Regulatory Story

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SEC S.p.A - SECG REPLACEMENT: Half Year Report
Released 07:00 06-Jun-2018

RNS Number : 4002Q
SEC S.p.A
06 June 2018

The following amendments have been made to the 'Half-year Report and Announcement of GM' announcement released on 26 September 2017 at 7:00 am under RNS No 7708R.

SEC S.p.A. announces that, following an external audit, and due to a goodwill miscalculation from the Company's controlled entity Martis Consulting Sp. z o. o. (a subsidiary acquired on 20 April 2017) it has reviewed the interim results and that a number of changes are required. The revenue, profit before tax and EBITDA numbers remains unchanged.

The original announcement is located here:
http://www.secglobalnetwork.com/download/20170926102101-sec-spa-half-year-report.pdf

The changes are:

- In the Consolidated Income Statement, the Earnings per share has been adjusted to 0.018p
- In the Consolidated Statement of Financial Position
  - Intangible Assets has been adjusted to €6,998,000
  - Other Assets has been adjusted to €738,000
  - Total Non-current Assets has been adjusted to €8,167,000
  - Financial Investments has been adjusted to €1,075,000
  - Total Current Assets has been adjusted to €15,313,000
  - Total Assets has been adjusted to €23,480,000
  - Other payables has been adjusted to €2,815,000
  - Current Liabilities has been adjusted to €6,523,000
  - Non-Current Liabilities has been adjusted to €5,457,000
  - Total Liabilities has been adjusted to €11,980,000
  - Net assets has been adjusted to €11,500,000
  - Reserves has been adjusted to €7,978,000
  - Profit of the year has been adjusted to €218,000
  - Equity attributable to equity holders of the Company has been adjusted to €9,418,000
  - Equity non-controlling interests has been adjusted to €2,082,000
  - Total Equity has been adjusted to €11,500,000
  - Total Equity and liabilities has been adjusted to €23,480,000
- In the Consolidated Cash Flow Statement
  - Amortization intangible assets has been adjusted to €50,000
  - Trade and other receivables has been adjusted to (€1,191,000)
  - Trade and other payables has been adjusted to €418,000
  - Other Provisions has been adjusted to (€651,000)
  - Employee Benefits has been adjusted to €28,000
  - Cash generated from operations has been adjusted to €728,000
  - Net cash flow from operating activities has been adjusted to (€851,000)
  - Changes in Goodwill has been adjusted to (€1,197,000)
  - Acquisitions and earn-outs has been adjusted to (€9,000)
  - Change in other assets has been adjusted to €218,000

- Net cash used in investing activities has been adjusted to (€1,123,000)
- Shares issue has been adjusted to €nil
- Net cash used in financing activities has been adjusted to €329,000

- In the notes to the to the Financial Statements the following adjustments have been made
  - In note 1 (k) in Financial Assets, Financial investments, carrying value is adjusted to €1,075,000 and fair value is adjusted to €1,075,000
  - In note 1 (k) in Financial Liabilities, Trade and Other Payables, carrying value is adjusted to €4,997,000 and fair value is adjusted to €4,997,000
  - In note 1 (k) in Financial Liabilities, Financial Liabilities the carrying value is adjusted to €4,604,000 and fair value is adjusted to €4,604,000
  - In note 7 Services is adjusted to €1,098,000 and total service costs is adjusted €3,420,000
  - In note 9, the total is adjusted to €25,000
  - In note 12, Current tax expense is adjusted to €75,000 and total income tax expense is adjusted to €123,000
  - In note 13, Intangible Assets, Additions is adjusted to €262,000 and goodwill as at 30 June 2016 is adjusted to €4,069,000 and Additions (Total) is adjusted to €263,000 and total at 30 June 2016 is adjusted to €4,144,000
  - In note 13, Net Book Value at 30 June 2016, goodwill is adjusted to €4,069,000 and total is adjusted to €4,073,000
  - In note 13, Net Book Value as at 30 June 2017 Additions is adjusted to €1,196,000 and total is adjusted to €1,320,000 and the overall total goodwill is adjusted to €6,810,000 and total is adjusted to €7,095,000
  - In note 13, Net Book Value as at 30 June 2017 is adjusted so the goodwill total is €6,810,000 and the overall total is €6,998,000
  - In note 14, Tangible Assets, Additions have been adjusted to €22,000 and Disposals has been adjusted to (€25,000) and total as at 30 June 2017 has been adjusted to €1,156,000
  - In note 14, Tangible Assets, Depreciation has been adjusted to (€691,000) and total has been adjusted to (€742,000).
  - In note 17, Other Assets, Other has been adjusted to €39,000 and total other assets has been adjusted to €738,000
  - In note 18, Trade Receivables, Trade Receivables has been adjusted to €8,235,000 and total trade receivables has been adjusted to €8,235,000
  - In note 20, UBS S.A. Investment has been adjusted to €1,075,000; bonds total has been adjusted to €432,000; total investments as at 30 June 2017 has been adjusted to €1,075,000; In Investments at fair value Other Bonds has been adjusted to €51,000 and total investments has been changed to €1,075,000. In Financial Assets available for sale negative changes in fair value has been adjusted to €26,000 and the losing balance total has been adjusted to €1,075,000
  - In note 23, Borrowings, Current Liabilities Deutsche Bank has been adjusted to €503,000; Banca Popolare di Milano has been adjusted to €278,000; and the total current liabilities is €934,000
  - In note 23, Borrowing, Non-Current Liabilities, Deutsche Bank has been adjusted to €855,000; total non-current liabilities is €3,670,000 and total borrowings is adjusted to €4,604,000
  - In note 24, Other Payables, Advances from customers is adjusted to €77,000; Other has been adjusted to €56,000 and the Total Other Payables has been adjusted to €2,815,000
  - In note 26, Opening Balance 1 January 2016 Employee Benefits, Opening Balance is adjusted to €1,436,000; Service Cost is adjusted to €127,000; Net Interest in adjusted to €14,000; Benefit Paid is adjusted to €(56,000); Actuarial Gain/Loss is adjusted to €(60,000) and Closing Balance is adjusted to €1,461,000.
  - In note 26, Opening Balance 1 January 2017, Service Costs is adjusted to €97,000 and closing balance is adjusted to €1,483,000
  - In note 28 the EPS is adjusted to €0.018 and the EPS diluted is adjusted to €0.017
  - In note 29, Evaluation Reserve is adjusted to €78,000 and Retained Earnings is adjusted to €5,215,000 and total reserves is adjusted to €7,978,000
  - In note 30, the non-controlling entity tables have been amended in order to show total equity instead of equity to holders.

All other details remain unchanged.

The Company confirms that these changes do not affect the audited financial results of the Company for the 12 months ended 31 December 2017 published on 17 May 2018

The full amended text is shown below.

SEC S.p.A.

("SEC", "the Company" or "the Group")

Unaudited interim results for the six months ended 30 June 2017

SEC spa (AIM: SECG), the international advocacy, strategy and PR group, is pleased to announce its interim results for the six months ended 30 June 2017.

Financial Highlights

- Revenue up 12% ahead at € 10.0m (H1 2016: € 8.9m)
- EBITDA at € 673,000 (H1 2016: € 742,000)
- Net profit at € 431,000 (H1 2016: € 359,000)
- Net Financial Position € 1.6m (30 June 2016: € 2.6m)

Half Year Highlights

- Revenue growth reflects the inclusion of Newington and three months (April-June) of Martis Consulting (Poland)
- Strong trading performances from Newington (UK), Spain, SEC and Partners (Rome)
- Complex trading situation in Brussels due to the end of a major involvement with the largest client
- Stated acquisition strategy continues with a number of opportunities in negotiation

Post Period and Outlook

- GBP3m Strategic investment for 19,3%. of Porta Communications Plc. becoming second largest shareholder.
- Strategic commercial agreement with Porta to expand the Group's global reach.
- Ability to approach large multinationals will increase as well as leveraging the full potential of Porta agreement
- End of electoral round in EU will help stabilize the EU economies, the effect of which is already detected in trading performance
- Strong and growing pipeline of business in all the Countries in which SEC is represented.

Fiorenzo Tagliabue, CEO of SEC spa commented:

"The results in the first half of 2017 clearly show that we left behind a complicated year, such was 2016 when much of our resource was engaged in the listing process; SEC Group has now returned to very significant growth rates.
We grew, in comparison to the same period of 2016, in terms of turnover, gross and net profits while EBITDA was consistent.
Once the Listing process was complete and after the summer of 2016, we were able to focus on our business development which begun to bear fruit in the first part of this year and is expected to continue to deliver significant growth; in June 2017 the group had a turnover for the month of nearly 2 million euros.
Our acquisition plan remains an important part of our strategy, to achieve a consistent global market presence through the process of cooperation between the Group's companies in order to grasp fully the opportunities that an economic recovery now fully perceptible can trigger within the whole euro area"

"Finally, the Board of Directors announce their intention to call a general meeting, which is to be held on the 17th October 2017. The purpose of this meeting will be to seek shareholder approval to allow the Company to increase its equity capital and to increase the number of directors that are permitted to sit on the board from a maximum of 9 to a maximum of 11."

-- ends --

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.

Enquiries

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Notes to Editors
SEC spa is a fully integrated strategy, PR, advocacy group with specialisms including corporate and marketing communication, public affairs and lobbying, brand and creative communications.

The group has offices in Milan, Rome, Venice, Bari and Catania in Italy; Bruxelles, Madrid, Berlin, Warsaw and London in Europe.

SEC spa corporate websites are:
www.secrp.com
www.secglobalnetwork.com

Chairman and CEO Review

The Company has made good progress in the first half of 2017, delivering a continued improvement in its performance, resulting in increased revenues and profitability.

The Board committed to push, in this first part of the year, the activity of new business so to drive organic growth for the whole year. June saw turnover of 2million euros with a corresponding Ebitda. This is clearly due to efforts made above all in Italy, Spain and UK to increase the pipeline and gain new clients. In the coming months we will observe the full result of this commitment.

Financial Overview

The interim results 2017 show a turnover of € 10.0m, more than €1 million more than in 2016.
The ebitda amounts to € 673,000, substantially in line with that of last year. However, we note that in 2016 453,300 € of ebitda came from Cambre, while today it is much more evenly distributed among the different companies.
Amortization and depreciation of € 82.276 , as well as finance costs of € 37.692, are in line with 2016 figures, complete the main items of the Profit and Loss Accounts.

The Labour cost is under control and the rate of Staff cost to Fee income is 70%, although we consider it important to improve this further.

Strategy Review

Since 2013 SEC is working to establish a global partnership with strong roots in Europe.

As far as our positioning is concerned, over the years we have been focusing with increasing clarity on three main elements that are now the core of a distinctive proposition in the market:

- **Entrepreneurship**: we are building up the first ever network made of entrepreneurs who keep running their local business while contributing to shape our global strategy

- **Flexibility**: we always want to put the clients and their needs on top. This is a mix of factors including the absence of network exclusivity in all markets, proximity and local touch, the development of management skills and tools to partner with the client while delivering the output that is expected

- **Reliability**: to stick to promises and commitments we can deliver, to build trust, based on quality performance, honest and transparent attitude, and highest professional and ethical standards

The group must now accelerate its growth, both on an organic basis and through acquisitions, in order to reach a turnover level consistent to allow for a more balanced distribution of the costs of staff structure (though costs are constantly monitored and reduced to the bone already) and consequently to improve the margin at the parent company level.

The other fundamental aspect the Group is working on through the Management Committee, chaired by Tom Parker, is cooperation between various companies and the development- although at a first level of definition - of a common enterprise culture. Currently only at an early stage of it construction we have already established a central marketing unit to create synergies at a commercial level. The following is a clear example of that:

Cambre and Newington successfully pitched jointly to the Energy Transitions Commission for the European segment of a global project to help raise awareness around the launch of a major report, "Better Energy, Greater Prosperity".
Supported by fossil-fuels, power and industrial companies, together with investors, environmental NGOs and researchers, the report presented ambitious but realistic pathways to halve carbon emissions by 2040, looking at necessary changes across all sectors.
With a focus on Brussels and major EU capitals, Cambre and Newington worked as part of a network of agencies to generate global media interest and secure coverage of the report ahead of its launch.
Cambre's outreach secured 17 articles in top publications such as Contexte, Deutsche Welle, Le Monde, POLITICO Europe and Il Sole 24 Ore.
Newington focused on the UK securing mentions in top-tier publications such as The Guardian, The Daily Telegraph, and Business Green.

Operational Overview

SEC spa (Milan)
Trading conditions in Italy have been affected by the surprise Referendum result against the reform package that the Renzi Government wanted to implement.

This have caused a prolonged period of uncertainty that has not favored an end to the longest crisis period after World War Two ever experienced.

In spite of that, and after a "digestion" and politically difficult repositioning of various political forces, the sentiment has begun to turn into an increasingly positive mood. Boosted in the last period by an increased economic forecast.

Still, the heavy tax burden, the heavy Public Debt continue to limit the Budget allocation of pro cyclical measure to boost the economy, but the improving sentiment is pushing up consumption and investment.
Brilliant Summer saw increasing tourism from various part of the world.
This is evidenced in our new business pipeline becoming larger and shorter decision making times.

New wins and increasing assignments include clients such as Nestlè, Sodastream, Cellnext Telecom, Unicredit, Manifattura Tabacchi, DLA Piper, Global Med, DoBank IPO, Findomestic, AIPB (Private Banking Association), among others.

Important to note that SEC took part in a companies' temporary association with the UK-Australian giant Lendlease and other companies including PriceWaterhouse to pitch for the most important real estate project in Milan for the coming 10/15 years which is the redevelopment of Expo area. The result of the pitch will be known within the end of the year.

Moreover SEC is Principal in another pitch for Regione Lombardia, which has a three year budget of 20 million euros to stage institutional and popular culture events.

If this trend will continue going forward we are well positioned to improve ROI with a more efficient talent allocation.

SEC in Italy

The other companies in Italy have had different performance. SEC and partner, the subsidiary based in Rome and focused on financial communication in spite of a decrease in sales improved its net profit compared to H1 2016.

The other small businesses are in line with the equivalent period in 2016. HIT is improving its results and it is expected to become profitable by the end of the year due to two important wins in the months of July and August. Curious Design as well, the creative agency, has a very strong pipeline and the negative results of this first period are due to a revenue recognition issue where activities performed in May and June will be invoiced in the second half of the year.

Cambre Associates
The first half of 2017 has been challenging for Cambre but important progress has been made in addressing a shortfall in revenue and personnel overcapacity, with the outlook for the rest of the year and 2018 looking promising. At the outset of 2017, Cambre was confronted with the loss of fee income totaling € 1,010,000 (23%). This resulted from client side changes including: A general

election (Georgia); merger and new leadership team (Sanofi CHC); and in-housing of PA function (UEG). To address this there has been a focus on new business, with important client wins including Tesla, Abbott, EuropaBio, and the Business Software Alliance alongside organic growth with existing clients such as Amazon. In the meantime, personnel costs have been reduced by 15% and costs more generally have also been under careful control. The immediate cost of personnel restructuring and reputational impact of downsizing aggressively in Brussels, led to a progressive approach to cost reduction on the personnel front. A good pipeline has been developed with immediate prospects including the European Solvents Association (ESIG), Zurich Insurance, Future Mobility and the government of Georgia. With a mid-long term perspective, a review of Cambre skills is being undertaken based on a survey of the needs of the EU consultancy market and this will influence Cambre's 2020 plan that it is currently being developed.

ACH Cambre

First half of 2017 has proven to be very positive and accordingly results were well in excess of the comparative period in 2016 .

The performance of ACHCambre has been driven by:

- a new government stability at national level that boosted PA business after a stand by chase in 2016;
- a consistent recovery of the economy at national level;
- the presence of recently acquired accounts, over the last 2 years, which left grounds for an expansion that in fact led different clients to expand the framework of their activities with our consultancy;
- the consolidated efforts of an internal marketing and sales function that has proved to be very effective in both securing entries to prospects and turning these entries into contracts.

Management is confident that the business will maintain momentum and deliver consistent performance over the rest of the year. On this aspect the most significant element is the reinforcement of top management that has recently occurred at the end of the summer when we hired a new CEO who brings us access to Ibex 30 top clients and a very high level of relation in the business and institutional community of this Country.

KOHL PR

Kohl PR had an excellent start to 2017. All major clients remained on board and Kohl PR successfully completed a pitch for UNIDO (United Nations Industrial Development Organisation). The client was very content with the performance of the agency and added Kohl PR to the list of preferred agencies. Two successful projects in crisis communication were other highlights of the first half.

Furthermore, there has been a change in the top management of Kohl PR, with the appointment of a very experienced PR professional. Tanja Schuele was head of public affairs of Coca Cola Germany for six years and for two years she was head of the REWE Group´s liaison office in Berlin which she had also established.

For the second half interesting new business projects are in the pipeline. Amongst others communication activities for the Danone subsidiary Alpro and the Tokyo Motor Show are planned. Kohl PR has undertaken new business as a result of the membership in the SEC Group, including, for example, a project for a Chinese client.

In order to improve the competitiveness a relaunch of the website was planned. Another important project was the establishment of a team of external experts from the nutrition and sustainability sector, the finance sector and the marketing sector. This will give a further boost to new business.

Newington

The first half of 2017 has been reasonably strong for Newington with the traditionally weaker months of January and April slightly depressing what would otherwise be a very successful six months. This has set us up for a very strong second half of 2017 with a good pipeline and little work up for renewal. There has been no loss of retained clients but new business wins in our public affairs division including: Rail Delivery Group, APPG Taxis, Peel Group plc, Scotia Gas Networks and Mears Group, whilst our division focusing on local and communication consultation, has won new clients including: Peabody Enterprise, Taylor Wimpey and developers London and Cambridge. Project work has been won from: The National Landlords Association, Drive Now and UK Power Networks. Of particular note was our first piece of new business in partnership with SEC Partner Agency, Cambre, for the Energy Transmissions Network.

The senior management team has grown with an extra six months experience and staff turnover has settled to industry norms after the period of change in the second half of 2016, ensuring a stronger office environment. Our new Newington Branding is being increasingly recognized in the market, the benefits of our new head office in London are being felt. Recognition has been seen through Newington employing the Public Affairs Awards, Consultant of the Year, Chris White and the Chief Executive, Mark Glover, was named the 2nd most influential figure in political communications by the prestigious PR Week.

Martis Consulting (Poland)

Martis Consulting has belonged to the Group for three months (April-June); the business is going well and some opportunities of cross selling between Poland and Germany have already taken place.

Post balance sheet events

From the end of June to now the Group has:

- invested 3 millions pounds to acquire 19,3% of Porta Communications Group, in early August becoming the second largest shareholder of Porta Communications;
- Porta is a key UK Group operating in a fully integrated way within the communications industry. It runs operations and companies in the communications, marketing and research fields.
- Thanks to Porta's footprint - fully compatible with us and with very little overlap - which is mostly focused in middle and Far East we are making good progress in delivering our planned expansion.
- Porta's operations can be accessed SEC group companies through a commercial agreement, that is currently going under development, allowing Groups to leverage the partnership in each operating markets offering competences, know how, size and geographic reach of each one partners

Luigi Roth	**Fiorenzo Tagliabue**
Chairman	**Chief Executive Officer**

FINANCIAL INFORMATION OF SEC S.P.A.
FOR THE SIX MONTHS ENDED 30 JUNE 2017

Consolidated income statement

Continuing Operations	*Note*	*Six months ended 2016*	*Six months ended 2017*
		€'000	*€'000*
Revenue	5	**8,933**	**10,024**
Employees expenses	6	(3,864)	(5,637)
Service costs	7	(4,288)	(3,420)
Depreciation & amortization	8	(40)	(76)
Other operating income and charges	9	80	25
Other operating costs	10	(160)	(325)
Profit from operations		**661**	**591**
Finance income and expense	11	(37)	(38)
Profit before taxation		**624**	**553**
Taxation	12	(265)	(123)
Profit for the year		**359**	**430**
Profit for the year attributable to owners of the company		230	218
Non-controlling interest		129	212
Profit for the year		**359**	**430**
Earnings per share attributable to the equity holders of the Company			
Basic, per share	28	0.018	0.018
Diluted, per share		0.017	0.017

Consolidated statement of comprehensive income

Continuing Operations	*Six months ended 2016*	*Six months ended 2017*
	€'000	*€'000*
Profit for the year	**359**	**430**
Items that may be subsequently reclassified to profit or loss:		
Gain /(loss) on exchange rates		
Gain/(loss) on revaluation of available for sale investments	(19)	63
Gain /(loss) on exchange rates	-	(19)
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit pension plans	40	39
Total comprehensive income for the year	**380**	**513**
Total comprehensive income for the year attributable to:		
Owners of the Company	254	212
Non-controlling interest	126	301
Net Group comprehensive income for the year	**380**	**513**

Consolidated statement of financial position

	Note	*Six months ended 2016*	*Six months ended 2017*
		€'000	*€'000*
Intangible assets	13	4,073	6,998
Tangible assets	14	250	414
Investments	15	107	7
Other financial assets	16	11	10
Other assets	17	575	738
Non-current assets		**5,016**	**8,167**
Trade receivables	18	6,368	8,235
Other receivables	19	675	918
Financial investments	20	976	1,075
Cash and cash equivalents	21	6,075	5,085
Current assets		**14,094**	**15,313**
Total assets		**19,110**	**23,480**
Trade payables	22	1,886	2,162
Borrowings	23	850	934
Other payables	24	3.071	2,815
Provisions	25	-	612
Current liabilities		**5,807**	**6,523**
Employee benefits	26	1,461	1,483
Borrowings	23	3,634	3,670
Other non-current liabilities	27	449	304
Non-current liabilities		**5,544**	**5,457**
Total liabilities		**11,351**	**11,980**
Net assets		**7,759**	**11,500**
Share capital	28	1,000	1.222

Reserves	29	4,897	7,978
Profit of the year		230	218
Equity attributable to equity holders Of the Company		**6,127**	**9,418**
Equity non-controlling interests	30	1,632	2,082
Total equity		**7,759**	**11,500**
Total equity and liabilities		**19,110**	**23,480**

Consolidated cash flow statement

	Six months ended 2016	*Six months ended 2017*
	€'000	*€'000*
Operating activities		
Profit for the year	359	431
Adjusted for:		
Corporation tax	265	123
Net interest	37	38
Depreciation tangible assets	39	50
Amortization intangible assets	1	26
(Increase)/Decrease in trade and other receivables	974	(1,191)
Increase/(Decrease) in trade and other payables	(522)	418
Increase/(Decrease) in Other provisions	10	(651)
Increase/(Decrease) in Employees benefits	44	28
Changes in working capital:		
Cash generated from operations	**1,207**	**(728)**
Income tax paid	**(265)**	**(123)**
Net cash flow from operating activities	**942**	**(851)**
Investing activities		
(Purchase)/sale tangible assets	(57)	(12)
(Purchase)/sale of intangibles assets	-	(123)
Changes in Goodwill	(262)	(1,197)
Acquisitions and earn-outs	-	(9)
Change in other assets	(86)	218
Net cash used in investing activities	**(405)**	**(1.123)**
Financing activities		
Bank loans drawdown/repayments	1673	348
Interest paid	(37)	(38)
Share issues	(2,056)	-
Other increase /(decrease) in equity	896	19
Net cash used in financing activities	**476**	**329**
Net increase in cash and cash equivalents	**1,013**	**(1,645)**
Cash and cash equivalents at beginning of period	**6,038**	**7,825**
Cash and cash equivalents at the end of period	**7,051**	**6,180**

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 six months ended 30 June 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, 2016
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)	51.00%
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.	MAR	Warsaw (PL)	60,00%

The acquisitions completed during the two six months ended 30 June 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.
- In April 2017: Martis Consulting Sp. Z,o,o

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.
- All resulting exchange differences are recognized in other comprehensive income.
- 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.
- The final exchange rate of Euro vs. Great Britain Pound used on Newington Communication LTD as of 30 June 2017 is 0.879; the one on Martis is 4.226.

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 12: Disclosure of Interests in Other Entities (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.

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:

	Six months ended 30 June 2016		***Six months ended 30 June 2017***	
	€'000	%	*€'000*	%
Italy	5.227	59%	4.914	49%
United Kingdom	-	-	2.020	20%
Belgium	2.391	27%	1.758	18%
Spain	720	8%	665	7%
Germany	595	6%	431	4%
Poland	-	-	236	2%
Total revenue	8.933	100%	10.024	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 is prepared on a discounted cash flow basis at year end.

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. The Group has not classified any of its financial assets at fair value through profit or loss, as available for sale or held to maturity except for financial investments.

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:

	Six months ended 30 June 2016 €'000		*Six months ended 30 June 2017 €'000*	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Trade and other receivables	7,043	7,043	9,153	9,153
Financial investments	976	976	1,075	1,075
Cash and cash equivalents	6,075	6,075	5,085	5,085

Financial liabilities				
Trade and other payables	4,957	4,957	4,997	4,997
Financial liabilities	4,484	4,484	4,604	4,604

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. Critical accounting estimates and judgements

SEC Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of depreciable assets

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

Fair value measurements and valuation processes

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

Provision for doubtful debts

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

Employee benefits

For actuarial assumptions on severance indemnity refer to note 26.

Impairment of Goodwill

Disclosure included in note 2 (h).

4. 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 € 8,234,000 (2016: €6,368,000) net of any write-off and allowance for doubtful receivables.

As at 30 June 2017, the Group had amounts due from ten major customers amounting to 16 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 30 June 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
7. Directors Loan (Mark Glover - director in Newington) for 100.000 GBP at an interest rate of 4% per annum accruing daily and payable monthly in arrears on the last business day of each month (see note 31).
8. UBS (Italy) S.p.A € 1.000.000 at an interest rate of 1-month Euribor plus a margin of 1,00 per cent (minimum rate is margin when EURIBOR+1% becomes negative), on amortizing basis with monthly basis instalment between March 2017 and Febrary 2020

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.

5. Revenue

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Revenue of services	8,933	10,024
Total	**8,933**	**10,024**

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 for € 6,930,000; (2016: € 4,947,000) advocacy activities for € 2,348,000; (2016: € 2,623,000) and integrated services of 746,000; (2016: € 1,363,000).

6. Employees expenses

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Salaries	3,081	4482
Social contributions	613	887
Severance indemnity	163	150
Other costs	7	118
Total employee	**3,864**	**5,637**

expenses

7. Service costs

	Six months ended 30 June 2016 €'000	Six months ended 30 June 2017 €'000
Consulting	477	522
Internal Consulting & Directors	1,487	703
Overheads	810	592
Rent/Lease	289	505
Services	1,225	1,098
Total service costs	**4,288**	**3,420**

Overheads principally comprise costs incurred with subcontractors in order to manage extraordinary workload activity not directly provided internally. Services principally comprise marketing, advertising and other services incurred by the Group in its operating activities for € 744,000 in 2017 and other amounts are related to phone costs, travel expenses, office maintenance expenses, freight costs, car expanses and bank charges.

8. Depreciations and amortizations

	Six months ended 30 June 2016 €'000	Six months ended 30 June 2017 €'000
Amortization of intangibles	1	26
Depreciation of tangible assets	39	51
Total depreciation and amortization	**40**	**76**

9. Other operating income and charges

	Six months ended 30 June 2016 €'000	Six months ended 30 June 2017 €'000
Other Charges	-38	-
Other Income	118	25
Total other operating income and charges	**80**	**25**

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

10. Other operating Costs

	Six months ended 30 June 2016 €'000	Six months ended 30 June 2017 €'000
Bad debts allowance	40	6
Impairment of investments	-	-

Tax local	12	26
Others	108	293
Total other operating costs	**160**	**325**

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

11. Finance income and expense

Financial income	*Six months ended 30 June 2016 €'000*	*Six months ended 30 June 2017 €'000*
Interest income	7	8
Finance income	**7**	**8**
Financial expenses		
Interest expense	(41)	(46)
Other expenses	(3)	-
Finance expenses	**(44)**	**(46)**
Net Finance income and expense	**(37)**	**(38)**

12. Taxation

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Current tax expense	(2)	75
Deferred tax income	267	48
Total income tax expense	**265**	**123**

2016 Applicable tax rates (Italy)

The SEC Group's activities are both in Italy and abroad (Spain, Germany, Belgium, United Kingdom, Poland). 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.

13. Intangible assets

-

	Licenses	**Goodwill**	**Total**
COST	€'000	€'000	€'000
At 1 January 2016	**74**	**3,807**	**3,881**
Additions	1	262	263
At 30 June 2016	**75**	**4,069**	**4,144**
AMORTISATION			
At 1 January 2016	**(69)**	-	**(69)**
Charge for the year	(2)	---	(2)
At 30 June 2016	**(71)**	-	**(71)**

NET BOOK VALUE			
At 30 June 2016	**4**	**4,069**	**4,073**

COST	€'000	€'000	€'000
At 1 January 2017	**161**	**5,614**	**5,775**
Additions	124	1.196	1,320
At 30 June 2017	**285**	**6,810**	**7,095**
AMORTISATION			
At 1 January 2017	**(72)**	-	**(72)**
Charge for the year	(25)	---	(25)
At 30 June 2017	**(97)**	-	**(97)**
NET BOOK VALUE			
At 30 June 2017	**188**	**6,810**	**6,998**

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

- In 2017, € 1,196.000 from acquisition Martis Consulting Sp. Z,o,o,

14. Tangible assets

COST	**Leasehold improvements** €'000	**Equipment** €'000	**Furniture and fittings** €'000	**Total** €'000
At 1 January 2017	**363**	**136**	**660**	**1,159**
Additions		22		22
Disposals	(25)			(25)
At 30 June 2017	**338**	**158**	**660**	**1,156**
DEPRECIATION				
At 31 January 2017	**(157)**	**(95)**	**(439)**	**(691)**
Charge for the year	(33)	(3)	(15)	(51)
Disposals	-			
At 30 June 2017	**(190)**	**(98)**	**(454)**	**(742)**
Net Book Value				
At 30 June 2017	**148**	**60**	**206**	**414**

15. Investments

	Owned by	*%*	*Six months ended 30 June 2016 €'000*	*Six months ended 30 June 2017 €'000*

Sec & Partners S.r.l.	SEC	95%	5	5
Others	-	-	102	2
Total investments			**107**	**7**

16. Other financial assets

Other financial assets include € 10,000 of bank deposits to guarantee the ACH Cambre SL (Madrid) office lease.

17. Other assets

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Deferred tax assets	120	417
Rental deposits	23	18
Directors benefits	429	264
Other	3	39
Total other assets	**575**	**738**

Director benefits is the asset coverage provided by an external insurance company in order to fulfill the end of mandate obligations for the Board director (see note 27).

18. Trade receivables

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Trade receivables	6,368	8.235
Total trade receivables	**6,368**	**8,235**

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*
5,411	1,352	294	387	937	8,381
65%	16%	3%	5%	11%	100%

The amounts presented in the consolidated statement of financial position are net of an allowance for doubtful receivables of € 146,000 (2015: €40,000) based on prior experience and their assessment of the current economic ongoing.

19. Other receivables

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Prepaid expenses	16	238

Tax on income	478	396
VAT	55	45
Others	127	239
Total other receivables	**675**	**918**

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

20. Financial Investments

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
UBS S.A. investment	976	1,075
	976	**1,075**

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.

30 June 2016

Investments	**Purchase Cost** *€'000*	**Fair Value** *€'000*	**Accrued interest** *€'000*	**Total** *€'000*
Bonds	428	407	1	408
Equities	545	541	-	541
Other	30	27	-	27
Total	**1,003**	**975**	**1**	**976**

30 June 2017

Investments	**Purchase Cost** *€'000*	**Fair Value** *€'000*	**Accrued interest** *€'000*	**Total** *€'000*
Bonds	428	431	1	432
Equities	545	616	-	616
Other	30	27	-	27
Total	**1,003**	**1,074**	**1**	**1,075**

	30 June 2016			**30 June 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	52	-	-	51	-	-
Total	**52**	**-**	**-**	**51**	**-**	**-**
Equities and mutual funds under management:						
- Equity Funds	541	-	-	617	-	-

- Bond Funds	356	-	-	380	-	-
- Balanced Funds	27	-	-	27	-	-
Total	**924**	-	-	**1,024**	-	-
Total Investments	**976**	-	-	**1.075**	-	-

	Debt securities	**Equities**	**Funds**	**Loans**	**Total**
Financial Assets Available for sale					
Opening Balance January 1 2016	**53**	**-**	**950**	**-**	**1.003**
Purchases	**-**	**-**		**-**	
Positive changes in fair value	**-**	**-**	**-**	**-**	**-**
Other changes	**-**	**-**	**-**	**-**	**-**
Sales	**-**	**-**	**-**	**-**	**-**
Negative changes in fair value	**(1)**	**-**	**(26)**	**-**	**(27)**
Closing Balance June 30 2016	**52**	**-**	**924**	**-**	**976**

	Debt securities	**Equities**	**Funds**	**Loans**	**Total**
Financial Assets Available for sale					
Opening Balance January 1 2017	**53**	**-**	**996**	**-**	**1.049**
Purchases	**-**	**-**		**-**	
Positive changes in fair value	**-**	**-**	**-**	**-**	**-**
Other changes	**-**	**-**	**-**	**-**	**-**
Sales	**-**	**-**	**-**	**-**	**-**
Negative changes in fair value	**(2)**	**-**	**28**	**-**	**26**
Closing Balance June 30 2017	**51**	**-**	**1,024**	**-**	**1,075**

21. 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:

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Cash at bank	6,075	5,085
Total cash and cash equivalents	**6,075**	**5,085**

22. Trade payables

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Trade payables	1,886	2,162

Total trade payables	**1,886**	**2,162**

23. 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:

	Six months ended 30 June 2016 €'000	*Six months ended 31 December 2017 €'000*
UBS	2	
Deutsche Bank	250	503
Banca Popolare di Milano	247	278
Unicredit	308	104
Banca Intesa	34	
Banca Popolare di Bari	7	
National Westminster Bank PLC	-	49
Credit cards payables	2	
Total current liabilities	**850**	**934**
UBS	1,762	1,762
Deutsche Bank	500	855
Banca Popolare di Milano	672	403
Unicredit	700	610
National Westminster Bank PLC	-	40
Total non-current liabilities	**3,634**	**3,670**
Total borrowings	**4,484**	**4,604**

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	625	1,000	Euribor + 1.20%	23 June 2019	Two month installment	None
Banca Popolare di Milano	923	1000	1,1%	February 2020	Monthly	None
Unicredit	714	1,000	1.2%	Dec. 2020	Monthly	None
National Westminster PLC	111	100	4.69%	October 2019	Monthly	None
Deutsche Bank	1,000	1,000	Euribor + 1%	Feb. 2020	Monthly	None

24. Other payables

	Six months ended	*Six months ended*

	30 June 2016 €'000	*30 June 2017 €'000*
Accrued Expenses	7	269
Advances from customers	104	77
Employees and payroll-related	1,061	1,168
Government institutions	232	297
Referred Parties	142	142
Tax local	185	2
Tax on Income	659	207
VAT	372	597
Other	309	56
Total other payables	**3,071**	**2,815**

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

25. Provision

	Six months ended 30 June 2016 €'000	Six months ended 30 June 2017 €'000
Provisions		612
Total provisions		**612**

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

26. Employee benefits

Severance indemnity	1,461	1,483
Total severance indemnity	**1,461**	**1,483**

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

	Severance indemnity *€'000*
Opening Balance January 1 2016	**1,436**
Service Cost	127
Net Interest	14
Benefit Paid	(56)
Actuarial Gain/Loss	(60)
Closing Balance 30 June 2016	**1,461**
Opening Balance January 1 2017	**1,504**
Service Cost	97
Net Interest	10
Benefit Paid	(54)
Actuarial Gain/Loss	(74)
Closing Balance 30 June 2017	**1,483**

27. Other non-current liabilities

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Total other non-current liabilities	**449**	**304**

SEC S.P.A. has an obligation in relation to a Board Director for end of mandate allowance as per the above amounts on each year end date (289.000 in 2017 and 429.000 in 2016). Such obligation is covered by an insurance asset (note 17).

28. Share capital

At 30 June 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 30 June 2016 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.

2016 Authorized, issued and fully paid capital	*As at 30 June 2016*	*As at 30 June 2017*
As at 1 January	€ 1,000,000	€1,000,000
Additions during the year	-	€ 222,197.50
30 June	**€ 1,000,000**	**€1,222,197.50**

-

Earnings per share

The basic and diluted earnings per share for 2017 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:

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Profit for the year attributable to owners of the company	€ 182,000	€ 218,000
Number of shares	10,000,000	12,221,975
Earnings per share, basic	**€ 0.018**	**€ 0.018**

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:

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Profit for the year attributable to owners of the company	€ 182,000	€ 218,000
Number of shares	10,809,000	13,031,975
Earnings per share, diluted	**€ 0.017**	**€ 0.017**

29. Reserves

The following table describes the nature of each reserve:

	Six months ended 30 June 2016 €'000	*Six months ended 30 June 2017 €'000*
Legal reserve	58	58
Evaluation reserve	22	78
Share premium reserve	-	2,627
Retained earnings	4,817	5,215
Total Reserves	**4,897**	**7,978**

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.

30. 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 30 June 2017 are as follows:

As at 30 June 2017 €'000	**HIT**	**CUR**	**CAM**	**ACH**	**SEC-A**	**MED**	**DS**	**SEC-P**	**KOHL**	**NEW**	**MAR**
Non-current assets	5	8	119	298	2	17	1	637	13	185	19
Current assets	817	306	1,405	791	337	153	41	1,612	479	1,447	96
Noncurrent liabilities	59	10	-	-	13	28	0	74	10	-	-

Current liabilities	174	314	498	198	274	61	63	951	151	704	35
Equity	**589**	**(10)**	**1,026**	**891**	**52**	**81**	**(21)**	**1,224**	**331**	**928**	**80**
Equity to non-controlling interest	**250**	**(3)**	**247**	**437**	**26**	**41**	**(10)**	**607**	**83**	**372**	**32**

As at 30 June 2016 €'000	**HIT**	**CUR**	**CAM**	**ACH**	**SEC-A**	**MED**	**DS**	**SEC-P**	**KOHL**
Non-current assets	14	10	85	305	7	25	2	645	16
Current assets	1,052	246	1,783	726	356	174	112	1,408	350
Noncurrent liabilities	71	5	-	-	18	10	9	70	-
Current liabilities	411	229	621	286	320	94	89	965	91
Equity	**584**	**22**	**1,247**	**745**	**25**	**95**	**16**	**1,018**	**275**
Equity to non-controlling interest	**246**	**6**	**374**	**366**	**12**	**47**	**8**	**504**	**69**

The summarized income statement of the companies for the two-year ended 30 June 2017 are as follows:

For the period ended 30 June 2017 €'000	**HIT**	**CUR**	**CAM**	**ACH**	**SEC-A**	**MED**	**DS**	**SEC-P**	**KOHL**	**NEW**	**MAR**
Revenue	**312**	**178**	**1,758**	**665**	**208**	**89**	**0**	**725**	**431**	**2,020**	**236**
Cost of Sale	(375)	(222)	(1,798)	(495)	(198)	(90)	(9)	(519)	(429)	(1,761)	(212)
Other operating income and charges	36	10	(38)	1	(1)	(3)	-	-	4	-	-
Profit from operations	**(27)**	**(34)**	**(78)**	**171**	**9**	**(4)**	**(9)**	**206**	**6**	**259**	**24**
Finance income and expenses	-	-	-	-	(8)	-	-	-	(2)	(4)	-
Profit before taxation	**(27)**	**(34)**	**(78)**	**171**	**1**	**(4)**	**(9)**	**206**	**4**	**255**	**24**
Taxation	(7)	(2)	10	-	(1)	(2)	-	(52)	(1)	(29)	(5)
Profit (loss) for the period	**(34)**	**(36)**	**(68)**	**171**	**-**	**(6)**	**(9)**	**154**	**3**	**226**	**19**
Profit (loss) for the period to non-	**(15)**	**(9)**	**(16)**	**83**	**-**	**(3)**	**(4)**	**76**	**1**	**91**	**8**

controlling interest

For the period ended 30 June 2016 €'000	HIT	CUR	CAM	ACH	SEC-A	MED	DS	SEC-P	KOHL
Revenue	**289**	**186**	**2,391**	**720**	**131**	**111**	**63**	**918**	**595**
Cost of Sale	(347)	(196)	(1,938)	(667)	(143)	(98)	(119)	(670)	(559)
Other operating income and charges	(7)	3	(17)	(1)	1	(4)	4	(36)	(2)
Profit from operations	**(65)**	**(7)**	**436**	**52**	**(11)**	**9**	**(52)**	**212**	**34**
Finance income and expenses	-	-	(2)	(1)	(9)	(1)	-	(2)	(1)
Profit before taxation	**(65)**	**(7)**	**434**	**51**	**(20)**	**8**	**(52)**	**210**	**33**
Taxation	(1)	-	(135)	(3)	-	-	-	(66)	(10)
Profit (loss) for the period	**(66)**	**(7)**	**299**	**48**	**(20)**	**8**	**(52)**	**144**	**23**
Profit (loss) for the period to non-controlling interest	**(28)**	**(2)**	**90**	**23**	**(10)**	**5**	**(26)**	**71**	**6**

31. Related party transactions

From time to time the Group enters into transactions with its associate undertakings. For amounts paid to key managers please refer to the table within note 6. For payables to related parties, please refer to note 24; for borrowings please refer to note 4 (d.7).

32. Contingencies and commitments

SEC Group has no contingent liabilities and or commitments.

33. Events after the reporting date

In May 2017 the General assembly of Kohl, ACH, Cambre Associates and Sec and Partners S.r.l. approved the distribution of dividends for respectively €60.000; €80.000; €250.000 and €100,000.

In August 2017 SEC bought 19,3% of Porta Communications by subscribing 87,714,286 shares of new issuance. Porta Communications is a London AIM listed Group that through its brands New Gate Communications, Redleaf Communications, Publicasity, 2112 Communications and Summit Marketing Services is present in UK, Abu Dhabi, Pechin,Hong Kong, Singapore and Australia.

34. Ultimate controlling party

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

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