of staff termination benefits accrued as at 31 December 2006, through actuarial calculations which do not include the item related to future salary increases;
2. for defined contribution plans, as regards the portion of staff termination benefits accrued from 1 January 2007, both in case of election of supplementary pension scheme, and in the event of allocation to the INPS Treasury Fund.

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

s. Provisions

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

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group does not currently use derivative financial instruments and does not issue or use financial instruments of a speculative nature.

Through its operations SEC Group is exposed to the following financial risks:

a. Credit risk
b. Market price risk
c. Fair value and cash flow interest rate risk
d. Liquidity risk

Principal financial instruments

The principal financial instruments used by Sec Group, from which financial instrument risk arises, include:

- trade and other receivables;
- cash and cash equivalents;
- trade and other payables.

This note describes Sec Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in Sec Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

a. Credit risk

Credit risk is the risk of financial loss to SEC Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. Sec Group has trade receivables of € 8,436,000 (2016: €7,304,000) net of any write-off and allowance for doubtful receivables.

As at 31 December 2017, the Group had amounts due from ten major customers amounting to 20 per cent. of the trade receivables balance.

Sec Group is exposed to credit risk in respect of these balances such that, if one or more of the customers encounters financial difficulties, this could materially and adversely affect the Sec Group financial results.

Sec Group attempts to mitigate credit risk by assessing the credit rating of new costumers prior to entering into contracts and by entering contracts with costumers with agreed credit terms.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Sec Group does not enter into derivatives to manage credit risk.

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 31 December 2017 and consequently no further provisions have been made for bad and doubtful debts.

b. Market risk

Market risk arises from SEC Group's use of interest bearing, tradable. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or other market factors (i.e. price risk).

c. Fair value and cash flow interest rate risk

Sec Group has previously been funded through borrowings from a UBS (Italy) S.p.A., Deutsche Bank S.p.A. and Unicredit Banca S.p.A. Sec Group obtained the following loans:

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

2. Deutsche Bank S.p.A. € 1,000,000 at an interest rate of 1-month Euribor plus a margin of 1,20 per cent. On amortizing basis with monthly basis instalment between July 2015 and June 2019.
3. Unicredit S.p.A, € 30,000, at an interest rate of 4,1 per cent payable in monthly instalment between February 2015 and February 2020.
4. Unicredit S.p.A, €1.000.000 at an interest rate of 1.2% payable every six months between June 2016 and December 2020
5. BPM Banca Popolare di Milano € 1.000.000 at an interest rate of 1,1% payable in monthly instalments between February 2016 and February 2020.
6. Natwest GBP 100.000 at an interest rate of 4.69% payable in monthly instalments between October 2016 and October 2019

d. Liquidity risk

Sec Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, Sec Group finances its operations through a mix of equity and borrowings. Sec Group's objective is to provide funding for future growth and achieve a balance between continuity and flexibility through its bank facilities and future intergroup loans.

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

Capital management

SEC Group monitors capital, which is made up of share capital, retained earnings and other reserves.

SEC Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

SEC Group sets the amount of capital it requires in proportion to risk. Sec Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, SEC may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

4. REVENUE

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Revenue of services	18,487	20,964
Total	**18,487**	**20,964**

Revenues are primarily generated by a comprehensive range of communications, relations and public affairs services provided to national and multinational clients.

Revenues for services are composed by: public relation activities for10.820.000 (2016 € 11,782,000); advocacy activities for € 5.735.000 (2016 € 4,796,000); and integrated services of 4.410.000 (2016 € 1,909,000).

5. EMPLOYEES EXPENSES

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Salaries	6,782	8,210
Social contributions	1,241	1,747
Severance indemnity	314	319
Other costs	39	104
Total employee expenses	**8,296**	**10,380**

The average monthly number of employees during the period was as follows:

Directors	19	21
Staff	204	229
Total average monthly employees	**226**	**250**

Salaries to key managers of the Group, including Board of Directors' fees have been the following:

Salaries to key managers	2.101	2,346
End of mandate allowance	45	36
Total salaries to key managers	**2,146**	**2,382**

No bonuses were paid to Directors during the period.

6. DIRECTORS RETRIBUTIONS

EXECUTIVE DIRECTORS	***2017 Retribution***
Fiorenzo Tagliabue	167.300
Paola Ambrosino	205.000
Anna Milito	91.100
Cesare Valli	300.000
Thomas Parker	216.000
Vicente Beneyto Perez	48.565
Manuel Delgado	47.641
Irene Matias	65.804
F. Javier De Mendizábal Castellanos	45.110

Peter Rall	189.911
Maria Giulia Tagliabue	31.140
Laura Gaioni	44.671
Maurizio Ravidà	18.816
Cinzia Sigot	47.320
Frè Massini Torelli Giancarlo	160.000
Maione Maurizio	61.650
Gianluigi Conese	59.700
Scotti Alberto	58.155
Mark Glover	112.710
Phil Briscoe	112.710
Ewa Baldyga	75.674
Dariusz Jarosz	75.674
Non Executive Directors	
Luigi Roth	42.000
Paola Bruno	35.000
David Methewson	35.000
Total Retribution to key managers	**2.234.652**

Figures expressed in €

7. SERVICE COSTS

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Consulting	1,271	1,1,231
Internal Consulting & Directors	1,814	1,095
Overheads	1,367	1,430
Rent/Lease	663	1,051
Services	3,584	2,695
Total service costs	**8,699**	**7,502**

Overheads principally comprise costs incurred with subcontractors in order to manage workload activity not directly provided internally. Services principally comprise marketing, advertising and other services incurred by the Group in its operating activities (respectively for 2,044,000 € in 2017 and € 2,873,000 in 2016); other amounts are related to phone costs, travel expenses, office maintenance expenses, freight costs, car expanses and bank charges.

8. DEPRECIATIONS AND AMORTIZATIONS

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Amortization of intangibles	5	53
Depreciation of tangible assets	123	102
Total depreciation and amortization	**128**	**155**

9. OTHER OPERATING INCOME AND CHARGES

	Year ended '1 December 2016 €'000	Year ended 31 December 2017 €'000
Other Charges	(32)	(13)
Other Income	109	50
Total other operating income and charges	**77**	**37**

Other operating income and expenses in 2016 and 2017 are mainly generated by non-recurring adjustments and miscellaneous.

10. OTHER OPERATING COSTS

	Year ended 31 December 2016 €'000	Year ended 31 December 2017 €'000
Bad debts write-off	107	0
Bad debts allowance	121	295
Impairment of investment	0	0
Tax local	26	50
Others	392	1,384
Total other operating costs	**646**	**1,729**

Other costs primarily include the purchase of goods and materials for managing events for € 533.000 in 2017; the remaining costs comprise subscriptions, magazines, books and newspapers, consumption of materials.

11. FINANCE INCOME AND EXPENSE

Financial income	Year ended 31 December 2016 €'000	Year ended 31 December 2017 €'000
Interest income	17	13
Finance income	**17**	**13**
Financial expenses		
Interest expense	(71)	(116)
Other expenses	(7)	(29)
Finance expenses	**(78)**	**(145)**
Net Finance income and expense	**(61)**	**(132)**

12. TAXATION

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Current tax expense	454	316
Deferred tax income	(165)	14
Total income tax expense	**289**	**330**

2017 Applicable tax rates (Italy)

The SEC Group's activities are both in Italy and abroad (Spain, Germany, Belgium, United Kingdom, Poland and Colombia). Activities within Italy are subject to two corporate taxation regimes:

- IRES is the state tax which was levied at 24 per cent. (27.5 per cent. in 2015) of taxable income.
- IRAP is a regional income tax, for which the standard rate is 3.9 per cent., with certain local variations permitted.

The reconciliation between the theoretical income taxes calculated on the basis of the theoretical tax rate and income taxes recognized was as follows:

Profit before taxes	**734**	**1,103**
Expected tax charge based on Italian corporate tax rate (IRES 24%)	(202)	(265)
Temporary differences subject to tax @ 24%	(92)	(65)
Non-deductible expenses subject to tax @ 24%	(103)	(42)
Non-taxable incomes subject to tax @ 24%	107	100
Tax loss carry forward (use) subject to tax @ 24%	6	14
Tax loss carry forward (set-up) subject to tax @ 24%	(23)	(3)
recovery of IRAP taxable amounts on IRES purposes subject to tax @ 24%	0	-
Tax incentives (tax allowance on retained earnings increases –ACE)	0	8
IRAP on Italian entities (3,9%)	(47)	(96)
Non Italian jurisdictions tax rates reconciliation	(47)	34
Differences on non-Italian jurisdictions taxable income/(loss) basis	(53)	(29)
Total current income taxation	**(454)**	**(344)**
Deferred tax Income/(Expense)	165	14
Total taxation	**(289)**	**(330)**

13. INTANGIBLE ASSETS

COST	Licenses €'000	Goodwill €'000	Total €'000
At 1 January 2016	**72**	**3,808**	**3,880**
Additions	89	1,806	1,895
At 31 December 2016	**161**	**5.614**	**5,775**
Additions	140	3,591	3732
At 31 December 2017	321	9,205	9.526
AMORTISATION			
At 1 January 2016	**(67)**		**(67)**
Charge for the year	(5)		(5)
At 31 December 2016	**(72)**		**(72)**
Charge for the year	(52)		(52)
At 31 December 2017	**(124)**		**(124)**
NET BOOK VALUE			
At 31 December 2015	**5**	**3,808**	**3,813**
At 31 December 2016	**89**	**5,614**	**5,703**
At 31 December 2017	**197**	**9,205**	**9,402**

Additions in Goodwill over the two-year period are generated as follows:

- in 2015, € 761,000 from acquisition of Kohl PR & Partners GMBH.
- In 2016, € 1,806,000 from acquisition of Newington Communications LTD.
- In 2017. € 1,196,000 from acquisition of Martis, € 2,143,000 from Newlink and €252,000 from Newington

€'000	**Newington**	**Martis**	**NewLink**
Trade receivables	1,128	80	396
Cash and cash equivalents	143	44	2
Other assets	211	24	203
Trade payables	(178)	(103)	(197)
Other liabilities	(541)	(9)	(162)
Net Assets acquired	763	36	242
% ownership SEC Group	60%	60%	51%
Ownership SEC Group	458	22	124
FV consideration	2,264	1,213	2,269
Goodwill	1,806	1,191	2.145

The evaluation of the CGUs for goodwill impairment testing has been prepared on a

Discounted Cash Flow basis value.

In 2017 management identified the aggregation of cash generating units ("CGUs") for testing the impairment of its goodwill in light of the business of the year. As a result of the analysis, management identified as CGUs the single subsidiaries that generated goodwill.

Total goodwill at 31 December 2017 is related to Cambre (€ 1,547,000), acquired in 2013, ACH (€ 492,000) and Sec and Partners (€ 100,000) acquired in 2014, Kohl (€ 761,000) acquired in 2015 and Newington (€ 1,806,000, revised in 2017 to 2,052,000 based on second earn-out) acquired in 2016; to Martis (€1,196,000) and to Newlink (€2,269,000) acquired in 2017. Additions of 2014 also included goodwill in ACH resulting from a previous merger (€ 275,000) and goodwill in Sec and Partners resulting from a previous acquisition (€ 632,000).

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

	Cambre	**ACH**	**Sec and Partners**	**Kohl**	**Newington**	**Martis**	**Newlink**
Average market rate	8.90%	8.90%	8.90%	8.90%	**8.90%**	8.90%	8.90%
Discount rate	7.96%	8.41%	8.55%	7.86%	**7.23%**	10.32	13.64

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

The recoverable amount of CGUs has been determined by utilizing cash flow forecasts based on the 2017 to 2021 five year plan approved by management, on the basis of the results attained in previous years as well as management expectations regarding future trends in the public relations market. At the end of the five-year projected cash flow period, a terminal value was estimated in order to reflect the value of the CGU in future years. The terminal values were calculated as a perpetuity at the same discount rate as described above and represent the present value, in the last year of the forecast, of all future perpetual cash flows. The impairment test performed as of the balance sheet date resulted in a recoverable value greater than the carrying amount (net operating assets) of the above-mentioned CGUs.

Acquisition of Newington is subject to an earn-out based on company EBITDA over three years (2016 - 2018); total consideration for the acquisition of the 60% share of the company has been calculated based on conservative and reasonable estimates, consequently an earn-out liability for 562K has been accrued as of 31 December 2017. The final total consideration is subject to uncertainty and depends on the company performance over the ongoing financial year (see note 24).

Acquisition of Newlink is subject to an earn-out based on company EBITDA over three years (2017 – 2018 – 2019 - 2020); total consideration for the acquisition of the 51% share of the company has been calculated based on conservative and reasonable estimates, consequently an earn-out liability for € 1,594 has been accrued as of 31 December 2017. The final total consideration is subject to uncertainty and depends on the company performance over the ongoing financial years (see note 24). The Newlink business combination has been determined only provisionally at the end of 2017 as per IFRS3.45 considered that earn outs are based on 2018, 2019, 2020 Newlink effective EBITDA and that this is expected to impact the amount of consideration transferred and used in order calculate goodwill (IFRS3.46).

14. TANGIBLE ASSETS

	Leasehold improvements €'000	Equipment €'000	Furniture and fittings €'000	Total €'000
COST				
At 1 January 2016	**171**	**112**	**549**	**832**
Additions	19	24	68	111
Additions from acquired business	173	-	44	217
Disposals	-	-	(1)	(1)
At 31 December 2016	**363**	**136**	**660**	**1,159**
Additions	22	25	-	47
Additions from acquired business	-	-	158	158
Disposals	(6)	-	(73)	(79)
At 31 December 2017	**379**	**161**	**745**	**1,285**
DEPRECIATION				
At 1 January 2016	**(131)**	**(85)**	**(384)**	**(600)**
Charge for the year	(36)	(10)	(76)	(93)
Disposals	-	3	10	13
At 31 December 2016	**(157)**	**(95)**	**(439)**	**(680)**
Charge for the year	(59)	(11)	(42)	(112)
Additions from acquired business			(100)	(100)
Disposals	-	-	20	20
At 31 December 2017	**(216)**	**(106)**	**(561)**	**(872)**

Net Book Value				
At 31 December 2016	**196**	**41**	**217**	**454**
At 31 December 2017	**152**	**55**	**208**	**413**

15. OTHER FINANCIAL ASSETS

Other financial assets include € 10,000 of bank deposits to guarantee the ACH Cambre SL (Madrid) office lease and other financial investments of ACH Cambre SL € 6,000 in both 2017 and 2016.

16. OTHER ASSETS

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Deferred tax assets	505	501
Rental deposits	164	156
CEO benefits	246	267
Other	2	0
Total other assets	**917**	**924**

CEO benefits is the asset coverage provided by an external insurance company in order to fulfill the end of mandate obligations for the CEO (see note 26).
The movement on the deferred tax account is shown below:

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Opening balance	52	505
Movements in statement of financial position	288	
Recognized in income statement: taxation	165	
Closing balance	**505**	**267**

17. TRADE RECEIVABLES

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Trade receivables	7,304	8,437
Total trade receivables	**7,304**	**8,437**

There is no material difference between the net book value and the fair-values of trade receivables due to their short-term nature.

The ageing analysis of accounts receivables by due date is as follows:

Trade receivables not yet due	*Days from due date*				*Total trade receivables*
	≤120	*>120≤180*	*>180≤365*	*>365*	
€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
4,367	1,492	323	175	980	8,436
52%	18%	4%	2%	12%	100%

The amounts presented in the consolidated statement of financial position are net of an allowance for doubtful receivables of € 365,000 (2016: €161,000) based on prior experience and their assessment of the current economic ongoing.
During 2017, the Group accrued 229.000€ and utilized 25.000€ for bad debts.

18. OTHER RECEIVABLES

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Prepaid expenses	120	195
Tax on income	347	420
VAT	-	1
Others	190	238
Total other receivables	**657**	**854**

There is no material difference between the net book value and the fair values of other receivables due to their short-term nature. Others mainly includes tax refunds expected from tax authorities for € 127,000, advance prepayments to suppliers of € 24,000 (2016: €21,000) and € 12,000 (in both 2017 and 2016) of receivables from minority shareholders.

19. FINANCIAL INVESTMENTS

	Year ended December 2016 €'000	*Year ended 31 December 2017 €'000*
UBS S.A. investment	1,049	1,121
Porta Communication equtites	-	3,373
Other		15
Total other receivables	**1,049**	**4,509**

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

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

31 December 2016

Investments	Purchase Cost	Fair Value	Accrued interest	Total
	€'000	*€'000*	*€'000*	*€'000*
Bonds and Bond funds	428	424	1	425
Equities	545	597	-	597
Other	30	27	-	27
Total	**1,003**	**1,048**	**1**	**1,049**

31 December 2017

Investments	Purchase Cost	Fair Value	Accrued interest	Total
	€'000	*€'000*	*€'000*	*€'000*
Bonds and Bond funds	428	431	1	432
Equities	545	662	-	662
Other	30	27	-	27
Total	**1,003**	**1,120**	**1**	**1,121**

	31 December 2016			**31 December 2017**		
		Level			Level	
Investments at fair value	1	2	3	1	2	3
Available for sale	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
Debt securities:						

- Government bonds	-	-	-	-	-	-
- Other bonds	53	-	-	53	-	-
Total	**53**	**-**	**-**	**53**	**-**	**-**
Equities and mutual funds under management:						
- Equity Funds	597	-	-	662	-	-
- Bond Funds	372	-	-	379	-	-
- Balanced Funds	27	-	-	27	-	-
Total	**996**	-	-	**1,068**	-	-
Total Investments	**1,049**	-	-	**1.121**	-	-

	Debt securities	Equities	Funds	Loans	Total
Financial Assets Available for sale					
Annual changes	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
Opening Balance January 1 2016	**53**	**-**	**950**	**-**	**1,003**
Purchases	-	-	70	-	70
Positive changes in fair value	-	-	-	-	-
Other changes	-	-	-	-	-
Sales	-	-	-	-	-
Negative changes in fair value	-	-	(24)	-	(24)
Closing Balance December 31 2016	**53**	**-**	**996**	**-**	**1.049**
Purchases	**-**	**-**	**73**	**-**	**0**
Positive changes in fair value	**-**	**-**	**-**	**-**	**-**
Other changes	**-**	**-**	**-**	**-**	**-**
Sales	**-**	**-**	**-**	**-**	**-**
Negative changes in fair value	**-**	**-**	**(1)**	**-**	**-**
Closing Balance December 31 2017	**53**	**-**	**1,068**	**-**	**1,121**

20. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of 90 days or less:

	Year ended 31 December 2016 €'000	Year ended 31 December 2017 €'000
Cash at bank	6,776	4,672
Total cash and cash equivalents	**6,776**	**4,672**

21. TRADE PAYABLES

	Year ended 31 December 2016 €'000	Year ended 31 December 2017 €'000
Trade payables	2,261	2,537
Total trade payables	**2,261**	**2,537**

22. BORROWINGS

The Group has both long-term borrowings funding business acquisitions and short-term credit facilities for working capital. Borrowings shown on current and noncurrent liabilities are as follows:

	Year ended 31 December 2016 €'000	Year ended 31 December 2017 €'000
Deutsche Bank	250	581
Banca Popolare di Milano	245	251
Unicredit	325	747
Banca Intesa	26	-
Banca Popolare di Bari	4	-
UBS	13	-
KBC Bank	-	34
National Westminster Bank PLC	38	63
Banco Colpatria Red Multibanca SA	-	71
Interest payables	-	51
Total current liabilities	**901**	**1.831**
UBS	1,762	1,762
Deutsche Bank	375	513
Banca Popolare di Milano	544	296
Unicredit	598	3,301

Total non-current liabilities	**2,353**	**5.872**
Total borrowings	**4,254**	**7.703**

Details of non-current liabilities

	Outstanding €'000	*Total facilities €'000*	*Interest rate*	*Maturity date*	*Repayment*	*Security*
UBS	1.762	1,762	Euribor + 1.25%	Open ended	Open ended	Pledge on Silvia Anna Mazzucca financial instruments
Deutsche Bank	375	1,000	Euribor + 1.20%	23 June 2019	Two month installment	None
Deutshce Bank	719	1.000	Euribor + 1%	March 2020	Monthly	None
Banca Popolare di Milano	547	1.000	1,1%	February 2020	Monthly	None
Unicredit	600	1.000	1.2%	Dec. 2020	Monthly	None
Unicredit	3.479	3.500	Euribor 3 months * 365/360 (1.7%-0.336)	July 2022	Three months	None

23. OTHER PAYABLES

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Accrued Expenses	178	267
Advances from customers	53	4
Employees and payroll-related	1,195	1,268
Government institutions	294	294
Tax on Income	216	258
VAT	538	338
Other	437	1,053
Total other payables	**2,911**	**3,482**

There is no material difference between the net book value and the fair values of current other payables due to their short-term nature.Other includes € 142,000 in both 2017 and 2016 related to the payable due to a SEC and Partners director.
Maturity analysis of the financial liabilities, classified as financial liabilities measured at

amortized cost, is as follows (the amounts shown are undiscounted and represent the contractual cash-flows):

Up to 3 months	**2,911**	**3,482**

24. PROVISION

Provisions	651	1,180
Total provisions	**651**	**1,180**

Increase in provisions versus 2016 is mainly due to accounting for the earn out liability on the acquisitions of Newington, Martis and Newlink (see note 13).

25. EMPLOYEE BENEFITS

Severance indemnity	1,504	1,680
Total severance indemnity	**1,504**	**1,680**

The liability represents the amount for future severance payments to employees.

	Severance indemnity
	€'000
Opening Balance January 1 2016	**1,436**
Service Cost	224
Net Interest	29
Benefit Paid	(194)
Actuarial Gain/Loss	(9)
Closing Balance 31 December 31 2016	**1,504**
Service Cost	220
Net Interest	19
Benefit Paid	(71)
Actuarial Gain/Loss	8
Closing Balance 31 December 2017	**1,680**

26. OTHER NON-CURRENT LIABILITIES

	Year ended 31 December 2016 €'000	Year ended 31 December 2017 €'000
CEO benefits	246	301
Earn-out Liability Long term	-	975
Other non current liabilities	10	4
Total other non-current liabilities	**411**	**1,280**

SEC S.P.A. has an obligation in relation to the CEO for end of mandate allowance as per the above amounts on each year end date. Such obligation is covered by an insurance asset (note 16).

Earn Out Liability refers to the long term portion of the Earn-out on the acquisition of Newlink.

27. SHARE CAPITAL

At 31 December 2017, the share capital comprises:

12,221,975 ordinary shares of 0.1 EUR each.

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

At 31 December 2015 the share capital comprised 1,000,000 ordinary shares of 1 EUR each. The general assembly held on 9 June 2016 changed the number and the amount of the sharers into 10,000,000 ordinary shares of 0.1 EUR each.

At 26 July 2016, following the IPO on AIM UK market, the share capital changed into 12,221,975 ordinary shares of 0.1 EUR each, with an increase of 2,221,975 shares and € 222,197.50.

Authorized, issued and fully paid capital	As at 31 December 2016	As at 31 December 2017
As at 1 January	€ 1,000,000.00	€1,222,197.50
Additions during the year	€ 222,197.50	
31 December	**€ 1,222,197,50**	**€1,222,197.50**

EARNINGS PER SHARE

The basic and diluted earnings per share for 2016 were determined by dividing the profit attributable to the equity holders of the parent by the number of shares outstanding during the period. Earnings per share, basic, is determined as follows:

	Year ended 31 December 2016	*Year ended 31 December 2017*
Profit for the year attributable to owners of the company	€ 182,000	€ 449,000
Number of shares	12,221,975	12,221,975
Earnings per share, basic	**€ 0.01**	**€ 0.037**

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

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

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Profit for the year attributable to owners of the company	€ 182,000	€ 449,000
Number of shares	13,031,975	13,031,975
Earnings per share, diluted	**€ 0.01**	**€ 0.034**

28. RESERVES

The following table describes the nature of each reserve:

	Year ended 31 December 2016 €'000	*Year ended 31 December 2017 €'000*
Legal reserve	58	58
Evaluation reserve	(4)	(4)
Share premium reserve	2,627	2,627
Retained earnings	5,071	5,002
Total Reserves	**7,752**	**7,683**

Legal reserve

This reserve required by law, not distributable.

Evaluation reserve

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

Share premium reserve

The share premium reserve includes € 3,777,000 related to the IPO of Sec S.p.A. on the AIM UK market occurred on 26 July 2016, for amounts paid in excess of share face value, net of € 1,150,000 generated by the costs of listing, net of tax.

Retained earnings

All other net gains and losses and transactions with owners not recognized elsewhere.

29. NON-CONTROLLING EQUITY

The equity non-controlling interests refers to the net value of the assets and liabilities attributable to minority investments not held by the Group. Summarized financial information in relation to the subsidiaries before intra-group eliminations is presented below, together with the indication of the minority share of the net assets and the related results for the year.

The summarized company statements of financial position for the Two year ended 31 December 2017 are as follows:

As at 31 December 2016 €'000	HIT	CUR	CAM	ACH	SEC-A	MED	DS	SEC-P	KOHL	NEW
Non-current assets	8	9	102	306	7	25	3	716	14	361
Current assets	796	215	1,690	566	456	146	87	1,455	460	1,187
Noncurrent liabilities	73	8	-	-	21	13	8	69	-	74
Current liabilities	115	191	698	159	395	72	95	932	146	749
Equity	**617**	**25**	**1,094**	**713**	**47**	**86**	**(13)**	**1,170**	**328**	**725**
Equity to non-controlling interest	**261**	**6**	**263**	**350**	**23**	**42**	**(6)**	**579**	**82**	**290**

As at 31 December 2017 €'000	HIT	CUR	CAM	ACH	SEC-A	MED	DS	SEC-P	KOHL	NEW	MRT	NWC
Non-current assets	4	6	98	310	5	16	1	636	12	169	17	44
Current assets	952	387	1129	347	302	140	34	1382	429	1769	242	549
Noncurrent liabilities	81	14	-	-	19	15	-	86	21	-	-	28
Current liabilities	224	359	530	175	243	45	62	692	122	828	174	330
Equity	**656**	**20**	**697**	**482**	**45**	**83**	**(27)**	**1318**	**298**	**1245**	**84**	**243**
Equity to non-controlling interest	**277**	**5**	**167**	**165**	**22**	**41**	**(13)**	**652**	**75**	**119**	**34**	**119**

The summarized income statement of the companies for the two-year ended 31 December 2016 are as follows:

For the period ended 31 December 2016 €'000	HIT	CUR	CAM	ACH	SEC-A	MED	DS	SEC-P	KOHL	NEW
Revenue	**729**	**369**	**4,736**	**1,584**	**340**	**229**	**146**	**1,775**	**1,245**	**989**
Cost of Sale	(765)	(372)	(4,036)	(1,461)	(313)	(211)	(240)	(1,469)	(1,153)	(1,018)
Other operating income and charges	20	4	-	-	(4)	(5)	12	30	19	-
Profit from operations	**(16)**	**1**	**699**	**123**	**23**	**13**	**(82)**	**337**	**111**	**(28)**
Finance income and expenses	(2)	-	(4)	8	(16)	(2)	-	(2)	(2)	-
Profit before taxation	**(18)**	**1**	**696**	**131**	**7**	**11**	**(82)**	**335**	**109**	**(28)**
Taxation	(14)	(4)	(249)	(15)	(3)	(11)	-	(41)	(33)	(3)
Profit (loss) for the period	**(32)**	**(3)**	**447**	**116**	**4**	**-**	**(82)**	**293**	**76**	**(31)**
Profit (loss) for the period to non-controlling interest	**(13)**	**(1)**	**107**	**57**	**2**	**-**	**(40)**	**145**	**19**	**(12)**

For the period ended 31 December 2017 €'000	HIT	CUR	CAM	ACH	SEC-A	MED	DS	SEC-P	KOHL	NEW	MRT
Revenue	**1018**	**391**	**3624**	**900**	**401**	**217**	**-**	**1623**	**957**	**4074**	**829**
Cost of Sale	(941)	(415)	(3792)	(1022)	(386)	(211)	(16)	(1258)	(918)	**(3324)**	**(770)**
Other operating income and charges	1	23	53	3	2	(2)	-	-	6	-	-
Profit from operations	**78**	**(1)**	**(115)**	**(122)**	**17**	**4**	**(16)**	**365**	**45**	**750**	**59**
Finance income and expenses	-	-	(2)	(22)	(14)	-	-	-	(1)	**(6)**	**(2)**
Profit before taxation	**78**	**(1)**	**(117)**	**(144)**	**3**	**4**	**(16)**	**365**	**44**	**744**	**57**
Taxation	(33)	(4)	30	(7)	(7)	(6)	-	(115)	(13)	(138)	(16)
Profit (loss) for the period	**45**	**(5)**	**(87)**	**(151)**	**(4)**	**(2)**	**(16)**	**250**	**31**	**606**	**41**
Profit (loss) for the period to non-controlling interest	**19**	**(1)**	**(21)**	**(52)**	**(2)**	**(1)**	**(8)**	**124**	**8**	**242**	**16**

30. RELATED PARTY TRANSACTIONS

From time to time the Group enters into transactions with its associate undertakings. For amounts paid to key managers please refer to the table within note 6. For payables to related parties, please refer to note 23; for borrowings please refer to note 3c.

31 CONTINGENCIES AND COMMITMENTS

SEC Group has no contingent liabilities and or commitments.

32. EVENTS AFTER THE REPORTING DATE

In January 2018 SEC underwrote an additional borrowing agreement with CARIGE bank (total facility € 1.000.000, interest rate 1.20%, six months instalments, maturity June 2021).
In April 2017 Newington distributed 200.000GBP dividends.

33. ULTIMATE CONTROLLING PARTY

Sec S.p.A. is 69% controlled by Fiorenzo Tagliabue.

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NOTES TO EDITORS

SEC Spa is an advocacy, PR and strategy advisory group with specialisms including Corporate, Public affairs, Financial , Stakeholder engagement and Consumer Public Relations.
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