RNS Number : 2101O
SEC Newgate S.p.A.
30 September 2019

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SEC NEWGATE S.p.A.

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

Unaudited interim results for the six months ended 30 June 2019

SEC Newgate S.p.A. (AIM: SECG), the international communications, advocacy and research group is pleased to announce its interim results for the six months ended 30 June 2019.

Financial Highlights

· Revenue up 21.2% at €13.7m (H1 2018: €11.3m)
· EBITDA up 24.3% at €1.10m (H1 2018: €0.89m)
· Net debt at 30 June 2019 €-7.98m (30 June 2018: €1.1m), mainly due to the application of the new standard IFRS 16 (Lease Liability €5.27m)

Half Year Highlights

· Revenue growth reflects organic growth from existing operations of 2.6% and the inclusion of CLAI (France).
· EBITDA growth of 24.3% comprises like for like growth of 12.7% plus the new acquisition.
· Artificial Intelligence ('AI') investment in excess of €1.2m has been completed and our AI tool is being rolled out to clients and to the Group subsidiaries.

Post Period and Outlook

· SEC merged with Porta Communications Plc ('Porta') on 4 September 2019, creating a new top 30* global group in the communications, advocacy and research market with 600 people based in 14 countries.
· Strong and growing pipeline of business in all the countries in which SEC is represented.
· Acquisition plan resumed following merger with Porta.
· Completion of three year strategic plan which, subject to Board approval, will be presented to the market in Autumn this year.
· Federico Vecchio appointed as new Group CFO, currently a non-board appointment, with effect from 30 September 2019.

*Top 30 by size if figures of constituent parts combined according to latest Holmes Report Top 250 PR rankings

Fiorenzo Tagliabue, CEO of SEC Newgate, commented:

"Following the merger with Porta on 4 September 2019, the enlarged Group, with its new brand SEC Newgate, has made good progress in drawing up a detailed strategic plan covering the time frame to the end of 2022.

"The scope of the plan is two-fold: Inside the Company, it will provide the roadmap at both Group and local level. This will include detailed targets; the strategy by which we meet those targets, namely, organic growth, improved efficiency and acquisitions; and, the human resources policies through which we manage and reward our staff. Outside the Company, it will be the main tool used to promote a new narrative to the market.

"Our subsidiaries continue to improve their performance while we have maintained our investment in time and resources in order to fine tune their internal processes to improve the results we produce for our clients. New business activities, boosted by new client referrals from satisfied clients, are core to our success and an increasing area of strategic focus.

"SEC's acquisition plan remains an important part of our strategy to increase our global market presence. With operations in four continents today our next priority is the North American market."

An important note

It is important to note that SEC Newgate, as from 1st January 2019, adopted IFRS 16 under the non retrospective method (same as if lease/rent contracts were entered for the first time at the beginning of 2019).

Increase in depreciations and amortizations when comparing 2019 to 2018 is driven by First Time of Application of IFRS 16; in the 2019 financials lease costs and rentals over the full contract period are discounted/actualized at the incremental borrowings tax rate, Net present value of the contract obligations is accounted as an asset to be depreciated and at the same time a lease liability is accounted for the same amount; along the lease/rent contract life, IFRS 16 assets are depreciated for a constant amount (increase in amortization and depreciation), lease payments are accounted as a reduction of the IFRS 16 lease/rent liability and at the same time rental/lease costs are reduced; an interest cost is also accounted on the lease liability and drives an increase in interest costs. In general, at first time of IFRS 16 application, the sum of depreciation/amortization plus interest are higher than at the end of the contract and tend to be higher than the cash cost of lease (due to depreciation being constant and interest being a large cost); opposite to this, at the very end of the contract, amortization, depreciation and interest tend to be lower than the rental/lease cost itself; on end of contract the impact over the time is nil (higher costs at the beginning of the contract and lower costs at the end).

Specifically on long term contracts (i.e. SEC Newgate and SEC Newgate Colombia new rented premises contracts), a lease liability is generated and significant interest is therefore accounted in the first years of IFRS application and, if a free rent period or a lower rental cost is agreed for the first years of contract, costs accounted at the beginning are higher than if lease/rent contracts were simply accounted as incurred (SEC Newgate and SEC Newgate Colombia premises contract states lower payments over the first period of lease/rent).

- ends -

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

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Notes to Editors

· Further information is available at www.secnewgate.com

- On 3 September 2019, SEC S.p.A. and Porta Communications Plc merged to create SEC Newgate S.p.A.
- The Group's principal brands are: ACH (Spain); Cambre Associates (Belgium); CLAI (France); Kohl PR (Germany); Martis Consulting (Poland); SEC Newgate Colombia (Colombia); Newgate Communications (Abu Dhabi, Australia, Greater China, Singapore, UK); Newington (UK); Publicasity (UK); SEC Newgate S.p.A. (Italy); and 2112 (UK).

CEO Review

Organic growth was coupled with strategic investment to increase the Group's footprint and its ability to serve clients in additional locations. The cross-referral ratio from clients within the network has increased, reflecting both the positive relations the Group maintains with its clients and their satisfaction and willingness to use Group services in additional locations and/or referring contacts for new projects. This is due to efforts made across the Group, and in Italy, Brussels, UK and Spain particularly, to increase our new business pipeline and gain new clients.

Post period end, on 4 September 2019, the transformational merger between SEC and Porta was formally completed. This resulted in the enlarged group, rebranded as SEC Newgate, becoming a new global player in the communications, advocacy and research market with 600 people based in 14 countries across four continents. SEC Newgate sits within the Top 30 Global PR Groups by size (if the figures of the constituent parts are combined according to the latest Holmes Report Top 250 PR rankings). It is humbling to think that now more than 1,500 clients rely on our advice and trust us to protect their brands and help grow their business. Our offer to all will be a comprehensive range of integrated services including public affairs and advocacy, financial and corporate communications, digital insights, research, crisis management, and consumer PR.

An exciting development for the Group is our Artificial Intelligence ('AI') solution. SEC Newgate has invested over €1.2m in developing an innovative reputation monitoring and assessment system through a joint research project in partnership with Università Luigi Bocconi and Expert System (Italy's leading player in the Artificial Intelligence development industry). The research project output will provide SEC Newgate with a complete monitoring platform, which will have its first release in October 2019. This platform operates in five languages for all existing content including on and off-line media and social media. Central and regional institutions that are linked to specific stakeholders can be selected and classified according to changing elements. All content is processed, read and interpreted via an AI-based capability using an algorithm developed by Bocconi University which is able to provide in-depth insights using a range of tools.

Financial Overview

The interim results 2019 show revenues of €13.7m, over €2.4m more than same period in 2018.
EBITDA amounts to €1.10m, 24.3% growth vs. the same period last year. Like for like EBITDA growth of 12.7% reflects the improvement in the Company's operational performance before the acquisition of CLAI. Before the application of IFRS 16, EBITDA would equal to €0.53m (This because IFRS 16 reduce operating costs but more than proportionally increases non-operating costs).
In terms of PBT, the interim results show an amount of €0.25m (30 June 2018: €0.70m), which has also been impacted by the application of IFRS 16 (higher depreciation and financial charges).
Net debt at 30 June 2019 is equal to €-7.98m (30 June 2018: €1.1m), mainly due to the application of the new standard IFRS 16 that has incremented debts by €5.27m (see table below).

IFRS 16 table

P&L - Lower passive rents, car leasing and rental expenses	€0.57m
P&L - Higher Depreciation	(€0.62m)
P&L - Higher Interest on IFRS16 liability	(€0.11m)
B&S - Higher Net Assets (see note 14)	€5.10m
B&S - Higher Liability (see note 23)	(€5.27m)

Strategic Review

Since 2013, SEC has been working to establish a global partnership to create a new major group at a worldwide level.

In terms of market positioning we have focused, with increasing clarity, on elements that provide a distinctive market proposition. A winning strategy in today's market has to rely on quality of delivery, insight capability, innovation, continuous evolution of tools and centrality of data/research-based capabilities. The market increasingly demands, indeed is focussed upon, value added services and strategic advice. Matching this demand (that has thus far only been partially communicated) will boost revenues and profitability.

Our mission is to establish the world's best communications firm, enhancing the value of the business to benefit our shareholders. To do this we aim to attract and retain the best communications professionals in the market, providing them with state of the art training, opening international working opportunities and allowing them to shine in their professional lives.

We believe the value of reputation is crucial to our clients in all economic contexts and we therefore seek to provide the best insights, research and data analysis to boost their businesses. At the same time, we aim to deliver the best and most ethically sound professional support to manage, improve and protect our clients' relational assets, delivering communications across all media towards their relevant stakeholders.

The Group continues to accelerate its growth, both on an organic basis and through acquisitions. At the same, time we are working toward a more balanced distribution of staff costs in order to improve Group margin.

The Group has a new governance structure in place with the CEO now able to count on three deputy Group CEOs: Emma Kane, Tom Parker and Brian Tyson. These people, together with Mark Glover and Eric Giuily are members of the Executive Committee, the body tasked with managing the business and planning its development. It is their responsibility to execute the new strategic plan.

Operational Overview

SEC Newgate S.p.A. in Italy (Milan, Turin, Rome and Bari)

After a somewhat slow start to 2019, which was expected given the incredibly strong performance in H2 2018, revenues began to rise again from Q2. This resulted in €6.23m revenue for the six months under review, with an increase of over 29% compared with the first half 2018.

Consequently, profit after tax increased to €0.58m, a 17% improvement over the previous year. The new business pipeline is strong and we therefore expect the current positive momentum to continue until the end of the year. In addition, it is worth highlighting that some historical clients expanded the scope of their engagement with the agency providing further reassurance about the stability of their relationship with the Group.

The rest of the Italian subsidiaries' operational conditions were substantially positive with the only exception being our creative and visual agency Curious Design that, nonetheless, presented an improved performance with respect to the previous year.

SEC and Partners, our Rome based operation, performed with still largely positive results although these were below those of last year. This was due to the fact that in 2018 a contingent asset was accounted for of approximately €0.2m.

This autumn, SEC Newgate will, for the first time, market a set of tools derived from its project on the applications of Artificial Intelligence; very positive feedback was received following market testing conducted over the summer.

Cambre

Business at Cambre got off to a slow start during the first quarter of 2019, mainly due to uncertainty in the lead-up to the European Parliament elections in May. However, a sharp pickup since April has been enjoyed, with several large new contracts in the lucrative trade, competition and technology sectors. The association management practice has also posted growth.

The recruitment of high-profile senior advisers this year has helped boost Cambre's visibility in the marketplace and enabled flexibility in resourcing new clients. The SEC Newgate launch has further raised our profile and triggered business development opportunities.

Newington
Newington had a tough start due in part to Brexit causing a stop on a number of public affairs budgets and a couple of major clients taking their public affairs in-house. The impact of this significant reduction of fee income saw a perceivable reduction in sales figures in Q2 and Q3. Newington responded with a stabilisation of costs and with a plan to implement further cost reductions towards the end of the financial year.

Our performance over the first six months of the year, whilst decent in the first quarter, saw our income drop by 20% to £1.6m against a first half year-end growth budget of £2m. This meant we were behind our predicted EBITDA performance with the first half of the year seeing the loss of income absorbed but the agency only breaking even.

Newington is now in a much stronger position in terms of retained clients, brand profile and new business prospects than it was in the previous 12 months. We expect by the end of the year to have replaced all the lost client income month on month, with a range of new clients bringing in new fees and a continued small drop in our cost base.

We are expecting a slight increase in fee income in the second half of the year but we will still be considerably behind our £4m budget - with a strengthening of the monthly performance towards the end of the year. Beside this an increasingly close relationship with our sister UK agency, Newgate, is making the prediction of a stronger 2020 restart likely on a lower cost base going into 2020.

Kohl PR
The first half of 2019 shows promising progress. Despite a weakening of economic prospects in Germany, due to uncertainties regarding Brexit and difficult international trade relations, Kohl PR has a pipeline of significant new assignments which would mark the turnaround of the agency compared to the difficult situation in 2018.

The repositioning of the agency, along with the change of General Manager, a new corporate design and the recruitment of a new high-profile senior consultant, laid the basis for a positive development in 2019 and triggered the increase in new business opportunities.

New retained clients came in with a total of €250,000 in 2019 and several project assignments posted a 10% increase of net revenue versus management expectations for 2019.

ACH SEC Newgate
Some client losses and an uncertain political backdrop at the national level impacted turnover in the first half of the year. Nevertheless, there were a number of new assignments both of national origination and referrals from other Group agencies. The agency's client base has remained stable with a mix of multinational, international, IBEX 100 and local companies across a range of industries including energy, chemical, pharmaceutical, food & beverage, and construction.

To offset the reduction in revenues compared to 2018, a rigorous cost reduction programme delivered savings of 15%.

The outlook in Spain is remains difficult with a weakening economy, falling foreign investment and the uncertainty of a general election in the autumn. Despite this, ACH SEC Newgate is working hard on new business opportunities and there is a strong pipeline of pitches and prospects for the second half of the year.

Martis Consulting
In first half of 2019 the company's revenues were slightly below budget at €520,700. Nonetheless, EBITDA (€112,400) and net profit (€68,000) were above budget by +46% and +76% respectively. These figures benefitted from a strict discipline of managing costs.

Polish public relations market is very competitive with pressure on prices coming from both clients' reduced budgets and competition from recently established competitor agencies. Revenues have been impacted by low levels of activity on the domestic capital markets, in particular a lack of IPOs and SPOs. The agency has responded to this challenge by broadening its client portfolio and securing new clients.

Expectations are that the second half will be stable and that full year targets will be achieved. However, it should be noted that there is a risk regarding the general election taking place in October. A change of government might impact the governance of the biggest Polish companies which are controlled by the State Treasury and form a large part of the financial communications market. Any subsequent changes to the management boards of companies in the agency's portfolio could have an impact on current retainer contracts.

SEC Newgate Colombia
SEC Newgate delivered double digit top line growth during the first half of the year due to new client wins from a variety of industries. The healthcare practice was consolidated and the Brand Public Relations unit also had a strong first half. EBITDA was above budget as costs were kept under control and the agency's structure was optimized.

Full year results are expected to be in-line with budget. Our expertise in the extractive industry will be consolidated and the Creative and Digital units will contribute to the final results with their expanding business. We will continue to capitalise on the growth opportunities with international clients and multinationals operating in Colombia as well as building on the strength of the SEC Newgate brand in the market and expanding the presence of the Group in the region, especially in Chile and Perú.

CLAI
The "Gilets Jaunes" protests impacted economic activity during the first quarter of 2019 and, consequently, new business activities were low at what is normally a busy time.

The situation progressively improved during the second quarter with three important new assignments that were accompanied by significant reduction of costs (down by 12% compared with the same period in the prior year). At the end of June, Gross Margin and EBIT were 13% and 44% below budget respectively.

People

Following completion of the merger of SEC and Porta, the SEC Newgate Board comprises 10 directors, of whom four are non-executive directors - John Foley, non-executive Chairman; Luigi Roth, Deputy Chairman; David Mathewson and Paola Bruno, non-executive directors; Fiorenzo Tagliabue, Chief Executive Officer; Emma Kane, Tom Parker and Brian Tyson, Deputy Chief Executive Officers; Executive Directors, Mark Glover and Anna Milito, Interim CFO. An eleventh director will be soon co-opted.
More recently the Board of directors appointed Federico Vecchio appointed as new Group CFO, currently a non-board appointment, starting from 30 September 2019. He will be based in London and will report to the Group CEO. Federico brings considerable experience in financial advisory work as he served for the last four years in roles at PwC and UBS. Mr Vecchio has a bachelor's degree in Economics from Italy's leading university, Bocconi in Milan, and has a master's degree in Corporate Finance from Cass Business School in London.

Outlook

Following the merger with Porta on 4 September 2019, the enlarged Group, with its new brand SEC Newgate, has made good progress in drawing up a detailed strategic plan covering the time frame to the end of 2022.

The scope of the plan is two-fold: Inside the Company it will provide the roadmap at both Group and local level. This will include detailed targets; the strategy by which we meet those targets, namely, organic growth, improved efficiency and acquisitions; and the human resources policies through which we manage and reward our staff. Outside the Company it will be the main tool used to promote a new narrative to the market (including current and prospect investors), funds, experts and financial community stakeholders.

Our subsidiaries continue to improve their performance while we have maintained our investment in time and resources in order to fine tune their internal organization to improve the results we produce for our clients. New business activities, boosted by new client referrals from satisfied clients, are core to our success and an increasing area of strategic focus.

SEC's acquisition plan remains an important part of its strategy to increase its global market presence. With operations in four continents today our next priority is the North American market.

Fiorenzo Tagliabue
Chief Executive Officer

FINANCIAL INFORMATION OF SEC NEWGATE S.P.A.
FOR THE SIX MONTHS ENDED 30 JUNE 2019

Consolidated income statement

Continuing Operations	*Note*	*Six months ended 2018*	*Six months ended 2019*
		€'000	*€'000*
Revenue	5	**11,371**	**13,690**
Employees expenses	6	(6,075)	(7,345)
Service costs	7	(4,100)	(4,422)
Depreciation & amortization	8	(106)	(758)
Other operating income and charges	9	170	42
Other operating costs	10	(480)	(861)
Profit from operations		780	**346**
Finance income and expense	11	(80)	(94)
Profit before taxation		700	**252**
Taxation	12	(193)	(225)
Profit for the year		**507**	**27**
Profit for the year attributable to owners of the company		277	36
Non-controlling interest		230	(9)
Profit for the year		**507**	**27**
Earnings per share attributable to the equity holders of the Company			
Basic, per share	28	0.023	0.003
Diluted, per share		0.021	0.003

Consolidated statement of comprehensive income

Continuing Operations	*Six months ended 2018*	*Six months ended 2019*
	€'000	*€'000*
Profit for the year	**507**	**27**
Items that may be subsequently reclassified to profit or loss:		
Gain/(loss) on revaluation of available for sale investments	(41)	(638)
Gain /(loss) on exchange rates	(28)	19
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit pension plans	45	(118)
Total comprehensive income for the year	**483**	**(710)**
Total comprehensive income for the year attributable to:		
Owners of the Company	259	(741)
Non-controlling interest	224	4
Net Group comprehensive income for the year	**483**	**(737)**

Consolidated statement of financial position

	Note	*Six months ended 2018*	*Six months ended 2019*
		€'000	*€'000*
Intangible assets	13	9,409	15,610
Tangible assets	14	430	5,911
Investments	15	7	413
Other financial assets	16	19	61
Other assets	17	978	1,003
Non-current assets		**10,843**	**22,998**
Trade receivables	18	8,221	9,341
Other receivables	19	1,346	3,012
Financial investments	20	4,544	253

Cash and cash equivalents	21	4.522	2,895
Current assets		**18,633**	**15,501**
Total assets		**29,476**	**38,499**
Trade payables	22	2,390	4,229
Borrowings	23	2,312	3,124
Other payables	24	3,429	3,328
Provisions	25	1,707	565
Current liabilities		**9,838**	**11,246**
Employee benefits	26	1,815	2,089
Borrowings	23	5,655	8,002
Other non-current liabilities	27	510	6,822
Non-current liabilities		**7,980**	**16,913**
Total liabilities		**17,818**	**28,159**
Net assets		**11,658**	**10,340**
Share capital	28	1.222	1.350
Reserves	29	8,148	7,349
Profit of the year		277	36
Equity attributable to equity holders Of the Company		**9,647**	**8,735**
Equity non-controlling interests	30	2,011	1,605
Total equity		**11,658**	**10,340**
Total equity and liabilities		**29,476**	**38,499**

Consolidated cash flow statement

	Six months ended 2018	*Six months ended 2019*
	€'000	*€'000*
Operating activities		
Profit for the year	507	27
Adjusted for:		
Corporation tax	193	225
Impairment charges	0	(87)
Net interest	80	174
Depreciation tangible assets	80	717
Amortization intangible assets	26	41
Bad debt allowance	2	0
Pension provisions	258	249
Long-term provision	173	(6.422)
Other non-cash movements	(70)	19
Changes in working capital:		
(Increase)/Decrease in trade and other receivables	16	(270)
Increase/(Decrease) in trade and other payables	(647)	(423)
Cash generated from operations	**618**	**(5.750)**
Income tax paid	**(367)**	**(834)**
Net cash flow from operating activities	**251**	**(6.584)**
Investing activities		
(Purchase)/sale tangible assets	(99)	(5.848)
Acquisitions and earn-outs	(258)	6.447
(Purchase)/sale of intangibles assets	(32)	(36)
Cash from acquisitions	0	0
(Purchase)/sale of financial assets	51	(302)
Purchase)/sale of investment	0	926
Net cash used in investing activities	**(338)**	**1.187**
Financing activities		
Interest paid	(80)	(174)
Increase in financial borrowings	1.000	6.962
Decrease in financial borrowings	(712)	(2.801)
Dividend payments	(269)	(444)
Share issues	-	-
Own-share operations	-	-
Minorities	-	(472)
Net cash used in financing activities	**(61)**	**3.071**
Net increase in cash and cash equivalents	**(149)**	**(2.326)**
Cash and cash equivalents at beginning of period	**4,672**	**5.220**
Cash and cash equivalents at the end of period	**4,523**	**2.895**

1. Corporate information

SEC Newgate S.p.A. (the "Company") was incorporated in March 1989 and is based in Milan. The registered office and principal executive office of SEC Newgate S.p.A. is located at Via Ferrante Aporti, 8, Milan 20125.

The consolidated financial statements for the six months ended 30 June 2019, 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 NEWGATE shareholdings as of June 30, 2019**
Hit S.r.l.	HIT	Milan (Italy)	57.71%
Sec & Associati S.r.l.	SEC-A	Turin (Italy)	51.00%
Sec Mediterranea S.r.l.	MED	Bari (Italy)	51.00%
Della Silva Communication Consulting S.r.l	DS	Milan (Italy)	51.00%
Curious Design S.r.l.	CUR	Milan (Italy)	75.00%
Cambre Associates SA	CAM	Brussels (Belgium)	76.00%
ACH Cambre SL	ACH	Madrid (Spain)	51.00%
Sec and Partners S.r.l.	SEC-P	Rome (Italy)	50.50%
Kohl PR & Partners GMBH	KOHL	Berlin (Germany)	75.00%
Newington Communications LTD	NEW	London (UK)	60.00%
Martis Consulting Sp. z o. o.	MAR	Warsaw (PL)	60,00%
SEC Latam Comunicaciones Estrategica SAS	NWC	Bogotà (Colombia)	51,00%
CLAI SAS	CLA	Paris (France)	10.00%

- The Company did not complete acquisitions during the six months ended 30 June 2019 but, in the second half of 2018, acquired CLAI SAS (November 2018)

2. Accounting policies

a. Basis of preparation

The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.
The financial information has been prepared in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively "IFRSs") issued by the International Accounting Standards Board (IASB) and adopted by the European Union ("adopted IFRSs"). The Group adopted IFRS for the first time for the period from 1 January 2013.

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

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

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

- The Group records transactions denominated in foreign currency in accordance with IAS 21 - The Effect of Changes in Foreign Exchange Rates. The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- Income and expenses for each consolidated statement of income are translated at average exchange rates.
- 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. British Pound used on Newington Communication Ltd as of 30 June 2019 is 0.89655; the one on Martis is 4.3732; the one on SEC Latam 3638.99.

b. New standards

IFRS 16 - Leases
On 31 October 2017 was issued the "Regolamento UE n. 2017/1986 that implemented in the European Economic Community IFRS 16 (leasing). IFRS 16 substitutes IAS 17 (Leasing) and related interpretations (IFRIC 4 Determine if an agreement includes a leasing; SIC 15 Operating leases and incentives; SIC 27 Evaluating the substance of transactions in the legal form of leasing). From 1st January 2019 IFRS 16 is adopted under the non retrospective method.
Based on IFRS 16, accounting representation of leasing (that do not represent service rendered) shall be made through including in the statement of financial position of a financial liability corresponding to the net present value of future rental payments versus inclusion of an asset corresponding to the right of use of the rented assets.
Passive leasing previously classified based on IAS 17 as financial leases will not be treated differently than the present and will be treated accordingly to what done in the past.
At the time of first implementation of the new accounting standard, with reference to leases previously classified based on IAS 17, the Group is willing to apply the retrospective method through inclusion of the financial liability for lease contracts and of the asset corresponding to the right of use measured based on residual / future contractual payments still to be made at the time of transition.
SEC Group, contracts falling under implementation of IFRS 16 are principally related to:

- Office buildings/space
- Cars
- Office equipment

Concerning options and exemptions stated in IFRS 16, the Group intends to adopt the following choices:

- IFRS 16 is not applied to intangible assets, to short term contracts (less than 12 months) and contracts with low unit value;
- Usage rights and financial liabilities related to leasing are divided into specific classes in the financial statements;
- any component relating to the provision of services included in the lease payments is generally excluded from IFRS 16
- contracts with similar characteristics are valued using a single discount rate.

Other standards or amendments issued by the IASB, not endorsed by the European Union or approved but not yet applicable to the Consolidated Financial Statements, are shown in the following table:

Recently issued accounting standards

	EU approved	Effective date
IFRS 9 Financial Instruments	YES	Financial Years beginning 1st January 2019
IFRS 15 Revenue from Contracts with Customers	YES	Financial Years beginning 1st January 2019
Clarifications to IFRS 15 Revenue from Contracts with customers	YES	Financial Years beginning 1st January 2019
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	YES	Financial Years beginning 1st January 2019
IFRS 1 First-time Adoption of International Financial Reporting Standards	YES	Financial Years beginning 1st January 2019
IAS 28 Investments in Associates and Joint Ventures	YES	Financial Years beginning 1st January 2019
Amendments to IAS 40 Investment Property: Transfers of Investment Property	YES	Financial Years beginning 1st January 2019
IFRIC Interpretation 22 Foreign Currency Transaction and Advance Consideration	YES	Financial Years beginning 1st January 2019

Accounting principles and the amendments issued by the IASB, not endorsed by the European Union or approved but not yet applicable to these financial statements, are shown in the following table:

	EU approved	Effective date	
IFRS 16 Leases	YES	Financial Years starting from January 2019	*
IFRIC 23 - Uncertainty over Income Tax Treatments	YES	Financial Years starting from January 2019	
IFRS 3 - Business Combinations - Remeasure previously held interest in a Joint Operation (JO) when control is obtained	YES	Financial Years starting from January 2019	
IFRS 11 Joint Arrangements - Participant without joint control in a JO does not remeasure previously held interest when joint control is obtained	YES	Financial Years starting from January 2019	
IAS 12 Income taxes - Income tax consequences of dividend	YES	Financial Years starting from January 2019	
IAS 23 Borrowing Costs - Moving from specific to general borrowings	YES	Financial Years starting from January 2019	
IAS 28 Investments in Associates and Joint Venture - Long term interests and interaction with IFRS 9	YES	Financial Years starting from January 2019	
IAS 19 Employee Benefits - Assumption to use following plan amendment, curtailment or settlement	YES	Financial Years starting from January 2019	
IFRS17 Insurance Contracts	NO	Financial Years starting from January 2019	
Amendments to References to Conceptual Framework in IFRS Standards	NO	Not determined	
Amendments to IFRS 3 Business Combinations	NO	Not determined	
Amendments to IAS 1 and IAS 8: Definition of Material	NO	Not determined	

c. Going Concern

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

d. Basis of consolidation

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

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

e. Business combinations

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the date of acquisition, and the amount of any non-controlling interest in the acquired entity.

Non-controlling interest are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Acquisitions costs incurred are expensed and included in administrative expenses except where they relate to the issue of debt or equity instruments in connection with the acquisition.

f. Segment reporting

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

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

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

	Six months ended 30 June 2018		***Six months ended 30 June 2019***	
	€'000	%	*€'000*	%
Italy	5,123	45%	5,823	43%
United Kingdom	2,237	20%	1,761	13%
Belgium	1,738	15%	1,947	14%
Colombia	1,117	10%	1,155	8%
Poland	559	5%	519	4%
Spain	412	3%	294	2%
Germany	185	2%	258	2%
France			1,933	14%
Total revenue	11,371	100%	13,690	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 undertaking 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.
IFRS 9. The valuation of the CGUs for goodwill impairment testing has been prepared on a discounted cash flow basis.
The valuation of the CGUs for goodwill impairment testing is prepared on a discounted cash flow basis at year end.

Licenses: Research and development costs
Expenditure on internally developed products is capitalised if it can be demonstrated that:
• it is technically feasible to develop the product for it to be available for use or sold;
• adequate technical, financial and other resources are available to complete the development;
• there is an intention to complete and sell or use the product;
• there is an ability for the Group to sell the product;
• sale of the product will generate future economic benefits;
• expenditure on the project can be measured reliably.
Capitalised development costs are amortised over three years. The amortisation expense is included within the administrative expenses line in the statement of comprehensive income. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.
Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred**.**

Licenses: Other

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

i. Tangible assets

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

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

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

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

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

j. Investments

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

k. Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets at fair value through profit or loss, as available for sale or held to maturity except for financial investments.

Financial investment at fair value

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

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

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

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

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

	Six months ended 30 June 2018 €'000		*Six months ended 30 June 2019 €'000*	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Trade and other receivables	9,568	9,568	12.353	12.353
Financial investments	4,544	4,544	253	253
Cash and cash equivalents	4,522	4,522	2,895	2,895
Financial liabilities				
Trade and other payables	5,799	5,799	7,557	7,557
Financial liabilities	8,033	8,033	11,125	11,125

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 overdraft 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 Newgate 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.

t. Stock Plans - IFRS 2
Cost for Stock Options, together with the corresponding increase in shareholders' equity, is recognized under personnel costs over the period in which the conditions relating to the achievement of objectives and / or provision of the service are met. The cumulative costs recognized for these operations at the end of each year up to the vesting date are commensurate with the expiry of the vesting period and with the best estimate of the number of participating instruments that will actually mature. The cost or revenue in the statement of profit/(loss) for the year represents the change in the cumulative cost recorded at the beginning and end of the year.

Service or performance conditions are not taken into consideration when the fair value of the plan is defined at the grant date. However, the probability that these conditions will be satisfied in defining the best estimate of the number of capital instruments that will accrue is taken into account. Market conditions are reflected in the fair value at the grant date. Any other condition related to the plan, which does not involve an obligation of service, is not considered as a condition of vesting. The non-vesting conditions are reflected in the fair value of the plan and involve the immediate accounting of the cost of the plan, unless there are also conditions of service or performance

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 (see notes 13 and 14).

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 (see notes 15 and 20).
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 (see notes 10 and 18).

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 (see notes 17 and 18);
- cash and cash equivalents (see note 21);
- trade and other payables (see notes 22 and 24).

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 €9,341,000 (2018: €8,221,000) net of any write-off and allowance for doubtful receivables.

As at 30 June 2019, the Group had amounts due from ten major customers amounting to 16 per cent. of the trade receivables balance.

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

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

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

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 30 June 2019 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. Unicredit S.p.A., €3.500.000 at an interest rate ofEuribor 3 months * 365/360 (1.7%-0.336) payable every three months between April 2018 and July 2022
8. Banca Carige S.p.A., €1.000.000 at a fix interest rate of 1.2% payable every six months starting January 2018 and ending June 2021

d. Liquidity risk

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

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

Capital management

SEC Group monitors capital, which is made up of share capital, retained earnings and other reserves.
SEC Group's objectives when maintaining capital are:

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

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

5. Revenue

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Revenue of services	11.371	13,690

Total	**11,371**	**13,690**

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 €7,833,000; (2018: €5,522,000) advocacy activities for €3,799,000; (2018: €4,603,000) and integrated services of €2,058,000; (2018: €1,246,000).

6. Employees expenses

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Salaries	4,918	5,727
Social contributions	904	1,286
Severance indemnity	239	229
Other costs	14	103
Total employee expenses	**6,075**	**7,345**

7. Service costs

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Consulting	681	755
Internal Consulting & Directors	948	676
Overheads	834	1,195
Rent/Lease	566	248
Services	1,071	1,548
Total service costs	**4,100**	**4,422**

Overheads principally comprise costs incurred with subcontractors in order to manage extraordinary workload activity not directly provided internally. Services principally comprise marketing, advertising and other services incurred by the Group in its operating activities for €613,000 (€613,000 in 2018) and other amounts are related to phone costs, travel expenses, office maintenance expenses, freight costs, car expanses and bank charges.

8. Depreciation and amortization

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Amortization of intangibles	26	41
Depreciation of tangible assets	80	717
Total depreciation and amortization	**106**	**758**

9. Other operating income and charges

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Other Charges	-2	-10
Other Income	172	52
Total other operating income and charges	**170**	**42**

Other operating income and expenses in 2017 and 2018 are mainly generated by non-recurring adjustments and miscellaneous.

10. Other operating Costs

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Bad debts allowance	2	-
Impairment of investments	-	-
Tax local	43	63
Others	435	798
Total other operating costs	**480**	**861**

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

11. Finance income and expense

Financial income	*Six months ended 30 June 2018 €'000*	*Six months ended 30 June 2019 €'000*
Interest income	1	-
Finance income	-	86
Finance income	**1**	**86**
Financial expenses		
Interest expense	(76)	(174)
Other expenses	(5)	(6)
Finance expenses	**(81)**	**(180)**
Net Finance income and expense	**(80)**	**(94)**

12. Taxation

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Current tax expense	199	154
Deferred tax income	(6)	71
Total income tax expense	**193**	**225**

2016 Applicable tax rates (Italy)

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

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

13. Intangible assets
-

	Licenses	**Goodwill**	**Total**
COST	€'000	€'000	€'000
At 1 January 2018	321	9,205	9,526
Additions	32	-	32
At 30 June 2018	**353**	**9,205**	**9,558**
AMORTISATION			
At 1 January 2018	**(124)**	-	**(124)**
Charge for the year	(25)	---	(25)
At 30 June 2018	**(149)**	-	**(149)**
NET BOOK VALUE			
At 30 June 2018	**204**	**9,205**	**9,409**
COST	€'000	€'000	€'000
At 1 January 2019	**1,498**	**14,359**	**15,857**
Additions	28	-	28
At 30 June 2019	**1,526**	**14,359**	**15,885**
AMORTISATION			
At 1 January 2019	**(243)**	-	**(243)**
Charge for the year	(32)		(32)
At 30 June 2019	**(275)**	-	**(275)**
NET BOOK VALUE			
At 30 June 2019	**1,251**	**14.359**	**15,610**

14. Tangible assets

Tangible assets	*Six months ended 30 June 2018 €'000*	*Six months ended 30 June 2019 €'000*
Owned by the company	430	836
Right of use IFRS 16	-	5,075
Total tangible assets	**430**	**5,911**

Tangible assets owned by the company

COST	Leasehold improvements €'000	Equipment €'000	Furniture and fittings €'000	Total €'000
At 1 January 2018	**379**	**161**	**745**	**1,285**
Additions		9	110	119
Disposals	(11)			(11)
At 30 June 2018	**368**	**170**	**855**	**1,393**
DEPRECIATION				
At 31 January 2018	**(216)**	**(106)**	**(561)**	**(883)**
Charge for the year	(25)	(5)	(50)	(80)
Disposals	-			
At 30 June 2018	**(241)**	**(111)**	**(611)**	**(963)**
Net Book Value				
At 30 June 2018	**127**	**59**	**244**	**430**

COST	Leasehold improvements €'000	Equipment €'000	Furniture and fittings €'000	Total €'000
At 1 January 2019	**703**	**282**	**958**	**1,943**
Additions	326		257	583
Disposals	(400)	(1)	(30)	(431)
At 30 June 2019	**629**	**281**	**1,185**	**2,095**
DEPRECIATION				
At 31 January 2019	**(286)**	**(188)**	**(689)**	**(1,163)**
Charge for the year	(35)	(7)	(54)	(96)
Disposals				
At 30 June 2019	**(321)**	**(195)**	**(743)**	**(1,259)**
Net Book Value				
At 30 June 2019	**308**	**86**	**442**	**836**

Right of use IFRS 16

COST	Right of use cars €'000	Right of use Equipment €'000	Right off use Real estate €'000	Total €'000
At 1 January 2019	**-**	**-**	**-**	**-**
Additions	118	255	5,321	5,694
At 30 June 2019				
DEPRECIATION				
At 31 January 2019	**-**	**-**	**-**	**-**
Charge for the year	(36)	(21)	(562)	(619)
At 30 June 2019				
Net Book Value				
At 30 June 2019	**82**	**234**	**4,759**	**5,075**

15. Investments

	Owned by	%	Six months ended 30 June 2018 €'000	Six months ended 30 June 2019 €'000
Sec & Partners S.r.l.	SEC	95%	5	5
Porta Communications			-	406
Others	-	-	2	2
Total investments			**7**	**413**

Investment in Porta Communications Plc made in August 2017 was originally classified within investments available for sale. In April 2019 the Boards of Porta Communications Plc (AIM: PTCM) and SEC announced that they entered into discussions concerning a potential all-share merger (the "Potential Merger") of the two companies. Following such a strategic decision, the investment has been reclassified within investments in compliance with IFRS 9

16. Other financial assets

In 2019 financial assets includes bank deposits to guarantee the ACH Cambre SL (Madrid) office for €17.000 and €40.000 to guarantee the SAS CLAI (France) offices; SAS CLAI was not part of the Group on end of June 2018 and only the Madrid related deposits were included in the H1 2018 financials.

17. Other assets

	Six months ended 30 June 2018 €'000	Six months ended 30 June 2019 €'000
Deferred tax assets	535	497
Rental deposits	151	149
Directors benefits	292	357
Other	-	-
Total other assets	**978**	**1,003**

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

18. Trade receivables

	Six months ended 30 June 2018 €'000	Six months ended 30 June 2019 €'000
Trade receivables	8,221	9,341
Total trade receivables	**8.221**	**9,341**

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

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

Trade receivables not yet due	Days from due date				Total trade receivables
	≤120	>120≤180	>180≤365	>365	
€'000	€'000	€'000	€'000	€'000	€'000
5,902	1,857	256	421	905	9,341
65%	20%	2%	5%	10%	100%

The amounts presented in the consolidated statement of financial position are net of an allowance for doubtful receivables of €433,000 (2018: €343,000) based on prior experience and their assessment of the current economic ongoing.

19. Other receivables

	Six months ended 30 June 2018 €'000	Six months ended 30 June 2019 €'000
Prepaid expenses	428	452
Tax on income	727	1,120
VAT	24	54
Others	167	1,386
Total other receivables	**1,346**	**3,012**

Others in 2019 includes a bridge loan from SEC Newgate to Porta Communications Plc for €1,160,000.

20. Financial Investments

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
UBS S.A. investment	1,092	253
Porta Communication Plc ordinary shares	3,452	-
	4,544	**253**

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

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

30 June 2019

Investments	**Purchase Cost** *€'000*	**Fair Value** *€'000*	**Accrued interest** *€'000*	**Total** *€'000*
Bonds	-	-	-	-
Equities	170	253	-	253
Other	-	-	-	-
Total	**170**	**253**	**-**	**253**

30 June 2018

Investments	**Purchase Cost** *€'000*	**Fair Value** *€'000*	**Accrued interest** *€'000*	**Total** *€'000*
Bonds	378	368	-	368
Equities	545	699	-	699
Other	30	25	-	25
Total	**953**	**1,092**	**-**	**1,092**

	30 June 2018			**30 June 2019**		
	Level			Level		
Investments at fair value	1	2	3	1	2	3
Available for sale	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
Debt securities:						
- Government bonds	-	-	-	-	-	-
- Other bonds	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Equities and mutual funds under management:						
- Equity Funds	699	-	-	253	-	-
- Bond Funds	368	-	-	-	-	-
- Balanced Funds	25	-	-	-	-	-
Total	**1,092**	-	-	**253**	-	-
Total Investments	**1,092**	-	-	**253**	-	-

	Debt securities	**Equities**	**Funds**	**Loans**	**Total**
Financial Assets Available for sale					
Opening Balance January 1 2018	**53**	**-**	**1,068**	**-**	**1.121**
Purchases	**-**	**-**		**-**	
Positive changes in fair value	**-**	**-**	**38**	**-**	**38**
Other changes	**-**	**-**	**-**	**-**	**-**
Sales	**(51)**	**-**	**-**	**-**	**(51)**
Negative changes in fair value	**(2)**	**-**	**(14)**	**-**	**(16)**
Closing Balance June 30 2018	**-**	**-**	**1,092**	**-**	**1,092**

	Debt securities	**Equities**	**Funds**	**Loans**	**Total**
Financial Assets					

Available for sale

Opening Balance January 1 2019	**-**	**-**	**583**	**-**	**583**
Purchases	**-**	**-**	**-**	**-**	**-**
Positive changes in fair value	**-**	**-**	**43**	**-**	**43**
Other changes	**-**	**-**	**-**	**-**	**-**
Sales	**-**	**-**	**-**	**-**	**-**
Negative changes in fair value	**-**	**-**	**(372)**	**-**	**(373)**
Closing Balance June 30 2019	**-**	**-**	**253**	**-**	**253**

21. Cash and cash equivalents

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

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Cash at bank	4,522	2,895
Total cash and cash equivalents	**4,522**	**2,895**

22. Trade payables

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Trade payables	2, 390	4,229
Total trade payables	**2, 390**	**4,229**

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, inclusive of IFRS16 impact, are as follows:

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Deutsche Bank	581	225
Banca Popolare di Milano	199	169
Unicredit	1,035	999
Carige	314	397
National Westminster Bank PLC	38	36
Banco Colpatria	145	211
Bankinter	-	26
Lease liability IFRS16 Short term	-	1,061
Total current liabilities	**2,312**	**3,124**
UBS	1,762	1,762
Deutsche Bank	222	-
Banca Popolare di Milano	300	-
Unicredit	2,686	1,831
Carige	671	202
National Westminster Bank PLC	14	-
Lease liability IFRS16 Long term	-	4,207
Total non-current liabilities	**5,655**	**8,002**
Total borrowings	**7,967**	**11,126**

Details of non-current liabilities

	Outstanding €'000	*Total facilities €'000*	*Interest rate*	*Maturity date*	*Repayment*	*Security*
UBS	1,762	1,762	Euribor + 1.25%	Open ended	Open ended	Pledge on Silvia Anna Mazzucca

						financial instruments
Unicredit	1,831	3,500	Euribor 3 months * 365/360 (1.7%-0.336)	July 2022	Three months	None
Carige	202	1,000	1.2%	June 2021	Every six months	None

Lease liability IFRS 16 long term represents the portion of financial payables calculated at incremental borrowing rates depending of the kind of rented assets after the next twelve months following 30 June 2020.

24. Other payables

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Accrued Expenses	332	104
Advances from customers	43	135
Employees and payroll-related	1,380	1,399
Government institutions	279	401
Referred Parties	142	142
Tax local	-	-
Tax on Income	341	(530)
VAT	542	622
Other	370	1,055
Total other payables	**3,429**	**3,328**

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

25. Provision

	Six months ended 30 June 2018 €'000	Six months ended 30 June 2019 €'000
Provisions	1,707	565
Total provisions	**1,707**	**565**

Decrease in provisions versus 2018 is due to payments made for the earn out liability on the acquisitions concluded in previous years (see note 13).

26. Employee benefits

	Six months ended 30 June 2018	Six months ended 30 June2019
Severance indemnity	1, 815	2,089
Total severance indemnity	**1, 815**	**2,089**

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

	Severance indemnity *€'000*
Opening Balance January 1 2018	**1, 680**
Service Cost	103
Net Interest	11
Benefit Paid	(24)
Actuarial Gain/Loss	45
Closing Balance 30 June 2018	**1,815**
Opening Balance January 1 2019	**1,950**
Service Cost	103
Net Interest	13
Benefit Paid	(144)
Actuarial Gain/Loss	167
Closing Balance 30 June 2019	**2,089**

27. Other non-current liabilities

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Total other non-current liabilities	**510**	**6,822**

SEC Newgate 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 (€395,000 in 2019 and €322,000 in 2018). Such obligation is covered by an insurance asset (note 17).
Provisions also include the long-term portion of liability for earn out on CLAI and SECLatam.

28. Share capital

At 30 June 2019, the share capital comprises:

13,502,533 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.

On 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.

On 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.

Following to the announcement of shareholder offer and placing SEC made on the 17th July 2018 (closed on the 3rd August 2018) SEC issued 1,280,558 new shares, on end of 2018 its share capital includes 13,502,533 shares representing €1,350,253.30.

Authorized, issued and fully paid capital	*As at 30 June 2018*	*As at 30 June 2019*
As at 1 January	€1,000,000	€1,350,253.30
Additions during the year	€222,197.50	
30 June	**€1,222,197.50**	**€1,350,253.30**

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Earnings per share

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

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Profit for the year attributable to owners of the company	€277,000	€36,000
Number of shares	12,221,975	13,502,533
Earnings per share, basic	**€0.023**	**€0,003**

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

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

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*
Profit for the year attributable to owners of the company	€277,000	€36,000
Number of shares	13,031,975	14,311,533
Earnings per share, diluted	**€0.021**	**€0.003**

29. Reserves

The following table describes the nature of each reserve:

	Six months ended 30 June 2018 €'000	*Six months ended 30 June 2019 €'000*

Legal reserve	58	85
Evaluation reserve	167	(2,770)
Share premium reserve	2,615	3,578
Retained earnings	5,308	6,456
Total Reserves	**8,148**	**7,349**

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 years ended 30 June 2019 are as follows:

As at 30 June 2018 €'000	**HIT**	**CUR**	**CAM**	**ACH**	**SEC-A**	**MED**	**DS**	**SEC-P**	**KOHL**	**NEW**	**MAR**	**NWC**
Non-current assets	6	5	98	319	4	14	1	638	27	143	20	76
Current assets	916	229	1,273	298	269	143	34	1,686	228	2,109	240	911
Noncurrent liabilities	87	11	-	-	20	18	-	93	18	14	-	26
Current liabilities	209	221	454	175	255	53	64	693	91	1,180	161	785
Equity	**626**	**2**	**917**	**442**	**(2)**	**86**	**(29)**	**1,538**	**146**	**1,058**	**99**	**176**
Equity to non-controlling interest	**265**	**-**	**220**	**152**	**(1)**	**42**	**(14)**	**761**	**36**	**423**	**40**	**86**

As at 30 June 2019 €'000	**HIT**	**CUR**	**CAM**	**ACH**	**SEC-A**	**MED**	**DS**	**SEC-P**	**KOHL**	**NEW**	**MAR**	**NWC**	**CLAI**
Non-current assets	33	7	609	88	16	21	1	721	21	610	191	283	959
Current assets	942	254	1,520	189	359	182	34	1,638	200	1,687	346	1,086	1,836
Noncurrent liabilities	135	5	435	-	22	56	-	144	11	305	134	82	328
Current liabilities	228	256	779	303	288	57	65	839	214	1,273	240	1,203	1,226
Equity	**611**	**-**	**915**	**(26)**	**65**	**90**	**(30)**	**1,376**	**(4)**	**719**	**163**	**84**	**1,241**
Equity to non-controlling interest	**258**	**-**	**220**	**(9)**	**32**	**44**	**(15)**	**681**	**(1)**	**288**	**65**	**41**	**-**

The summarized income statement of the companies for the two-year ended 30 June 2019 are as follows:

For the period ended 30 June 2018 €'000	**HIT**	**CUR**	**CAM**	**ACH**	**SEC-A**	**MED**	**DS**	**SEC-P**	**Kohl**	**NEW**	**MAR**	**NWC**
Revenue	**473**	**96**	**1,738**	**412**	**135**	**109**	**-**	**654**	**185**	**2,237**	**559**	**1,117**
Cost of Sale	(460)	(124)	(1,581)	(470)	(180)	(101)	(2)	(492)	(339)	(1,903)	(540)	(996)
Other operating income and charges	11	11	3	-	-	-	-	103	3	-	12	16

Profit from operations	**24**	**(17)**	**160**	**(58)**	**(45)**	**8**	**(2)**	**265**	**(151)**	**334**	**31**	**137**
Finance income and expenses	-	-	-	(1)	(3)	-	-	-	(2)	(5)	(7)	(5)
Profit before taxation	**24**	**(17)**	**160**	**(59)**	**(48)**	**8**	**(2)**	**265**	**(153)**	**329**	**24**	**132**
Taxation	(15)	(1)	-	20	-	(5)	-	(44)	-	(63)	(4)	(44)
Profit (loss) for the period	**9**	**(18)**	**160**	**(39)**	**(48)**	**3**	**(2)**	**221**	**(153)**	**266**	**20**	**88**
Profit (loss) for the period to non-controlling interest	**4**	**(4)**	**38**	**(14)**	**(23)**	**-**	**(1)**	**109**	**(38)**	**106**	**8**	**43**

For the period ended 30 June 2019 €'000	**HIT**	**CUR**	**CAM**	**ACH**	**SEC-A**	**MED**	**DS**	**SEC-P**	**Kohl**	**NEW**	**MAR**	**NWC**	**CLAI**
Revenue	**570**	**87**	**1,946**	**294**	**226**	**137**	**-**	**796**	**258**	**1,761**	**519**	**1,155**	**1,933**
Cost of Sale	(558)	(98)	(1,711)	(503)	(202)	(121)	-	(688)	(308)	(1,824)	(449)	(1,152)	(((1,794)
Other operating income and charges	3	-	10	6	-	(1)	-	-	3	-	-	4	7
Profit from operations	**15**	**(11)**	**245**	**(203)**	**24**	**15**	**-**	**108**	**(47)**	**(63)**	**70**	**7**	**146**
Finance income and expenses	-	-	(9)	(2)	(3)	-	-	(2)	(2)	(46)	(4)	(6)	(6)
Profit before taxation	**15**	**(11)**	**236**	**(205)**	**21**	**15**	**-**	**106**	**(49)**	**(109)**	**66**	**1**	**140**
Taxation	(14)	-	(78)	-	4	(7)	-	(22)	-	-	(7)	-	(38)
Profit (loss) for the period	**1**	**(11)**	**158**	**(205)**	**25**	**8**	**-**	**84**	**(49)**	**(109)**	**59**	**1**	**102**
Profit (loss) for the period to non-controlling interest	**-**	**(3)**	**38**	**(70)**	**12**	**4**	**-**	**42**	**(12)**	**(43)**	**24**	**-**	**-**

31. Related party transactions

From time to time the Group enters into transactions with its associate undertakings. For payables to related parties, please refer to note 24.

32. Contingencies and commitments

SEC Group has no contingent liabilities and or commitments.

33. Events after the reporting date

On 11 June 2019, the Board of Directors of SEC announced that it had reached an agreement with the Porta Board to carry out the acquisition of the entire issued, and to be issued, share capital of Porta by SEC, with the exception of the Porta Shares already owned by the Company.

On 22 July 2019 Further the extraordinary shareholders' meeting of SEC S.p.A. of 22 July 2019, resolved to issue n: 10,748,374 ordinary shares of SEC S.p.A., as detailed:
(a) the issue of no. 4,755,162 ordinary shares of SEC S.p.A, for a total of Euro 4,837,902, including surcharge, paid up through the contribution in kind of the 420,810,829 shares of Porta Communications Plc as a result of the approval of the Scheme of Arrangement, at a ratio of 1 (one) newly issued share of SEC S.p.A. for each 88.495575 shares of Porta Communications Plc;

(b) the issue of 5,993,212 ordinary shares of SEC S.p.A. for a total of Euro 6,097,494.00, including surcharge, paid up through the contribution in kind of the 530,372,743 shares that will be owned by Retro Grand Limited at the date of execution of the capital increase, following the conversion of a convertible loan currently owned by Retro Grand Limited, in the ratio of 1 (one) newly issued SEC S.p.A. share for every 88.495575 Porta Communications Plc share contributed.

The Transaction was carried out by means of a "scheme of arrangement" as provided for in Part 26 of the Companies Act 2006 of the United Kingdom ("Scheme of Arrangement").

The Scheme of Arrangement and the Transaction was approved by the Porta Shareholders, as well as by the ordinary meeting of the SEC Shareholders, convened for this purpose on July 22, 2019, as the Transaction represented for SEC a reverse takeover within the meaning of Article 13 of the Bylaws and Rule 14 of the AIM Rules for Companies. The Transaction shall then be sanctioned by a competent Court.
On 3 September 2019 the Court authorised the Transaction, the Scheme of Arrangement becomes effective and Porta becomes a wholly owned subsidiary of SEC and the New SEC Shares issued under the Capital Increase are allotted in exchange to all Porta Shareholders.

On 4 September 2019 SEC S.p.A. changed its name from "SEC" to "SEC Newgate"

Following to the merger, on 4 September 2019, the ultimate controlling entity is Fiorenzo Tagliabue at 36.77%.

34. Ultimate controlling party

On 30 June 2019 SEC S.p.A. is 66.06% controlled by Fiorenzo Tagliabue. Following to the merger, on 4 September 2019, the ultimate controlling entity is Fiorenzo Tagliabue at 36.77%

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