



Annual Report

2016

*“In the monotony
of simply continuing
we would suffocate”*

Romano Guardini

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HIGHLIGHTS, SEC AT A GLANCE

Revenues: **18,49 € millions**

Gross profit: **1,05 € millions**

Equity: **9.16 € millions**
(attributable to Equity holders)

Cash flow: **6,78 € millions**

OUR OBJECTIVES

1. Re-launch organic growth through a new model for new business
2. Attract talent and retain valuable people
3. Continue acquisitions plan, complete European step with France, start in North and South America



4. Add consultancy value to our offer
5. Invest in technology to take advantage of the digital revolution

INFORMATION ON THE GROUP

1. INTRODUCTION

SEC S.p.A. is a holding company and head office for a public relations and advocacy business, headquartered in Milano with operations across western Europe. 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 majority stakes in companies, leaving existing management incentivised with minority shareholdings. The Group's Italian operation is now the largest independent PR agency in the country. Accordingly the 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 are 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 and Bari. Following consistent growth over a number of years, in 2013 the Group began to expand internationally with a series of acquisitions in Germany, Spain, Belgium, United Kingdom and Poland. The Group currently comprises ten subsidiaries in which the Company holds stakes ranging between 51 per cent. and 75 per cent. of the share capital.

The 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 made up 58.6% of revenue in the financial year ended 31 December 2016, 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 made up 26.4% of revenue in the financial year ended 31 December 2016, 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.

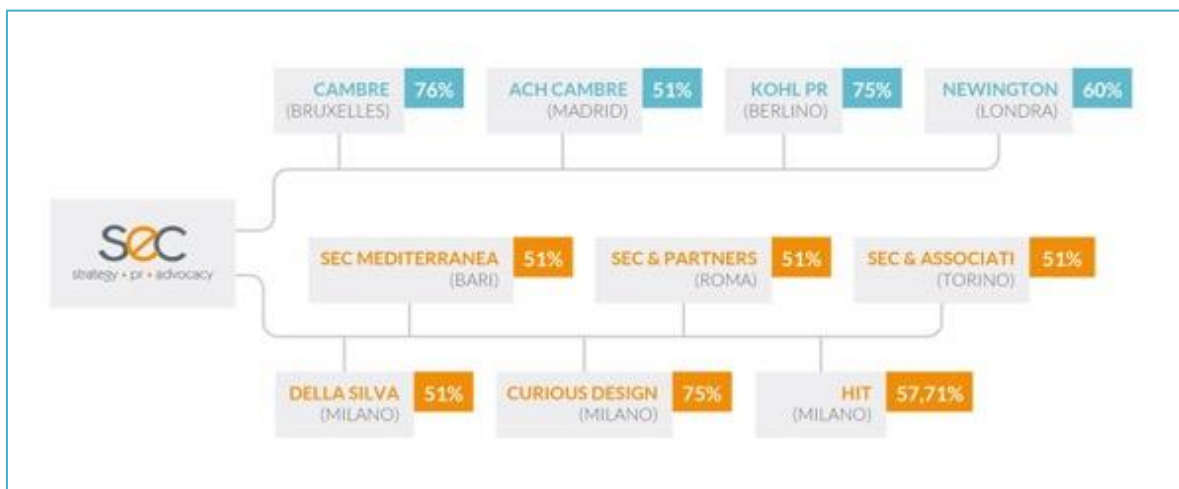
Integrated Services, which made up 15.0% of revenue in the financial year ended 31 December 2016, include:

- **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 base of the Milano operations as well as the Group's head office. The Group intends to establish the Group CFO office and a marketing department in London following Admission. 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 needs 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, who is 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 Mediterranea also has a community relations presence in cities such as Venice, Udine and Messina through "correspondent" freelance consultants who report directly in to SEC. SEC S.p.A. owns a 51% interest in SEC Mediterranea, with the remaining 49% held by the 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 the Managing Director, Mr 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, the President and Creative Director, joined the company. SEC acquired 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 the Cambre group (including Cambre Associates SA) in 2013, as part of which it integrated Cambre Madrid and 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 50.8% interest in ACH Cambre, with the remaining 49.2% is 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 Investor 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 in domestic and international awards, and considerable growth is down 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 and the remaining 40.0% owned by founders Mark Glover and Phil Briscoe.

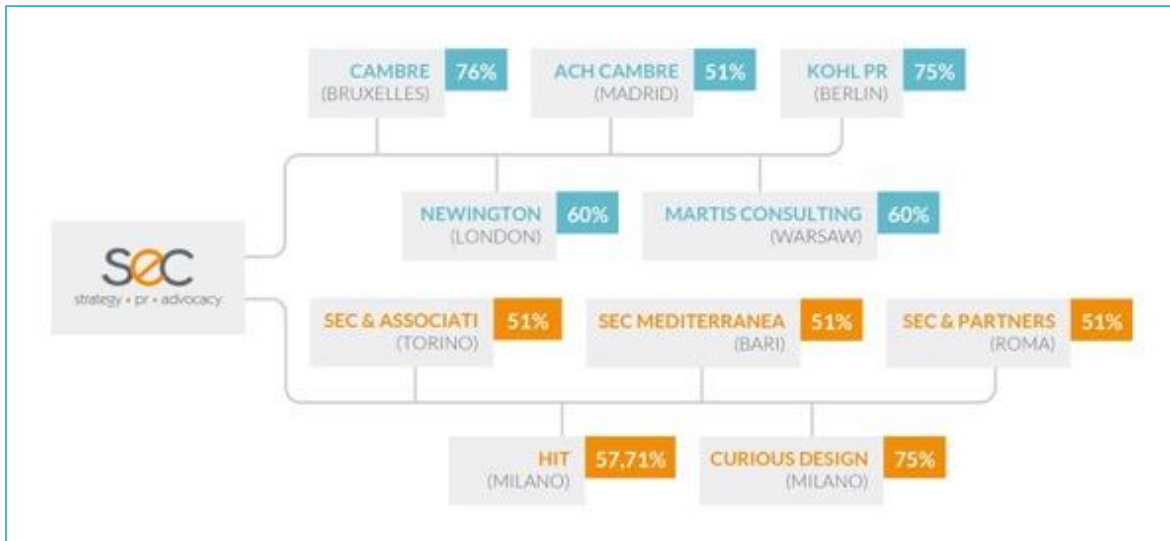
At end of 2016 SEC decided to wind up Della Silva Srl, whilst, in April 2017, SEC bought the Polish agency Martis Consulting.

Martis Consulting(Poland)

Founded in Warsaw in 2001 by Ewa Baldyga and Dariusz Jarosz, professionals with over twenty years in corporate communications, Martis had a significant development that has brought the company among the first ten of the sector in Poland, and to position as agency of reference for most of listed blue chips 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. Revenues for the year ending December 2016 were EUR 1,442,530 (unaudited) with profit before tax of EUR 223,689 (unaudited).

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

In a very busy year that has seen the company quoted on the London AIM, we have increased our presence on two new European markets.

It has been a very busy year, which has seen the Company successfully list on AIM, the market for growth companies on the London Stock Exchange. When the finish line was in view, the UK's Brexit vote certainly made that last leg an uphill struggle. Despite this, the Company brought the journey to conclusion and continued its development and growth plan following the acquisitions plan presented to the market.



On 12 September 2016, the acquisition of Newington, London was finalised, a leading company in the corporate and public affairs sector, with a turnover of more than £3 million. With Newington, the Group achieves two objectives: presence in a key market like that of the UK and partnership with a company that is capable of better interpreting the consequences, good or bad, of Brexit. On 21 December 2016, a binding agreement was written for the acquisition of the majority of quotas of Polish Martis Consulting, Warsaw. The deal was completed on 20 April 2017.

The Company's quotation has also brought changes to the Board, which is currently comprised of seven members: as well as myself, two other Non-Executive Directors, David Mathewson and Paola Bruno, both with solid experience on Boards of quoted companies; main shareholder Fiorenzo Tagliabue in the role of CEO; two managing directors: Cesare Valli for Italy and Tom Parker for Europe, and CFO Anna Milito

During the listing process, a 5% Stock Grant has been made available to employees (sign up from 26 August 2018, two years after the quotation) in order to incentivise their efforts and permanence in the Group's companies. Attracting and retaining talent is one of our priorities in which we plan to invest during the following years.

The Group has had a difficult year on the market for the reasons that are discussed below, attributable to the whole macroeconomic picture as well as some specific factors that were verified in some European countries, particularly Italy.

The current year, however, will represent a more decisive recovery and will contribute to the consolidation of the Group's results.

All of us have great trust in the upcoming months.

Luigi Roth
SEC Spa
Chairman

CHIEF EXECUTIVE'S STATEMENT



The Global economic outlook has slightly deteriorated in 2016 compared to 2015 with a decrease in global GDP at 3.1% according to the IMF.

Advanced economies are suffering most from the lack of growth with only 1.6% GDP growth in 2016. European GDP has grown in the region of 1.7% and has been affected by the post-2008 crisis that has not yet been fully overcome, and more recently by the uncertainty posed by Brexit.

The best performer in Continental Europe is Spain with GDP growth exceeding 3% followed by Germany, which is aligned to the EU average of 1.7%, France with 1.3% growth and Italy with less than 1% growth.

The global sentiment towards the future, even if slowly improving, is still not oriented towards boosting investments and consumption. This is reflected in the lack of growth and the unhealthy labour market.

The approaching round of elections in the four major European Countries beginning with France, followed by Germany, Spain and Italy, which are characterised by fear of increasing populism, booming immigration and terrorism have not contributed.

In these circumstances and in the absence of major global events like the Olympics or similar, the Global Communication sector has been characterised mostly by stability or minimal growth. In particular, the growth has been concentrated on digital and social media development with the most traditional media, apart from television and radio, continuing to suffer.

Communication and Media companies have therefore been competing in a slowly improving market where performances have not been boosted by market expansion but affected by competition, with some relative growth and some reductions.

This has negatively impacted on the development in communication investments in Italy as well, limited to +1.7% growth in total. It is interesting to note how one of the largest global operators has merged its PR operations in four markets including Italy in response to limited growth.

This situation not only affects Italian operations but also, at a global level, the reported growth of top ten operators has been limited to an aggregated +3.3%, which is approximately 25%

less buoyant than the previous year. As reported to the most accredited ranking: “Yet many of the big PR agency networks still struggled to grow”. The largest worldwide operator has had the lowest growth since 2009.

SEC has coped with the above described situation by continuing to successfully implement its expansion project and by working hard to boost organic growth to regain the volume of business reduced by the lack of major events that boosted its 2015 figures.

In particular, our performance has suffered from the fact that we have been a major beneficiary of large investments linked to the Expo 2015 activities in Italy, especially in Milan; having won multiple assignments spanning from the global Communication assignment in association with another firm, the Expo Media Centre, Columbia Pavilion, Mexican Pavilion, France Pavilion, Coca Cola Pavilion, Expo uniforms design and supply, hostess service, and so on. Replacing that amount of income, €2.7M, proved to be difficult in spite of a massive new business effort which has helped mitigate the impact. The above is valid for the entire line of subsidiaries, which have all suffered equally from the described situation.

New business generated in 2016, just for SEC main Italian operations in Milan amount to €3.6M and have formed the base for further development in 2017.

On the cost line of the holding company, we also acknowledge the large investment to continue to boost the expansion process via acquisition and the related cost for M&A activities, which account for approximately €294,000.

Without those investments that are strategically important to pave the way for the future growth of the operation, the theoretical profit would have been approximately €1M.

Revenues

In particular, at SEC Spa revenues were declining by 25% compared to 2015 actual and total operating costs were reduced by 28% reflecting management’s efforts to contain cost despite continuing investment in the development of the international expansion, which has impacted over €1.3M on the profit and loss account. Revenues have declined to €18,487 million from the previous year at €21,244 million due to the lack of the one-off contribution of large events in Italy, Germany and Spain which have not been repeated. Solid new business activities have partially offset, but not entirely, the difference.

Profit

As a consequence of the above, the profit from operation is €795,000 vs. €3,279M previous year. Profit before tax is €734,000 vs. €3,248M last year. The year end Net Profit is therefore €445,000 € vs. €2,045M last year.

This reconfirms the solid profit of the Group while we keep investing management time and resources in investments aimed at increasing the critical mass of the Group and aiming to provide additional services to our clients and therefore revenues.

In this area we can quote the investment in Stake (registered), which a sophisticated consultancy tool to boost our Community Relations and Public Affairs offer and is

increasingly utilized and appreciated by major multinationals or large utilities, or our investment in Big Data Advisory Unit in Spain.

These developments are still operating in only one single company of the Group and, once completed and fully operational can be leveraged in all of the Group's operating Countries. Others are in the development pipeline. These developments are now contributing to the cost of personnel employed in their development but will repay over the year to come both in Reputational terms and in boosting additional revenues for the Group.

Net asset

Equity (attributable to Equity holders) has increased from €6,617M to €9,157M due to the admission of 222,000 new shares and the IPO of the Company on the AIM UK Market with share premium of €3,777M in excess of share face value, net of €1,150M cost of listing net tax.

Group Cash position

The group Cash position remains strong with a solid €6,776M at the end of the period vs. €5,036M in the previous year. This represents an enhancement of 1,739M € on 2015. This was contributed to by €445,000. Net cash flow from operations and €3,071M from financing activities.

The increase in cash position has been partially utilized to finance the first instalment of the Newington (ex Bellenden) acquisition, to finance an increased position in Cambre and to finance its shares buyback (€1,778M).

Outlook

New business generated in 2016, just for SEC main Italian operations in Milano amount to €3.6M and have formed the base for further development in 2017.

The current year, thanks to a huge effort in new business, has started well, in line with our expectations.

I would like to thank our employees for their continued efforts.

Fiorenzo Tagliabue
SEC Spa CEO

2016, A YEAR OF TURNING POINTS

2016 has been the year of quotation on the Stock Market and has required a lot of energy from company management who were aiming to make the Group more efficient.

This has meant:

- The creation of the Management Committee (MC), in which all the Group companies' managing directors take part, with the scope of evaluating every possible synergy starting with commercial ones. Chaired by Tom Parker, the MC has started work, in particular, on the creation of an international marketing unit. 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 strengthening of the finance department with the nomination of a deputy CFO with the aim of making the Group's financial management more solid.
- The purchase 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, will start to produce results in 2017, to become fully functioning in 2018.

In 2016, the acquisition was finalised of Newington, London, a leading company in the corporate and public affairs area, with a turnover of more than £3 million. With Newington, the group completes two objectives: presence on a key market like that of the UK and partnering with a company that is capable of better interpreting the consequences, good or bad, of Brexit. On December 21st 2016, a binding letter was written for the acquisition of the majority of quotes of Polish Martis Consulting, a leader in corporate communication and financial communication.

Lastly, in the final months of 2016 a working group made up of 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 closed off to 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 financing and benefits from the Italian governmental programme “Piano Industria 4.0” [“Industry Plan 4.0”] promised by the Economy Minister to stimulate Italian SMEs in the use of new technologies.



OUTLOOK

2017, also thanks to a huge effort in new business, has started well, in line with our expectations.

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), with offices and subsidiaries throughout Italy and Europe. 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 the conditions to attract talent and put into place politics of retention; thus, after the quotation a 5% Stock Grant has been made available to employees who have certain prerequisites (two years with the company) will vest two years after the quotation, on July 26th 2018.
- 2) Invest in technology to take advantage of opportunities offered by the digital revolution.
- 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, moreover, increase the consulting capacities of the Group through strategic partnerships.
- 4) The seize. The Group must grow even faster in order to be competitive in large commercial challenges at a global level. To intercept the big multi-Country competitors, 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 providers 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, providers, and all the external subjects who operate on behalf of the Company are held to observing when undertaking their activities.

- 1) People are at the centre of our professional work with our clients. Therefore, we take care of the selection, training and retention of our people.
- 2) Reliability is the 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) Capacity for intelligence in deciphering complex situations, defining priorities and mobilising relations and necessary resources.
- 4) Proximity to the Client to share in their growth step by step.
- 5) Capacity to involve the stakeholders so that they 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 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).
- 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

“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.



THE BOARD

The Board, composed of 7 members, was completely renewed during the quotation and has been enriched by

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



- and, as executive directors, **Cesare Valli**, already managing director of Hill & Knowlton Strategy for South Europe, **Tom Parker**, the managing director of Cambre, the second company in the Group, 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.

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.

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.

1.4 New management team

Several members of the Company's senior management team have recently been appointed to their positions. Whilst the Directors are confident that these individuals have the skills required for their roles, the management team itself is only relatively recently established.

1.5 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.

1.6 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.

1.7 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 than 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.

1.8 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.

1.9 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.

2. RISKS RELATING TO THE GROUP'S OPERATIONS OVERSEAS

2.1 General

It is expected that a significant proportion of the Group's revenues – not the majority - 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

| | <i>Year ended 31 December 2015</i> | <i>Year ended 31 December 2016</i> |
|---------------------------------|--|--|
| Revenue | 21.244 | 18.487 |
| EBITDA | 3.366 | 916 |
| EBIT | 3.271 | 788 |
| Profit Before Tax | 3.248 | 734 |
| Net Profit | 2.045 | 445 |
| Net Profit to the Group | 1.373 | 182 |
| Net Profit to minorities | 672 | 263 |
| Net Financial position | 3.115 | 3.571 |

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.

FINANCIAL INFORMATION OF SEC S.P.A. FOR THE TWO YEARS ENDED 31 DECEMBER 2016

Consolidated income statement

| Continuing Operations | <i>Note</i> | <i>Year ended 31 December 2015 €'000</i> | <i>Year ended 31 December 2016 €'000</i> |
|---|-------------|--|--|
| Revenue | 5 | 21,244 | 18,487 |
| Employees expenses | 6 | (6,704) | (8,296) |
| Service costs | 7 | (10,442) | (8,699) |
| Depreciation & amortization | 8 | (95) | (128) |
| Other operating income and charges | 9 | 104 | 77 |
| Other operating costs | 10 | (828) | (646) |
| Profit from operations | | 3,279 | 795 |
| Finance income and expense | 11 | (31) | (61) |
| Profit before taxation | | 3,248 | 734 |
| Taxation | 12 | (1,203) | (289) |
| Profit for the year | | 2,045 | 445 |
| Profit for the year attributable to owners of the company | | 1,373 | 182 |
| Non-controlling interest | | 672 | 263 |
| Profit for the year | | 2,045 | 445 |
| Earnings per share attributable to the equity holders of the Company | | | |
| Basic, per share | 28 | 1.37 | 0.01 |
| Diluted, per share | | 1.37 | 0.01 |

Consolidated statement of comprehensive income

| Continuing Operations | <i>Note</i> | <i>Year ended 31 December 2015 €'000</i> | <i>Year ended 31 December 2016 €'000</i> |
|--|-------------|--|--|
| Profit for the year | | 2,045 | 445 |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Gain /(loss) on exchange rates | | | 36 |
| Gain/(loss) on revaluation of available for sale investments | | (8) | |
| Gain /(loss) on exchange rates | | - | (6) |
| Items that will not be reclassified to profit or loss: | | | |
| Actuarial gain/(loss) on defined benefit pension plans | | 49 | (1) |
| Total comprehensive income for the year | | 2,086 | 474 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 1,410 | 216 |
| Non-controlling interest | | 676 | 258 |
| Net Group comprehensive income for the year | | 2,086 | 474 |

Consolidated statement of financial position

| | <i>Note</i> | <i>Year ended 31 December 2015 €'000</i> | <i>Year ended 31 December 2016 €'000</i> |
|---|-------------|--|--|
| Intangible assets | 13 | 3,813 | 5,703 |
| Tangible assets | 14 | 232 | 454 |
| Investments | 15 | 7 | 7 |
| Other financial assets | 16 | 16 | 16 |
| Other assets | 17 | 489 | 917 |
| Non-current assets | | 4,557 | 7,097 |
| Trade receivables | 18 | 7,595 | 7,304 |
| Other receivables | 19 | 471 | 657 |
| Financial investments | 20 | 1,003 | 1,049 |
| Cash and cash equivalents | 21 | 5,036 | 6,776 |
| Current assets | | 14,105 | 15,786 |
| Total assets | | 18,662 | 22,883 |
| Trade payables | 22 | 2,429 | 2,261 |
| Borrowings | 23 | 764 | 901 |
| Other payables | 24 | 2,974 | 2,911 |
| Provisions | 25 | 22 | 651 |
| Current liabilities | | 6,189 | 6,724 |
| Employee benefits | 26 | 1,436 | 1,504 |
| Borrowings | 23 | 2,160 | 3,353 |
| Other non-current liabilities | 27 | 411 | 256 |
| Non-current liabilities | | 4,007 | 5,113 |
| Total liabilities | | 10,196 | 11,837 |
| Net assets | | 8,466 | 11,046 |
| Share capital | 28 | 1,000 | 1,222 |
| Reserves | 29 | 4,244 | 7,753 |
| Profit of the year | | 1,373 | 182 |
| Equity attributable to equity holders Of the Company | | 6,617 | 9,157 |
| Equity non-controlling interests | 30 | 1,849 | 1,889 |
| Total equity | | 8,466 | 11,046 |
| Total equity and liabilities | | 18,662 | 22,883 |

Consolidated cash flow statement

| | <i>Year ended 31 December 2015 €'000</i> | <i>Year ended 31 December 2016 €'000</i> |
|---|--|--|
| Operating activities | | |
| Profit for the year | 2,045 | 445 |
| Adjusted for: | | |
| Corporation tax | 1,203 | 289 |
| Impairment charges | 33 | 0 |
| Net interest | 31 | 61 |
| Depreciation tangible assets | 93 | 123 |
| Amortization intangible assets | 2 | 5 |
| Other depreciations | 40 | 121 |
| Pension provisions | 332 | 359 |
| Long-term provisions | (163) | (528) |
| Other non- cash movements | 4 | 99 |
| Changes in working capital: | | |
| (Increase)/decrease in trade and other receivables | 444 | 1,579 |
| Increase/(decrease) in trade and other payables | (711) | (667) |
| Cash generated from operations | 3,353 | 1,885 |
| Income tax paid | (815) | (1,439) |
| Net cash flow from operating activities | 2,538 | 446 |
| Investing activities | | |
| (Purchase)/sale tangible assets | (168) | (169) |
| Acquisitions and earn-outs | (1,283) | (1,653) |
| (Purchase)/sale of other intangibles assets | (7) | (89) |
| Cash from acquisitions | 194 | 143 |
| (Purchase)/Sale of financial assets | (147) | (10) |
| (Purchase)/Sale of investment | (67) | 0 |
| Net cash used in investing activities | (1,478) | (1,779) |
| Financing activities | | |
| Interest paid | (31) | (61) |
| Increase in financial borrowings | 1,030 | 2,150 |
| Decrease in financial borrowings | (573) | (819) |
| Dividend payments | (176) | (341) |
| Share issues | 0 | 2,849 |
| Own shares operation | 0 | (404) |
| Minorities | 65 | (303) |
| Net cash used in financing activities | 315 | 3,071 |
| Net increase in cash and cash equivalents | 1,375 | 1,739 |
| Cash and cash equivalents at beginning of period | 3,661 | 5,036 |
| Cash and cash equivalents at the end of period | 5,036 | 6,776 |

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 2015 | 100 | 20 | (75) | 5,194 | 5,239 | 1,173 | 6,412 |
| Net profit for the year | - | - | - | 1,373 | 1,373 | 672 | 2,045 |
| Other comprehensive income | - | - | 37 | - | 37 | 4 | 41 |
| Ordinary shares issued | 900 | - | - | (900) | - | - | - |
| Dividends paid | - | - | - | (50) | (50) | (126) | (176) |
| Others | - | - | - | - | - | 33 | 33 |
| Acquisition of subsidiaries with non-controlling interest | - | - | - | 18 | 18 | 93 | 111 |
| Balance at 31 December 2015 | 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 |

CORPORATE INFORMATION

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

The consolidated financial statements for the two years ended 31 December 2016, 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 | Milano (Italy) | 57.71% |
| Sec & Associati S.r.l. | SEC-A | Torino (Italy) | 51.00% |
| Sec Mediterranea S.r.l. | MED | Bari (Italy) | 51.00% |
| Della Silva Communication Consulting S.r.l. | DS | Milano (Italy) | 51.00% |
| Curious Design S.r.l. | CUR | Milano (Italy) | 75.00% |
| Cambre Associates SA | CAM | Bruxelles (Belgium) | 76.00% |
| ACH Cambre SL | ACH | Madrid (Spain) | 51.00% |
| Sec and Partners S.r.l. | SEC-P | Roma (Italy) | 50.50% |
| Kohl PR & Partners GMBH | KOHL | Berlin (Germany) | 75.00% |
| Newington Communications LTD | NEW | London (UK) | 60.00% |

The acquisitions completed during the two years ended 31 December 2016 were as follows:

- August 2015: Kohl PR & Partners GMBH
- 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.

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 31 December 2016 is 0.856; the average exchange rate for the period considered was 0,866.

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:

| | <i>Year ended</i> <i>31 December 2015</i> | | <i>Year ended</i> <i>31 December 2016</i> | |
|----------------|--|----------|--|----------|
| | <i>€'000</i> | <i>%</i> | <i>€'000</i> | <i>%</i> |
| Italy | 13,879 | 65% | 9,933 | 54% |
| Belgium | 4,710 | 22% | 4,736 | 25% |
| Spain | 2,179 | 10% | 1,584 | 9% |
| Germany | 476 | 3% | 1,245 | 7% |
| United Kingdom | - | - | 989 | 5% |
| Total revenue | 21,244 | 100% | 18,487 | 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. 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:

| | <i>Year ended</i> <i>31 December 2015</i> | | <i>Year ended</i> <i>31 December 2016</i> | |
|------------------------------|--|--------------|--|--------------|
| | <i>€'000</i> | <i>€'000</i> | <i>€'000</i> | <i>€'000</i> |
| | Carrying value | Fair value | Carrying value | Fair value |
| Financial assets | | | | |
| Trade and other receivables | 8,066 | 8,066 | 7,961 | 7,961 |
| Financial investments | 1,003 | 1,003 | 1,049 | 1,049 |
| Cash and cash equivalents | 5,036 | 5,036 | 6,776 | 6,776 |
| Financial liabilities | | | | |
| Trade and other payables | 5,403 | 5,403 | 5,171 | 5,171 |
| Financial liabilities | 2,924 | 2,924 | 4,254 | 4,254 |

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 € 7,304,000 (2015: €7,595,000) net of any write-off and allowance for doubtful receivables.

As at 31 December 2016, 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 2016 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).

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

| | <i>Year ended 31 December 2015 €'000</i> | <i>Year ended 31 December 2016 €'000</i> |
|---------------------|--|--|
| Revenue of services | 21,244 | 18,487 |
| Total | 21,244 | 18,487 |

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 € 11,782,000; (2015: € 10,496,000) advocacy activities for € 4,796,000; (2015: € 6,249,000) and integrated services of 1,909,000; (2015: € 4,499,000).

6. EMPLOYEES EXPENSES

| | <i>Year ended 31 December 2015</i> | <i>Year ended 31 December 2016</i> |
|--------------------------------|--|--|
| | <i>€'000</i> | <i>€'000</i> |
| Salaries | 5,170 | 6,782 |
| Social contributions | 1,170 | 1,241 |
| Severance indemnity | 287 | 314 |
| Other costs | 77 | 39 |
| Total employee expenses | 6,704 | 8,296 |

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

| | | |
|--|------------|------------|
| Directors | 8 | 19 |
| Staff | 160 | 204 |
| Total average monthly employees | 168 | 226 |

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

| | | |
|---------------------------------------|--------------|--------------|
| Salaries to key managers | 2,192 | 2,101 |
| End of mandate allowance | 45 | 45 |
| Total salaries to key managers | 2,237 | 2,146 |

No bonuses were paid to Directors during the period.

7. SERVICE COSTS

| | | |
|---------------------------------|---------------|--------------|
| Consulting | 1,412 | 1,271 |
| Internal Consulting & Directors | 1,812 | 1,814 |
| Overheads | 2,010 | 1,367 |
| Rent/Lease | 491 | 663 |
| Services | 4,717 | 3,584 |
| Total service costs | 10,442 | 8,699 |

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 (respectively for € 2,873,000 in 2016 and € 4,064,000 in 2015); other amounts are related to phone costs, travel expenses, office maintenance expenses, freight costs, car expenses and bank charges.

8. DEPRECIATIONS AND AMORTIZATIONS

| | <i>Year ended</i> 31 December 2015 €'000 | <i>Year ended</i> 31 December 2016 €'000 |
|--|--|--|
| Amortization of intangibles | 2 | 5 |
| Depreciation of tangible assets | 93 | 123 |
| Total depreciation and amortization | 95 | 128 |

OTHER OPERATING INCOME AND CHARGES

| | | |
|---|------------|-----------|
| Other Charges | (115) | (32) |
| Other Income | 219 | 109 |
| Total other operating income and charges | 104 | 77 |

Other operating income and expenses in 2015 and 2016 are mainly generated by non-recurring adjustments and miscellaneous.

10. OTHER OPERATING COSTS

| | | |
|------------------------------------|------------|------------|
| Bad debts write-off | 123 | 107 |
| Bad debts allowance | 40 | 121 |
| Impairment of investment | 33 | 0 |
| Tax local | 61 | 26 |
| Others | 571 | 392 |
| Total other operating costs | 828 | 646 |

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

| | | |
|---------------------------------------|-------------|-------------|
| <i>Financial income</i> | | |
| Interest income | 24 | 17 |
| Finance income | 24 | 17 |
| <i>Financial expenses</i> | | |
| Interest expense | (47) | (71) |
| Other expenses | (8) | (7) |
| Finance expenses | (53) | (78) |
| Net Finance income and expense | (31) | (61) |

12. TAXATION

| | <i>Year ended 31 December 2015 €'000</i> | <i>Year ended 31 December 2016 €'000</i> |
|---------------------------------|--|--|
| Current tax expense | 1,193 | 454 |
| Deferred tax income | 10 | (165) |
| Total income tax expense | 1,203 | 289 |

2016 Applicable tax rates (Italy)

The SEC Group's activities are both in Italy and abroad (Spain, Germany, Belgium, United Kingdom). 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 | 3,248 | 734 |
| Expected tax charge based on Italian corporate tax rate (IRES 27,5%) | (893) | (202) |
| Temporary differences subject to tax @ 27.5% | (14) | (92) |
| Non-deductible expenses subject to tax @ 27.5% | (116) | (103) |
| Non-taxable incomes subject to tax @ 27.5% | 70 | 107 |
| Tax loss carry forward (use) subject to tax @ 27.5% | 6 | 6 |
| Tax loss carry forward (set-up) subject to tax @ 27.5% | (1) | (23) |
| recovery of IRAP taxable amounts on IRES purposes subject to tax @ 27.5% | 21 | - |
| Tax incentives (tax allowance on retained earnings increases –ACE) | 41 | - |
| IRAP on Italian entities | (213) | (47) |
| Non Italian jurisdictions tax rates reconciliation | (33) | (47) |
| Differences on non-Italian jurisdictions taxable income/(loss) basis | (61) | (53) |
| Total current income taxation | (1,193) | (454) |
| Deferred tax Income/(Expense) | (10) | 165 |
| Total taxation | (1,203) | (289) |

13. INTANGIBLE ASSETS

| | Licenses €'000 | Goodwill €'000 | Total €'000 |
|----------------------------|-------------------|-------------------|----------------|
| COST | | | |
| At 1 January 2015 | 66 | 3,047 | 3,113 |
| Additions | 6 | 761 | 767 |
| At 31 December 2015 | 72 | 3,808 | 3,880 |
| Additions | 89 | 1,806 | 1,895 |
| At 31 December 2016 | 161 | 5,614 | 5,775 |
| AMORTISATION | | | |
| At 1 January 2015 | (65) | | (65) |
| Charge for the year | (2) | | (2) |
| At 31 December 2015 | (67) | | (67) |
| Charge for the year | (5) | | (5) |
| At 31 December 2016 | (72) | | (72) |
| NET BOOK VALUE | | | |
| At 31 December 2015 | 5 | 3,808 | 3,813 |
| At 31 December 2016 | 89 | 5,614 | 5,703 |

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.

| €'000 | Kohl | Newington |
|---------------------------|------------|--------------|
| Trade receivables | 114 | 1,128 |
| Cash and cash equivalents | 194 | 143 |
| Other assets | 84 | 211 |
| Trade payables | (33) | (178) |
| Other liabilities | (37) | (541) |
| Net Assets acquired | 322 | 763 |
| % ownership SEC Group | 75% | 60% |
| Ownership SEC Group | 242 | 458 |
| FV consideration | 1,003 | 2,264 |
| Goodwill | 761 | 1,806 |

The evaluation of the CGUs for goodwill impairment testing has been prepared on a Discounted Cash Flow basis value.

In 2016 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 2016 is € 5.340,000 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 (€ 1,532,000) acquired in 2016. 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 |
|---------------------|---------------|------------|-------------------------|-------------|------------------|
| Average market rate | 8.47% | 10.79% | 11.31% | 9.82% | 8.47% |
| Discount rate | 6.98% | 10.06% | 11.31% | 7.86% | 7.23% |

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 growth rate as described above and represent the present value, in the last year of the forecast, of all future perpetual cash flows. The impairment test performed as of the balance sheet date resulted in a recoverable value greater than the carrying amount (net operating assets) of the above-mentioned CGUs.

Acquisition of 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 612k has been accrued as of 31 December 2016. The final total consideration is subject to uncertainty and depends on the company performance over the ongoing financial year (see note 25).

14. TANGIBLE ASSETS

| | Leasehold improvements €'000 | Equipment €'000 | Furniture and fittings €'000 | Total €'000 |
|-------------------------------------|------------------------------------|--------------------|---------------------------------|----------------|
| COST | | | | |
| At 1 January 2015 | 132 | 109 | 420 | 661 |
| Additions | 39 | 6 | 125 | 170 |
| Additions from acquired business | - | - | 14 | 14 |
| Disposals | - | (3) | (10) | (13) |
| At 31 December 2015 | 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 |
| DEPRECIATION | | | | |
| At 31 January 2015 | (106) | (80) | (334) | (520) |
| Charge for the year | (25) | (8) | (60) | (93) |
| Disposals | - | 3 | 10 | 13 |
| At 31 December 2015 | (131) | (85) | (384) | (600) |
| Charge for the year | (36) | (10) | (76) | (93) |
| Disposals | - | - | 17 | 17 |
| At 31 December 2016 | (157) | (95) | (439) | (691) |
| Net Book Value | | | | |
| At 31 December 2015 | 40 | 27 | 165 | 232 |
| At 31 December 2016 | 196 | 41 | 217 | 454 |

15. INVESTMENTS

| | <i>Owned by</i> | <i>%</i> | <i>Year ended 31 December 2015 €'000</i> | <i>Year ended 31 December 2016 €'000</i> |
|--------------------------|-----------------|----------|--|--|
| Sec & Partners S.r.l. | SEC | 95% | 5 | 5 |
| Others | - | - | 2 | 2 |
| Total investments | | | 7 | 7 |

16. 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 2016 and 2015.

17. OTHER ASSETS

| | | |
|---------------------------|------------|------------|
| Deferred tax assets | 52 | 505 |
| Rental deposits | 26 | 164 |
| Directors benefits | 411 | 246 |
| Other | - | 2 |
| Total other assets | 489 | 917 |

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 (net balance is zero, see note 27). The movement on the deferred tax account is shown below:

| | | |
|--|-----------|------------|
| Opening balance | 61 | 52 |
| Movements in statement of financial position | (19) | 288 |
| Recognized in income statement: taxation | 10 | 165 |
| Closing balance | 52 | 505 |

18. TRADE RECEIVABLES

| | | |
|--------------------------------|--------------|--------------|
| Trade receivables | 7,595 | 7,304 |
| Total trade receivables | 7,595 | 7,304 |

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:

| <i>Trade receivables not yet due</i> | <i>Days from due date</i> | | | | <i>Total trade receivables</i> |
|--------------------------------------|---------------------------|-----------------|-----------------|--------------|--------------------------------|
| | ≤ 120 | $>120 \leq 180$ | $>180 \leq 365$ | >365 | |
| <i>€'000</i> | <i>€'000</i> | <i>€'000</i> | <i>€'000</i> | <i>€'000</i> | <i>€'000</i> |
| 3,206 | 2,601 | 221 | 580 | 857 | 7,465 |
| 43% | 35% | 3% | 8% | 11% | 100% |

The amounts presented in the consolidated statement of financial position are net of an allowance for doubtful receivables of € 161,000 (2015: €40,000) based on prior experience and their assessment of the current economic ongoing.

19. OTHER RECEIVABLES

| | <i>Year ended 31 December 2015 €'000</i> | <i>Year ended 31 December 2016 €'000</i> |
|--------------------------------|--|--|
| Prepaid expenses | 32 | 120 |
| Tax on income | 268 | 347 |
| VAT | 65 | - |
| Others | 106 | 190 |
| Total other receivables | 471 | 657 |

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 include advance prepayments to suppliers of € 21,000 (2015: €37,000) and € 12,000 (2015: €50,000) of receivables from minority shareholders.

20. FINANCIAL INVESTMENTS

| | | |
|--------------------------------|--------------|--------------|
| UBS S.A. investment | 1,003 | 1,049 |
| Total other receivables | 1,003 | 1,049 |

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 2015

| Investments | Purchase Cost €'000 | Fair Value €'000 | Accrued interest €'000 | Total €'000 |
|--------------|------------------------|---------------------|---------------------------|----------------|
| Bonds | 428 | 402 | 1 | 403 |
| Equities | 545 | 571 | - | 571 |
| Other | 30 | 29 | - | 29 |
| Total | 1,003 | 1,002 | 1 | 1,003 |

31 December 2016

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

| Investments at fair value | 31 December 2015 | | | 31 December 2016 | | |
|---|------------------|----------|----------|------------------|----------|----------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 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 | 571 | - | - | 597 | - | - |
| - Bond Funds | 350 | - | - | 372 | - | - |
| - Balanced Funds | 29 | - | - | 27 | - | - |
| Total | 950 | - | - | 996 | - | - |
| Total Investments | 1,003 | - | - | 1,049 | - | - |

| | Debt securities | Equities | Funds | Loans | Total |
|--|-----------------|----------|-------------|-------|--------------|
| Financial Assets Available for sale | | | | | |
| Annual changes | €'000 | €'000 | €'000 | €'000 | €'000 |
| Opening Balance January 1 2015 | 86 | - | 773 | - | 859 |
| Purchases | 52 | - | 704 | - | 756 |
| Positive changes in fair value | 1 | - | - | - | 1 |
| Other changes | - | - | - | - | 1 |
| Sales | (86) | - | (515) | - | (601) |
| Negative changes in fair value | - | - | (12) | - | (12) |
| Closing Balance December 31 2015 | 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 |

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:

| | <i>Year ended 31 December 2015 €'000</i> | <i>Year ended 31 December 2016 €'000</i> |
|--|--|--|
| Cash at bank | 5,036 | 6,776 |
| Total cash and cash equivalents | 5,036 | 6,776 |

22. TRADE PAYABLES

| | | |
|-----------------------------|--------------|--------------|
| Trade payables | 2,429 | 2,261 |
| Total trade payables | 2,429 | 2,261 |

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:

| | <i>Year ended</i> <i>31 December 2015</i> €'000 | <i>Year ended</i> <i>31 December 2016</i> €'000 |
|--------------------------------------|---|---|
| Deutsche Bank | 500 | 250 |
| Banca Popolare di Milano | 7 | 245 |
| Unicredit | 85 | 325 |
| Banca Intesa | 47 | 26 |
| KBC Bank | 27 | - |
| Banca Popolare di Bari | 11 | 4 |
| UBS | | 13 |
| National Westminster Bank PLC | - | 38 |
| Santander | 87 | - |
| Total current liabilities | 764 | 901 |
| UBS | 1,762 | 1,762 |
| Deutsche Bank | 379 | 375 |
| Banca Popolare di Milano | - | 544 |
| Unicredit | 19 | 598 |
| National Westminster Bank PLC | - | 74 |
| Total non-current liabilities | 2,160 | 3,353 |
| Total borrowings | 2,92 | 4,25 |

Details of non-current liabilities

| | <i>Outstanding</i> €'000 | <i>Total facilities</i> €'000 | <i>Interest</i> <i>rate</i> | <i>Maturity</i> <i>date</i> | <i>Repayment</i> | <i>Security</i> |
|--------------------------------|-----------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------|--|
| 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 | 19 | 30 | 4.1% | February 2020 | Monthly | None |
| National Westminster PLC | 111 | 100 | 4.69% | October 2019 | Monthly | None |

24. OTHER PAYABLES

| | <i>Year ended</i> 31 December 2015 €'000 | <i>Year ended</i> 31 December 2016 €'000 |
|-------------------------------|--|--|
| Accrued Expenses | 78 | 178 |
| Advances from customers | 79 | 53 |
| Employees and payroll-related | 1,142 | 1,195 |
| Government institutions | 258 | 294 |
| Tax on Income | 847 | 216 |
| VAT | 313 | 538 |
| Other | 257 | 437 |
| Total other payables | 2,974 | 2,911 |

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 2016 and 2015 related to the payable due to a SEC and Partners director, for payment made by the latter on behalf of SEC Group and €116.000 payable to a Newington director (amount settled by the company in 2017).

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 | 2,974 | 2,911 |
|-----------------------|--------------|--------------|

25. PROVISION

| | | |
|-------------------------|-----------|------------|
| Provisions | 22 | 651 |
| Total provisions | 22 | 651 |

Increase in provisions versus 2015 is mainly due to accounting for the earn out liability on the acquisition of Newington (see note 13).

26. EMPLOYEE BENEFITS

| | | |
|----------------------------------|--------------|--------------|
| Severance indemnity | 1,436 | 1,504 |
| Total severance indemnity | 1,436 | 1,504 |

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

| | <i>Severance indemnity</i> |
|--|----------------------------|
| | <i>€'000</i> |
| Opening Balance January 1 2015 | 1,361 |
| Service Cost | 224 |
| Net Interest | 19 |
| Benefit Paid | (93) |
| Actuarial Gain/Loss | (75) |
| Closing Balance 31 December 31 2015 | 1,436 |
| Service Cost | 224 |
| Net Interest | 29 |
| Benefit Paid | (194) |
| Actuarial Gain/Loss | 9 |
| Closing Balance 31 December 2016 | 1,504 |

27. OTHER NON-CURRENT LIABILITIES

| | <i>Year ended 31 December 2015 €'000</i> | <i>Year ended 31 December 2016 €'000</i> |
|--|--|--|
| Directors benefits | 411 | 246 |
| Other non current liabilities | - | 10 |
| Total other non-current liabilities | 411 | 256 |

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. Such obligation is covered by an insurance asset (note 17).

28. SHARE CAPITAL

At 31 December 2016, 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.

| | <i>As at 31 December 2015</i> | <i>As at 31 December 2016</i> |
|---|-----------------------------------|-----------------------------------|
| 2016 Authorized, issued and fully paid capital | | |
| As at 1 January | € 1,000,000 | €1,000,000 |
| Additions during the year | - | € 222,197.50 |
| 31 December | € 1,000,000 | € 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:

| | <i>Year ended 31 December 2015 €'000</i> | <i>Year ended 31 December 2016 €'000</i> |
|---|--|--|
| Profit for the year attributable to owners of the company | € 1,373,000 | € 182,000 |
| Number of shares | 1,000,000 | 12,221,975 |
| Earnings per share, basic | € 1.37 | € 0.01 |

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:

| | | |
|---|---------------|---------------|
| Profit for the year attributable to owners of the company | € 1,373,000 | € 182,000 |
| Number of shares | 1,000,000 | 13,031,000 |
| Earnings per share, diluted | € 1.37 | € 0.01 |

29. RESERVES

The following table describes the nature of each reserve:

| | | |
|-----------------------|--------------|--------------|
| Legal reserve | 20 | 58 |
| Evaluation reserve | (38) | (4) |
| Share premium reserve | - | 2,627 |
| Retained earnings | 4,262 | 5,071 |
| Total Reserves | 4,244 | 7,752 |

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 31 December 2016 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 2015 €'000 | HIT | CUR | CAM | ACH | SEC- A | MED | DS | SEC-P | KOHL |
|---|------------|-----------|--------------|------------|-----------|-----------|-----------|------------|------------|
| Non-current assets | 16 | 10 | 70 | 303 | 8 | 25 | 4 | 644 | 17 |
| Current assets | 1,463 | 301 | 1,966 | 929 | 369 | 169 | 197 | 1,613 | 377 |
| Noncurrent liabilities | 63 | 2 | - | - | 12 | 9 | 6 | 63 | - |
| Current liabilities | 568 | 279 | 779 | 533 | 312 | 99 | 124 | 1,239 | 142 |
| Equity | 848 | 30 | 1,257 | 699 | 53 | 87 | 70 | 954 | 252 |
| Equity to non-controlling interest | 359 | 7 | 503 | 342 | 26 | 42 | 34 | 473 | 63 |

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 2015 €'000 | HIT | CUR | CAM | ACH | SEC- A | MED | DS | SEC-P | KOHL |
|---|--------------|------------|--------------|--------------|------------|------------|------------|--------------|-------------|
| Revenue | 2,834 | 413 | 4,710 | 2,179 | 227 | 269 | 214 | 1,756 | 476 |
| Cost of Sale | (2,108) | (398) | (3,962) | (1,891) | (212) | (243) | (221) | (1,231) | (520) |
| Other operating income and charges | 5 | 2 | - | - | - | - | - | 63 | - |
| Profit from operations | 731 | 17 | 748 | 288 | 15 | 26 | (7) | 588 | (44) |
| Finance income and expenses | 7 | (1) | (2) | (2) | (15) | (1) | - | - | - |
| Profit before taxation | 738 | 16 | 746 | 286 | - | 25 | (8) | 588 | (44) |
| Taxation | (261) | (9) | (259) | (80) | - | (12) | - | (212) | (26) |
| Profit (loss) for the period | 477 | 7 | 487 | 206 | - | 13 | (7) | 376 | (70) |
| Profit (loss) for the period to non-controlling interest | 201 | 2 | 195 | 101 | 1 | 7 | (3) | 189 | (17) |

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, SEC S.p.A. bought 60% of Martis Consulting, a Polish company specialized in corporate communication and public affairs.

In May 2017 the General assembly of Kohl, ACH and Sec and Partners S.r.l. approved the distribution of dividends for respectively € 60,000; € 73,000 and € 100,000.

34. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party of the Company. 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.

The Group has offices in Milano, Roma, Bruxelles, London, Berlin, Madrid and Warsaw.

The brand and companies it owns are the following:

In Italy: SEC and Partners (Roma), SEC & Associati (Torino), SEC Mediterranea (Bari), HIT (Milano), Curious Design (Milano)

In Europe: Cambre Associates SA (Bruxelles), ACH Cambre - Consejeros De Relaciones Públicas S.L (Spain), Kohl PR & Partner Unternehmensberatung für Kommunikation GmbH (Germany), Newington Communications Limited (UK) Martis Consulting (Poland)

SEC spa's corporate website are:

www.secrp.com

www.secglobalnetwork.com