PRAESIDIAD GROUP LIMITED
(Incorporated in England and Wales, company number: 10847053)

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 December 2020

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CORPORATE INFORMATION

Directors
Dino Koutrouki
Akhil Chokra
Jane Douglas (appointed 24 September 2019, resigned 19 March 2020)

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Registered address
York House
221 Pentonville Road
London
N1 9UZ

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Group performed resiliently in 2020 despite very difficult trading conditions caused by the COVID-19 pandemic. While sales revenues were significantly impacted by government enforced lockdowns in several locations and COVID-19 related projects delays and cancellations, the Group achieved strong financial results.

Recurring EBITDA was broadly in line with the prior year which was driven by strong cost control and the execution of a number of restructuring and other projects. During the year some highlighted projects included:

- In July 2020 the Group announced the closure of the Hesco manufacturing facility in Leeds, UK and the transfer of manufacturing to Poland. This plant closure and ramp up of manufacturing in Poland was largely completed in 2020 despite significant challenges caused by the COVID-19 pandemic.
- In October 2020 the group entered into a new 3 year committed €40m factoring facility with Factofrance to replace the previous KBC factoring facility. This new factoring facility has favourable terms to the previous arrangement.
- In November 2020 the group disposed of a 26% minority shareholding in the South African subsidiary (Guardiar South Africa (Pty) Ltd). This will allow the South African business to improve its local content standing and therefore qualify for future potential government contracts (refer note 26).

The Group's principal activities are the provision of integrated perimeter security systems and solutions. The group operates and is managed on a regional basis with the following regions: Americas, 'Europe, Middle East and North Africa' (EMENA), South Africa and Hesco which are managed with a common set of key performance indicators.

The directors consider that the following indicators are the key measures of the Group's performance:

	2020 €'000	2019 €'000
Revenue	285,805	329,309
Recurring EBITDA (refer note 4)	30,114	30,982
Operating cash flow	(26,484)	10,078
External Net debt (refer note 4)	339,333	311,479

FUTURE DEVELOPMENTS

The Group plans to continue regular investments in product development and innovation during 2021 and beyond. The Group will also be exploring opportunities for growth through bidding for new projects and continually looking to expand the existing product and service offering, as well as assessing options relating to product ranges which are not part of the core perimeter security product offering.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group considers that the main risks relate to the competitive nature of the business, raw material price fluctuations, operational performance and compliance.

The Group manages the competitive threats through product development and innovation, strong brand development and ensuring high product quality standards. In addition the Group operates a wide ranging distribution base and maintains very strong customer relationships and support.

The risk of significant fluctuations in raw material prices is managed through building strong supplier relationships and strategic purchasing initiatives which include regularly monitoring key raw material indices and linking these to the timing and quantities of raw materials purchased.

The risk of operational performance and compliance is mitigated by stringent controls, policies and procedures to ensure that contractual and legal obligations are fully complied with.

The Group is also exposed to a variety of financial risks that include credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group's financial risk management policies are disclosed in note 21 to the financial statements.

CORONAVIRUS

As mentioned above, the outbreak of the coronavirus (COVID-19) and the rapid spread during 2020 poses many risks and uncertainties in the global economy and also for the Group. The effects of this were felt throughout 2020. This has had and will likely continue to have for the foreseeable future an impact on the Group's customer industries as well as on its supply chain and production. Currently many of these risks are unquantifiable. It also has the potential to crystallise other principal risks (mentioned above) simultaneously, with the effect that the impact could be significantly magnified.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) OF THE COMPANIES ACT 2006

The Directors of the Group, consider, both individually and together, that they have acted in the way they consider, in good faith, would be the most likely to promote the success of the Group for the benefit of its members as a whole (having regards to the stakeholders and matters set out in the 'Directors' Duties section of the Directors' report) in the decisions taken during the year ended 31 December 2020. The detailed factors in this respect are included in the parent company, Erpe Topco Limited consolidated financial statements which can be obtained from the Companies House website (https://beta.companieshouse.gov.uk/).

Approved by the board of directors and signed on its behalf by:

A Chokra
Director
30 April 2021

The Directors have pleasure in presenting their audited consolidated annual report on the activities of the Group for the year ended 31 December 2020.

RESULTS

The Group's loss for the year from these activities were as follows:

	2020 €'000	2019 €'000
Loss for the year	(43,901)	(77,780)
Total comprehensive loss for the year	(24,384)	(92,354)

DIVIDEND

No dividend has been declared for the year ended 31 December 2020 (2019: €Nil).

DIRECTORS

The directors who served the Company during the year and subsequently were as follows:
Dino Koutrouki
Akhil Chokra
Jane Douglas (appointed 24 September 2019, resigned 19 March 2020)

GOING CONCERN

In respect of the 2020 Annual Report and consolidated financial statements, the ongoing COVID19 pandemic has a material impact on the going concern assessment. At year end the Group had liquidity (including undrawn borrowing facilities) of €50m, which included funds from fully drawing the available financing facilities to see it through the unprecedented and uncertain trading environment. As at 31 December 2020 the group was covenant tested and was not in breach.

The Group's base case assumptions show that it will be able to operate within the senior finance agreement ('SFA') for at least 12 months from the date of approval of the Annual Report and consolidated financial statements with sufficient liquidity and no breach of financial covenants. In light of the COVID-19 pandemic, the Group performed plausible downside scenarios which identified a scenario that would result in a breach of a financial covenant despite the Group maintaining sufficient liquidity for at least 12 months from the date of the Annual Report and consolidated financial statements. These scenarios have involved considering the impact of the virus in the countries and regions in which the Group operates, on the supply chain and the broader impact on the wider economy, for example customer confidence, future buying intentions and their ability to pay. The Directors continue to closely monitor cash flow forecasts and would take mitigating actions in order to maintain compliance with the SFA.

At the time of issuing of the Annual Report and consolidated financial statements there is still unprecedented market conditions driven by COVID-19, which increases the uncertainty of delivering the Group's forecasts and accordingly the risk that the Group may breach a financial covenant. These conditions indicate that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern. Notwithstanding this material uncertainty, the Directors' confidence in the Group's forecasts and ability to service the debt facilities supports the Directors' going concern assessment covering a period of at least 12 months from the date of approval of the Annual Report and consolidated financial statements.

EVENTS AFTER THE REPORTING DATE AND FUTURE DEVELOPMENTS

As noted above, the effect of the COVID-19 pandemic continues to have an impact on the Group and the global markets. The Group has been able to adopt and continue working within the various country guidelines and rules. There have been no material adverse COVID-19 impacts after the reporting period to date. However due to the remaining uncertainty (e.g. around vaccination timetables globally, subsequent COVID-19 'waves' and future unknown COVID-19 mutations etc.) the Group cannot give any accurate or reliable estimates on the ultimate potential quantitative impacts currently. Refer to note 1.1 of the Group accounts for further details.

During the current year an agreement was entered into with the landlord of the Sheffield (UK) site to early surrender the site and settle the remaining liability, although the terms had been agreed in principle during the current year the agreement was signed and executed in early January 2021 and no subsequent adjustment was needed (refer to note 17).

There are no other material events after the reporting period to disclose.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political or charitable donations during the year.

DIRECTORS INDEMNITY ARRANGEMENTS

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity was in place during the year and remains in force as at the date of approving the Directors' report.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP (PwC) was re-appointed as auditors of the Company pursuant to Section 487 of the Companies Act 2006 and PwC will continue in office.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the directors' report is approved:
- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

EMPLOYEES

The Group's policy relating to employee involvement is to consult and discuss with employees on matters likely to affect employees' interests. During the year information about the Group has been communicated through regular communication update meetings in which employees have been invited to raise questions and issues regarding the Group's performance. The Group gives full consideration to applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the role. Details of the number of employees and related costs can be found in note 6 to the financial statements.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

Under changes introduced by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('SI 2018/1155'), large unquoted companies (such as Praesidiad Group Limited) are now required to report their UK energy use and associated greenhouse gas ('GHG') emissions for the first time in this year end.

The Group understands the potential environmental impacts of our operations, products and services. We are committed to achieving the highest standards of environmental performance to protect the environment and prevent pollution from our operations and to identify, understand and minimise our significant environmental impacts where appropriate.

To meet these requirements :
1. The Group complies with applicable laws and regulations and rationally use raw material & energy resources.
2. All global locations conduct a monitoring program for external air emissions & effluents.
3. The necessary precautions are taken to minimise and avoid impacts from significant environment aspects : waste, contamination of water & soil, wildlife, archaeology, noise & nuisance.
4. The waste and scrap produced, the energy and the amount of packaging materials used are monitored, evaluated and reduced whenever possible.
5. Environmentally sound considerations are included in the development of processes, equipment and products.
6. Employees are regularly informed and trained with regard to environmental matters.
7. The Group has previously had a detailed environmental impact assessment performed at all sites by external specialists and any remedial or future decommissioning work identified has been adequately provided for.

For the current year per the requirements we have reported carbon dioxide emissions resulting from energy use in our UK based buildings and UK employees business travel. The boundary for this reporting are our three UK sites, namely the London administration head office, Sheffield sales office and Leeds assembly site. The London and Sheffield sites do not partake in manufacturing or assembly and are located in shared and externally managed office buildings and therefore do not have carbon emissions and energy usage data. Because of the shared nature these buildings likely result in lower emissions and energy usage than would be the case with stand alone facilities (refer below for further info).

For UK energy use the emissions data presented therefore primarily relates to the Leeds assembly site energy and fuel (e.g. from fork lifts) usage as well as the Sheffield company car and private car fuel usage.

Carbon Dioxide Emissions in tonnes (CO2e) and carbon intensity ratio relative to €m UK total third party sales revenue for the 2020 year:

	2020 year
Total CO2e (tonnes)	195
Energy (Leeds, UK) CO2e (tonnes)	167
Travel / Fuel (UK) CO2e (tonnes)	28
Carbon intensity ratio Total tonnes (CO2e / €m	9.24

The calculation methodology is as per the UK Government guidance : Greenhouse gas reporting: conversion factors 2020 - GOV.UK, which is on the UK Government website (www.gov.uk).

The Group operates an established environmental management system ("EMS") to ensure that the operations meet or exceed the requirements of legislation and applicable best practice as an integral part of the business strategy. The Group has taken various measures to increase the company's energy efficiency and environmental impact including the following:

- In July 2020 the Group announced the closure of the Hesco assembly facility in Leeds, UK and the transfer of manufacturing to Poland. Products manufactured within that location will be built in our larger facility in Kotlarnia, Poland. This will reduce the overall energy consumption as these products will be manufactured within the same site footprint plus the freight and logistics will be reduced as we will not be moving products from Poland to the UK.
- In certain locations such as Belgium the Group often uses and prefers inland water transport where feasible which results in lower Co2 emissions than truck transport.
- In 2020 we strengthened our Health, Safety and Environmental Management System to adopt standard metric tracking that includes energy against tonnes of product manufactured. As part of this improvement we now have action plans in every global location which include:
o Continue to phase out the use of florescent and halogen lighting and replace with LED lighting.
o Continuous review of leaks from compressed air throughout our manufacturing facilities.
o Solar Powered (Photovoltaic PV) Systems where it makes financial sense (e.g. the Tortoreto manufacturing site and Belgian distribution center have solar panels).
o Improvements to Powder Coating lines to reduce quantity of powder guns and optimisation of exhaust vents and extraction cabinets.
- The London rented head office facility has the following energy efficient and low carbon features:
o Rain water harvesting for all of the toilets in the building
o Solar panels on the roof
o LED lights, and also have the lights on and off inactivity sensors throughout the building
o Ground and first floor extension has BREEAM excellent rating
o 100% renewable energy usage in 2020

Approved by the board of directors and signed on its behalf by:

A Chokra
Director
30 April 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of Praesidiad Group Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Praesidiad Group Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated statement of financial position and the Company statement of financial position as at 31 December 2020; the Consolidated statement of profit or loss and other comprehensive income, the Consolidated statement of changes in equity and the Company statement of changes in equity and the Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.1 to the group's financial statements and note 1 to the company's financial statements concerning the group's and the company's ability to continue as a going concern. The disclosure sets out the possible impact of and consequences of COVID-19 and the market recovery on the entity and the environment in which it operates, and that mitigating actions would be available in order to maintain compliance with the senior finance agreement. These conditions, along with the other matters explained in those notes to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health and safety, taxation and employment regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management and the Group's internal legal counsel, including consideration of potential instances of non-compliance with laws and regulation and fraud;
- Substantive testing of journal entries which met a defined risk criteria, focusing on where and how fraud could arise; and
- Challenging assumptions and judgements made by management in its accounting estimates or judgements, in particular in relation to provisions and employee benefit liabilities.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

N. Comello

Nigel Comello (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 April 2021

PRAESIDIAD GROUP LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 €'000	2019 €'000
Revenue	3	285,805	329,309
Cost of sales		(217,871)	(254,616)
Gross profit		**67,934**	**74,693**
Selling and distribution costs	5	(22,222)	(29,162)
General & administrative expenses total		(54,685)	(68,938)
General & administrative expenses	5	(27,834)	(42,188)
Depreciation and amortisation from business combination		(26,851)	(26,750)
Expected net credit loss on trade and other receivables	13	(1,209)	(973)
Other (losses)/gains – net	5	(4,908)	394
Operating loss	4	**(15,090)**	**(23,986)**
Impairment of Hesco Goodwill	10	-	**(50,748)**
Net finance costs	7	**(40,875)**	**(6,099)**
Finance income		702	14,570
Finance costs - external		(41,577)	(20,669)
Loss before tax		**(55,965)**	**(80,833)**
Income tax credit	8	12,064	3,053
Loss for the financial year		**(43,901)**	**(77,780)**
Recurring EBITDA	4	***30,114***	***30,982***
Other Comprehensive Income / (Expense)			
Other comprehensive income / (expense) items that will not be reclassified to profit or loss in subsequent years:			
Remeasurements of defined benefit liabilities and asset	18	1,086	(609)
		1,086	**(609)**
Other comprehensive income / (expense) items that are or may be reclassified to profit or loss in subsequent years:			
Foreign operations – foreign currency translation differences		32,943	(24,272)
Remeasurement of forex (losses) / gains on the net investment in foreign operations	15	(14,512)	10,307
Other comprehensive income / (expense) for the year		**19,517**	**(14,574)**
Total comprehensive loss for the year		**(24,384)**	**(92,354)**
Loss attributable to:			
Owners of the Company		(43,819)	(77,869)
Non-controlling interests		(82)	89
		(43,901)	**(77,780)**
Total comprehensive loss attributable to:			
Owners of the Company		(24,302)	(92,443)
Non-controlling interests		(82)	89
		(24,384)	**(92,354)**

The notes on pages 17 to 63 are an integral part of these consolidated financial statements.

PRAESIDIAD GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	31 Dec 2020 €'000	31 Dec 2019 €'000
ASSETS			
Non-current assets		**600,288**	**629,445**
Property, plant and equipment	9	75,986	85,221
Intangible assets and goodwill	10	481,259	506,201
Investments	11	81	81
Employee benefits asset	18	32,366	34,165
Other loans and receivables	13	6,898	-
Deferred tax assets	19	3,698	3,777
Current assets		**165,469**	**123,475**
Inventories	12	61,996	58,212
Trade and other receivables	13	54,288	50,624
Contract assets	3	3,242	1,792
Current tax assets		3,196	175
Cash and cash equivalents	14	42,747	12,672
Total assets		**765,757**	**752,920**
EQUITY			
Capital and Reserves			
Equity attributable to equity holders of the parent		**195,292**	**218,468**
Share capital	15	4,192	4,192
Share premium	15	415,045	415,045
Accumulated losses		(231,922)	(189,546)
Other Reserves	15	(4,084)	10,428
Foreign currency translation reserve		12,061	(21,651)
Non-controlling interests	26, 27	1,706	-
Total Equity		**196,998**	**218,468**
LIABILITIES			
Non-current liabilities		**472,698**	**427,834**
Loans and borrowings - external	16	405,348	345,459
Provisions	17	3,180	8,810
Employee benefits liability	18	10,729	10,889
Deferred tax liabilities	19	53,441	62,676
Current liabilities		**96,061**	**106,617**
Trade and other payables	20	73,216	79,568
Contract liabilities	3	2,940	3,869
Provisions	17	10,241	9,405
Loans and borrowings	16	8,519	10,848
Derivative financial instrument	21	368	513
Current tax liabilities		777	2,414
Total liabilities		**568,759**	**534,452**
Total equity and liabilities		**765,757**	**752,920**
External net debt (excluding shareholder loans)	4	*339,333*	*311,479*

These financial statements were approved by the directors and signed on their behalf on 30 April 2021 by:

Akhil Chokra
Director

Registered Company number: 10847053.

The notes on pages 17 to 63 are an integral part of these consolidated financial statements.

PRAESIDIAD GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital	Share premium	Accumulated losses	Other Reserves	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance as at 1 January 2019	4,192	415,045	(111,861)	121	2,621	310,118	3,247	313,365
Transaction with owners of the Company	-	-	-	-	-	-	-	-
Comprehensive income / (loss)								
Loss for the period	-	-	(77,869)	-	-	(77,869)	89	(77,780)
Dividends paid (withholding tax on inter-Group dividend)	-	-	(82)	-	-	(82)	(84)	(166)
Repurchase of MI (note 26)	-	-	875	-	-	875	(3,252)	(2,377)
Other comprehensive income / (expense)	-	-	(609)	10,307	(24,272)	(14,574)	-	(14,574)
Total Comprehensive (loss) / profit	-	-	(77,685)	10,307	(24,272)	(91,650)	(3,247)	(94,897)
Balance as at 31 December 2019	4,192	415,045	(189,546)	10,428	(21,651)	218,468	-	218,468
Transaction with owners of the Company								
Equity settled share based payment (note 28)	-	-	174	-	-	174	-	174
Comprehensive income / (loss)								
Loss for the period	-	-	(43,819)	-	-	(43,819)	(82)	(43,901)
Dividends paid (withholding tax on inter-Group dividend)	-	-	(51)	-	-	(51)	-	(51)
Change in holding on disposal of non-contolling interest	-	-	234	-	769	1,003	1,788	2,791
Other comprehensive income / (expense) (note 15)	-	-	1,086	(14,512)	32,943	19,517	-	19,517
Total Comprehensive (loss) / profit	-	-	(42,550)	(14,512)	33,712	(23,350)	1,706	(21,644)
Balance as at 31 December 2020	4,192	415,045	(231,922)	(4,084)	12,061	195,292	1,706	196,998

PRAESIDIAD GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	Year ended 31 Dec 2020 €'000	Year ended 31 Dec 2019 €'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the year		(43,901)	(77,780)
Adjustments to reconcile loss after tax to net cash flows:			
Depreciation of property, plant and equipment	9	10,548	12,559
Amortisation of intangible assets	10	25,832	27,575
Gain on sale of property, plant and equipment		(499)	(66)
Allowance recognised on trade receivables	13	593	(299)
Impairment of Goodwill		-	50,748
Impairment of PP&E		609	5,735
Net exchange differences		1,032	10,307
Fair value movement of derivatives		(145)	186
Net finance costs	7	40,875	6,099
Equity-settled share-based payment transactions		174	-
Tax (credit) / charge	8	(12,064)	(3,053)
Working capital adjustments:			
Trade and other receivables and prepayments		(4,257)	(3,122)
Contract assets		(1,450)	3,663
Trade and other payables		(7,048)	(6,070)
Inventories		(3,784)	15,447
Contract liabilities		(928)	(642)
Provisions		(4,794)	(12,161)
Cash Collateralised Guarantees		(4,751)	-
Cash generated from / (used in) operating activities		**(3,958)**	**29,126**
Interest paid (including IFRS 16 leases interest)		(20,680)	(17,989)
Interest received		66	252
Tax paid		(1,912)	(1,311)
Net cash inflow / (outflow) from operating activities		**(26,484)**	**10,078**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	9	(3,448)	(8,342)
Disposals of property, plant and equipment		249	562
Additions to intangible assets		(2,367)	(7,142)
Payment of contingent consideration on prior year acquisition		-	(1,500)
Disposal of NCI		896	-
Net cash outflow from investing activities		**(4,670)**	**(16,422)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from / (Repayment) of loans and borrowings		66,518	4,300
Payment of lease liabilities		(5,238)	(4,516)
Acquisition of NCI	26	-	(2,377)
Dividends paid (withholding tax on inter-Group dividend)		(51)	(166)
Net cash inflow from financing activities		**61,229**	**(2,759)**
Net movement in cash and cash equivalents		30,074	(9,103)
Cash and cash equivalents at the beginning of the year		12,672	21,775
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	42,747	12,672

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 General information and basis of preparation

Praesidiad Group Limited ('the Company') is a private Company domiciled and registered in England and Wales. The registered number is 10847053 and the registered address is York House, 221 Pentonville Road, London, United Kingdom, N1 9UZ. The consolidated financial statements of the Group for the year ended 31 December 2020 include the Company and its subsidiaries (together referred to as the 'Group'). The subsidiary companies are included from the date control was acquired. The parent Company financial statements present information about the Company as a separate entity and not about its Group, these are presented at the end of the financial statements after the Group financial statements. The Group's principal activities are the provision of integrated perimeter security systems and solutions. The financial statements were authorised for issue by the Directors on 30 April 2021.

The consolidated financial statements have been prepared on a historical cost basis, except as otherwise indicated. These consolidated financial statements are presented in Euros, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest thousand, except when otherwise indicated.

The results are comparable unless otherwise stated.

Going Concern

In respect of the 2020 Annual Report and consolidated financial statements, the ongoing COVID19 pandemic has a material impact on the going concern assessment. At year end the Group had liquidity (including undrawn borrowing facilities) of €50m, which included funds from fully drawing the available financing facilities to see it through the unprecedented and uncertain trading environment. As at 31 December 2020 the group was covenant tested and was not in breach.

The Group's base case assumptions show that it will be able to operate within the senior finance agreement ('SFA') for at least 12 months from the date of approval of the Annual Report and consolidated financial statements with sufficient liquidity and no breach of financial covenants. In light of the COVID-19 pandemic, the Group performed plausible downside scenarios which identified a scenario that would result in a breach of a financial covenant despite the Group maintaining sufficient liquidity for at least 12 months from the date of the Annual Report and consolidated financial statements. These scenarios have involved considering the impact of the virus in the countries and regions in which the Group operates, on the supply chain and the broader impact on the wider economy, for example customer confidence, future buying intentions and their ability to pay. The Directors continue to closely monitor cash flow forecasts and would take mitigating actions in order to maintain compliance with the SFA.

At the time of issuing of the Annual Report and consolidated financial statements there is still unprecedented market conditions driven by COVID-19, which increases the uncertainty of delivering the Group's forecasts and accordingly the risk that the Group may breach a financial covenant. These conditions indicate that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern. Notwithstanding this material uncertainty, the Directors' confidence in the Group's forecasts and ability to service the debt facilities supports the Directors' going concern assessment covering a period of at least 12 months from the date of approval of the Annual Report and consolidated financial statements.

1.2 Statement of compliance

The consolidated financial statements of Praesidiad Group Limited have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The accounting policies set out below have been applied consistently by all Group companies. The Company has elected to prepare its parent company financial statements in accordance with FRS 101 Reduced Disclosure Framework. The accounting policies have been applied consistently, other than where new policies have been adopted.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, the Group is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

1.3(a) Significant judgements

Reorganisation and change of CGU's from business units to regional structure

In 2019 due to changes in the way the organisation is structured and managed the CGU's for impairment testing changed to two, namely Betafence and Guardiar as one CGU and Hesco as one CGU. This a result of a decision by management to reorganise the business into a flatter regional structure.

As a result the Guardiar and Betafence BU's are now reported on a regional basis i.e. the reporting has been updated and is now done on a regional basis versus a business unit basis.

Per IAS 36 (Impairment of Assets) when an entity reorganises its reporting structure in a manner that changes the composition of cash-generating units (groups of units) to which goodwill has been allocated, the goodwill should be reallocated to the units (groups of units) affected.

This has created many synergies between 'Betafence and Guardiar', based on the new structures there are shared services amongst them. In the past, there were company and business unit specific staff. This process has started and will continue into the future to enhance the cost savings, benefits and synergies e.g. marketing, commercial excellence, monitoring of sales teams, setting targets, reviewing activity, reviewing quotes and orders etc. which were done on a divisional/regional basis are being done on a centralised basis for Guardiar and Betafence.

Per the IAS 36 .par 87 requirements the entity has reorganised its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, and therefore the goodwill shall be reallocated to the units affected.

As Betafence and Guardiar were reorganised in 2019 from a reporting structure management test the goodwill for these two business units as one, and the goodwill previously allocated to each is accumulated and tested as one CGU. This enhances understandability, consistency and reliability in terms of the allocation of goodwill and impairment testing. As a result of this reorganisation the CGU's were test for impairment in 2019 prior to the reorganisation and no impairment was required.

The Hesco BU will remain and the goodwill originally allocated to Hesco will remain in this business unit and be tested separately as this is the way management report and control this portion of the business.

Therefore in summary, the four CGU's are; Hesco, EMENA region, Americas region and the South African region. In compliance with the IAS 36 synergy requirements, and consistent with the prior year the previous Betafence and Guardiar CGU's (Europe regions, USA region and South African region) are combined as one for goodwill testing. The Hesco CGU will remain separate for CGU testing.

Hesco Intangible Assets impairment assessment

One of Hesco's large government customers contract expired on 31 December 2020 and Hesco has re-tendered for a new contract. In the past Hesco has been successful in re-tendering for contracts with this customer and has a long established relationship with the customer. However due to prudence the approved directors 5 year forecasts have kept revenue related to this customer at a historically low value. As a result of this lower future revenue and related EBITDA the value in use calculation of Hesco is prudent and lower at 31 December 2020. There is also an intangible asset for this customer relationship with a net book value of €5.1m at year end. At the date of the approval of these financial statements the contract has not been awarded yet, however the Directors expect Hesco to be successful with the retender. If Hesco is unsuccessful with obtaining a portion of this contract there may be a negative consequence for the Hesco goodwill impairment going forward as well as impairment testing around the customer relationship intangible asset. Refer to note 10 for further details on the impairment assessment.

1.3 (b) Sources of estimation uncertainty:

Actuarial assumptions on pension obligations

In determining the valuation of the defined benefit pension assets and deficits, certain assumptions about the schemes have been made, notably the expected return on assets, inflation, discount rates, mortality, salary increases and pension increases. The factors affecting these assumptions are largely outside the Group's control (note 18).

Impairment Testing of Non Financial Assets and Cash Generating Units

The recoverable amounts of cash-generating units and individual non-financial assets have been determined based on the higher of value-in-use calculations and fair values less cost of disposal. These calculations require the use of estimates and assumptions. It is possible that the assumptions may change which may then impact the estimations and require a material adjustment to the carrying value of goodwill and tangible assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use and fair value less costs of disposal of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including revenue, profits, discount rates together with economic factors such as high inflation or a significant deterioration in the economy and industry.

As a result of the increased focus on climate change and environmental risks the Group has also assessed whether there are any such indicators of impairment required or changes to asset useful lives. The Group is not currently aware of any material indicators, however with laws and regulations getting stricter there is the potential for future tighter laws and regulations to have an impact and result in shorter asset useful lives and impairment.

In the prior year a portion of the goodwill in Hesco was impaired, refer to note 10.

Provisions

During the year the Hesco Leeds assembly site in the site in the UK was closed and activities transferred to another Group site in Kotlarnia, Poland, to allow manufacturing and assembly to be performed at the same site. There will continue to be a sales office in Leeds, UK. As a result of this move a restructuring provision was raised in the year.

As part of the closure of the manufacturing operations of Betafence Ltd and the restructuring in Belgium (see note 17) the Group has recognised provisions for the closure of the plant and redundancy of staff from the restructuring respectively in prior years. Although the majority of spend has already taken place there is still provision remaining for future spend. In the current year an agreement was entered in to with the landlord to exit the site early and a portion of the provision has accordingly been released (refer to note 17).

The Group has also recognised provisions for the estimated amount of environmental remediation which may need to be spent in restoring the various manufacturing sites. The warranty provision is management's best estimates of the costs relating to collecting and disposing of uncertified products and re-supplying certified products. In determining the amount recognised for the provisions, assumptions and estimates are made in relation to the expected costs and the expected timing of those costs. To the extent that the actual costs differ from the expected costs the amounts expended in the future may differ to the estimates made.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Acquisitions may also result in intangible benefits being brought into the Group, which may qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill.

Judgement is required in the assessment and valuation of any intangible assets, including assumptions on the timing and amount of future cash flows generated by the assets and the selection of an appropriate discount rate.

Depending on the nature of the assets and liabilities acquired, provisional fair values may be adjusted subsequently as permitted by IFRS 3 "Business Combinations".

When an acquisition does not represent a business, it is accounted for as a purchase of a group of assets and liabilities, not as a business combination. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill is recognised.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated.

Common accounting policies have been used by all companies in the Group.

Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

1.5 Summary of other significant accounting policies

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards

- Definition of a Business (Amendments to IFRS 3)

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (refer below)

Other than the Interest rate benchmark reform the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Interest Rate Benchmark Reform

Currently the Group has loans which have interest based on LIBOR and EURIBOR. It is highly likely that the Interbank Offered Rate (IBOR) will cease to be published after the end of 2021. Alternative risk-free rates (RFRs) have been identified as possible replacements. In the UK, it is proposed that LIBOR be replaced by the SONIA, which is published at 9am the following day. In the European Union, it is proposed that EONIA, EURIBOR and EUR LIBOR be replaced by the ESTER.

The benefits of RFR rates include:
- Based on actual observable transactions
- Overnight in nature (little or no counterparty risk)
- Derived from active and well-defined markets, which are nearly impossible to manipulate or influence
- Produced in a transparent and direct manner (vs. LIBOR, which is based on estimates)

The Group has commenced discussions around the impacts of the potential changes and have received initial broad guidance from JP Morgan, the Facility Agent, as to which reference rate will be applied to the Senior Facilities Agreement (SFA). Once this is finalised by JP Morgan the advice may be checked with the external lawyers. Once the changes are confirmed, the Group intends to set up a Steering Committee to oversee the transition of loans and legacy contracts across the Group. As a result the Group has not completed its assessment of the potential changes to the interest rates at present.

Property, Plant and Equipment

Land and buildings are initially recorded at cost, including directly attributable transaction costs (or fair value when acquired through business combinations) and subsequently at cost less depreciation and impairment.

Fixtures, fittings and equipment are stated at cost, less accumulated depreciation and impairment.

Cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment unless it is acquired as part of a business combination under IFRS 3, where the deemed cost is its acquisition date fair value.

Depreciation is charged through profit or loss based on the cost or valuation less residual value on a straight-line basis over the estimated useful lives of the assets which are:

- Plant, machinery, equipment & vehicles - 5 to 15 years,
- Buildings - 20 to 40 years

Land and construction in progress are not depreciated.
The right of use assets are depreciated over the shorter of the useful life of the asset and the lease term, unless the title to the asset transfers at the end of the lease term, in which case depreciation is over the useful life.

Residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. The carrying amount of an item of property, plant and equipment is derecognised on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

Plant and machinery are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that do not generate independent cash flows are combined into cash generating units. If carrying values exceed estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. Recoverable amount is the greater of fair value less cost to sell and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Leases

The Group has applied IFRS 16 using the modified retrospective approach in the prior year and therefore the comparative information is under IFRS 16.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

Group as a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Leases (Cont.)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Group generally considers assets with a value less than €5,500.00 of being low-value assets.

Group as a Lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the
When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Revenue from contracts with customers

The Group's principal activities are the provision of integrated perimeter security systems and solutions. The Group operates on a regional basis and has three major brands: Betafence, (traditionally a manufacturer of perimeter security systems), Hesco, (traditionally a manufacturer of personnel and asset protection systems), and Guardiar (traditionally a total solution provider for integrated perimeter security). With the exception of Hesco the brands are interchangeable depending on the market.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Sale of goods
Revenue from sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of products, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group did not have any revenue streams during 2020 or 2019 which had variable consideration or rights of return.

Significant financing component
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods or service to the customer and when the customer pays for those goods or service will be one year or less. The Group does not have any sales where the customer is provided with financing terms of over a year.

Revenue from contracts with customers (cont.)

Installation and other services

The Group provides installation services for certain of the products. Depending on the nature of the contract there may be only one performance obligation as either the goods and services are not distinct or the contract relates to a series of distinct goods and services that are substantially the same and have the same pattern of transfer. For other contracts there can be multiple performance obligations if the goods and services are distinct. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the products and installation services.

The Group recognises revenue from installation services over time, using input or output methods respectively (i.e. at the inception of the contract the method will be decided and each contract will only use input or output methods and not a combination of both). The method used will depend on the nature of the contracts and services provided. Output methods used are surveys of work performed to date, which are usually agreed periodically (e.g. monthly) with the client. Input methods used include measuring progress towards complete satisfaction of the service and costs incurred versus total budgeted costs.

Agency services

The Group has contracts with customers whereby we are not the primary service provider. Depending on the nature of these arrangements the Group can act as an agent in these arrangements.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services (e.g. commission).

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract

The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense costs to obtain a contract, e.g. sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less. The Group does not have other material costs to obtain a contract.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in 'employee benefit expense' in the income statement, except where included in the cost of an asset, reflects the change in the defined benefit obligation resulting from service in the current year, benefit changes, curtailments and settlements.

1.5 Summary of other significant accounting policies (cont.)

Past service costs are recognised immediately in the statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in 'employee benefit expense' in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payment arrangements
The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period (if any) of the awards.. The Group currently only has shares issued to employees which vest at issue date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Finance income and finance costs
Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset form part of the cost of the assets and are capitalised as such. Other borrowing costs are recognised as an expense.

Interest income or expense is recognised using the effective interest method.

Provisions
Provisions for environmental remediation, restructuring costs, warranties and other obligations are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement. The increase in the provision due to passage of time is recognised as interest expense.

Income taxes
Deferred tax
Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill impairment or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised (unless the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Current tax
Current tax is the expected tax payable on the taxable income for the year using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years.

Current tax and deferred taxes are charged or credited to Other Comprehensive Income if the tax relates to items that are credited or charged, in the same or a different period, to Other Comprehensive Income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

1.5 Summary of other significant accounting policies (cont.)

Impairment of non financial assets and Cash-Generating Units

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Statement of Profit or Loss and Other Comprehensive Income in those expense categories consistent with the function of the impaired asset.

Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment annually.

Goodwill acquired in a business combination is allocated to each of the cash-generating units, or Groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or Groups of units.

A cash-generating unit is the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or Groups of assets.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

If the Group reorganises its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected. Where relevant, this reallocation is be performed using a relative value approach similar to that used when the Group disposes of an operation within a cash-generating unit, unless the Group can demonstrate that some other method better reflects the goodwill associated with the reorganised units.

Goodwill

Goodwill represents the excess of the fair value of the consideration for an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill represents the future economic benefits arising from other assets in a business combination that are not individually identified and separately recognised. When the excess is negative (a bargain purchase gain), it is recognised immediately in profit or loss. Goodwill is measured at its initial carrying amount less accumulated impairment losses.

Intangible Assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every year end. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Trade name, patents & trademarks

Separately acquired trade names, trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 3 to 20 years.

Technology and development costs

Acquired technology and development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years. Technology and development costs acquired in a business combination are recognised at fair value at the acquisition date. Technology and development costs have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technology and development costs from a business combination over their estimated useful lives of 3 to 20 years.

1.5 Summary of other significant accounting policies (cont.)

Computer software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 15 years.

Development costs
Development costs that are directly attributable to the design and testing of identifiable products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the product include the employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Customer relationships
Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 5 to 16 years.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Share capital and equity
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Ordinary dividends declared as final dividends are recognised as a liability in the period in which they are approved by shareholders.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Fair value measurement

The Group measures financial instruments such as derivatives, and receivables factored without recourse at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability

Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

1.5 Summary of other significant accounting policies (cont.)

Financial instruments

i) Financial Assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on Revenue with contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes unfactored trade receivables, trade receivables factored with recourse and other receivables included in current assets.

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group currently does not have any financial assets at fair value through OCI.

1.5 Summary of other significant accounting policies (cont.)

Financial instruments (cont.)

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and trade receivables that are factored without recourse.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired
Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities
Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

1.5 Summary of other significant accounting policies (cont.)

Financial instruments (cont.)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments
The Group uses derivative financial instruments. Currently the Group only has an interest rate swap to hedge interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash and cash equivalents
Cash and short-term deposits are carried at amortised cost in the Statement of Financial Position and comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Trade and other payables
Liabilities for trade and other amounts payable are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at amortised cost. Where the time value of money is insignificant for short term payables they are recognised at cost.

Trade and other receivables
Trade and other receivables are stated initially at their fair value and subsequently at amortised cost less any allowance for doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable.

Foreign exchange
Transactions in currencies other than the functional currency of a Group entity are recorded at the rate of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the respective functional currency at the relevant rates of exchange ruling at the reporting date. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in profit or loss.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated to euros at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euros at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

IFRS 16 Leases

The Group has initially applied IFRS 16 Leases from 1 January 2019. This was a significant change in the prior year. A number of other new standards are also effective from 1 January 2020 but they do not have a material effect on the Group's financial statements. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

In the prior year on initial application of the standard the Group has taken advantage of the following practical expedients per IFRS 16:

- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Reliance on the assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review,
- Electing not to apply the requirements to leases for which the lease term ends within 12 months of the date of initial application and rather accounting for these leases in the same way as short-term leases,
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

3. REVENUE

The Group generates revenue primarily from the provision of integrated perimeter security systems and solutions. Previously the Group operated three business units: Betafence, a manufacturer of perimeter security systems, Hesco, a manufacturer of personnel and asset protection systems and Guardiar, a total solution provider for integrated perimeter security. Since the prior year the Group now operates on a regional basis (EMENA, Americas, South Africa and Hesco) but still uses the Betafence, Guardiar and Hesco branding for products and solutions.

	2020	2019
	€'000	€'000
Revenue from contracts with customers	285,805	329,309

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, and timing of revenue recognition.

2020	**Regional entities**	**Hesco**	**Total**
Primary geographical markets	**€'000**	**€'000**	**€'000**
IMEA (India, Middle East & Africa)	4,183	14,249	18,432
South Africa	14,648	-	14,648
Europe	177,008	3,585	180,593
Americas (USA & Latin America)	47,679	22,868	70,547
Asia	1,514	71	1,585
	245,032	**40,773**	**285,805**
Timing of revenue recognition			
Products transferred at a point in time (usually sale of goods)	236,079	40,729	**276,808**
Products and services transferred over time (usually service revenue)	8,953	44	**8,997**
Revenue from contracts with customers	**245,032**	**40,773**	**285,805**

2019	**Regional entities**	**Hesco**	**Total**
Primary geographical markets	**€'000**	**€'000**	**€'000**
IMEA (India, Middle East & Africa)	19,682	4,612	24,294
South Africa	19,604	-	19,604
Europe	192,147	4,635	196,782
Americas (USA & Latin America)	58,227	27,188	85,415
Asia	3,182	32	3,214
	292,842	**36,467**	**329,309**
Timing of revenue recognition			
Products transferred at a point in time (usually sale of goods)	280,397	36,434	**316,831**
Products and services transferred over time (usually service revenue)	12,445	33	**12,478**
Revenue from contracts with customers	**292,842**	**36,467**	**329,309**

The Group takes the practical expedient in IFRS 15 .par 121 to not disclose information about its remaining performance obligations if either of the following conditions is met:

1. The performance obligation is part of a contract that has an original expected duration of one year or less; or
2. The Group recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16 (a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date).

After considering this practical expedient there are no remaining performance obligations which need to be disclosed.

Determining the timing of the satisfaction of services (including installation services)

The Group concludes that revenue for installation services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the installation that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determines that as it has different type of service contracts which have different performance obligations, have a different nature and are structured differently the input and output methods are the best methods in measuring progress of the services based on the nature of the services and performance obligations.

Contract balances	**31 Dec 2020**	**31 Dec 2019**
	€'000	**€'000**
Contract assets	3,242	1,792
Contract liabilities	(2,940)	(3,869)

3. REVENUE (Cont.)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on project revenue in the Guardiar business unit. There were no impairments on contract assets during the period. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

In 2020 the contract liabilities primarily relate to the advance consideration received from customers in the Americas, EMENA region, for which revenue is recognised over time and at a point in time. In 2019 the contract liabilities primarily relate to the advance consideration received from customers in the Americas and EMENA region, for which revenue is recognised over time and at a point in time.

Offset contract liability

Included in the contract liabilities is an amount of €2,462 (2019: €2,173) (€'000) which relates to an offset obligation in a Group subsidiary. This is a result of recent and previously supplying several large contracts awarded in the Middle East. As a result, the subsidiary is required to take part in the country's offset programme, which aims to create economic value by encouraging foreign-owned companies to transfer industrial capabilities and technology to their economy. Notional offset liabilities are calculated at a percentage of the contract value awarded, and can be satisfied by a variety of methods, each of which carries a multiplier based, broadly, on the level of impact each method has on the creation of jobs and the transfer of technology to the country.

4. RECURRING EBITDA EXCLUDING IFRS 16 AND EXTERNAL NET DEBT

	2020	2019
Recurring EBITDA	**€'000**	**€'000**
Operating loss (post IFRS 16)	(15,090)	(23,986)
Reversal of IFRS 16 effect on EBITDA	(6,104)	(6,685)
Add back:		
Depreciation excluding IFRS 16 right of use (leased) assets	8,225	7,120
Depreciation on right of use (leased) assets per IFRS 16	2,323	5,439
Amortisation of intangible assets	25,832	27,575
EBITDA (1)	**15,186**	**9,463**
Adjust for non-recurring items		
Restructuring of Hesco assembly facility (2)	5,677	-
European operational restructuring activity	-	1,567
Closure of Betafence Ltd manufacturing operations (refer to note 17)	(4,948)	(796)
Warranty provision (refer note 17)	(298)	7,181
Transaction costs on acquisitions and disposals (3)	246	1,144
GMP equalisation of the Betafence Ltd pension plan (refer to note 18)	1,222	-
Other (4)	13,028	12,423
	14,928	21,519
Recurring EBITDA	**30,114**	**30,982**

(1) EBITDA is a non-IFRS measure and is defined as Earnings before interest, tax, depreciation and amortisation. EBITDA used by the Group is also adjusted by non-recurring items which are items such as unrealised gains and losses, infrequent and non-core items. Due to the external debt being granted before IFRS 16 was implemented management have determined this requires reporting excluding IFRS 16 (i.e. on the previous IAS 17 basis). As a result the Group prepares internal and lender reporting excluding the impact of IFRS 16. Management believes that this measure provides useful information as it is used internally to evaluate trading performance of the business and is consistent with lender reporting.

(2) During the year the Hesco Leeds assembly site in the UK was closed and activities transferred to another Group site in Kotlarnia, Poland, to allow manufacturing and assembly to be performed at the same facility. There will continue to be a sales office in Leeds, UK.

(3) The 2020 transaction costs mostly relate to the disposal of the non-controlling interest in Guardiar South Africa (Pty) Ltd (refer note 27). The 2019 transaction costs include the repurchase of the minority interest in Guardiar South Africa (Pty) Ltd and other abortive acquisition costs (including the proposed acquisition of Drehtainer GmbH).

(4) The 2020 Other relates to non-recurring and other non-operating items, including redundancies and restructurings. Included in this amount are redundancies of €2,574 (2019: €1,513) (€'000). In the prior year this amount included legal patent dispute and related compensation costs of €2,064 (€'000). During the prior year the Group exchanged contracts for the disposal of the property where the German subsidiary currently operates. Upon completion the German business will relocate to a new leased facility. As part of this process the property value was reviewed and it was determined that the value was impaired and therefore this was recognised in 2019.

4. RECURRING EBITDA EXCLUDING IFRS 16 AND EXTERNAL NET DEBT (Cont.)

	2020	2019
External net debt	€'000	€'000
Non current liabilities		
Loans and borrowings - external	405,348	345,459
Current liabilities		
Loans and borrowings - external	8,519	10,848
Reversal of IFRS 16 leases which are outside of net debt	(25,189)	(34,078)
	388,678	322,229
Trade and other payables		
Payables for factored receivables with recourse	13	1,922
Current assets		
Cash and cash equivalents	(42,747)	(12,672)
Cash collateralised guarantees included in cash	(6,611)	-
External net debt	339,333	311,480

Net debt is a non-IFRS measure used by management and is defined as the external debt (excluding shareholder loans) and payables recognised for factored receivables with recourse less cash and cash equivalents. External net debt excludes shareholder loans and related interest as these are inter-group balances and are excluded to show external third party debt.

5. EXPENSES

	2020	2019
The following items are included in the expenses (in selling and distribution costs and general & administrative expenses):	€'000	€'000
Depreciation of PP&E	10,548	12,559
Amortisation of Intangible Assets	25,832	27,575
Low value and short term lease payments under the IFRS 16 exemption	1,102	788
Lease expense (interest charge on lease, low value and short term lease expense)	3,134	3,062
Repairs and maintenance	2,756	3,131
Fees paid and accrued to the auditors - for the current year audit services	774	575
Fees paid and accrued to the auditors - for current year tax compliance services	72	2
Fees paid and accrued to the auditors - other non audit services	5	-
Research and development	5,009	4,469
Transaction expenses on business combinations and aborted acquisitions	246	1,144

Included in the depreciation and amortisation above is depreciation and amortisation of €26,851 (2019: €26,750) (€'000) on assets revalued on 4 October 2017 as a part of the Carlyle acquisition.

Included in the depreciation is depreciation on the right of use assets recognised under IFRS 16. IFRS 16 was adopted for the first time in 2019 (refer to note 25).

6. EMPLOYEES

Employee benefit expense	2020	2019
	€'000	€'000
Salaries - staff	52,034	53,499
Social security costs	8,269	10,206
Pension costs - defined contribution plans	897	334
Pension costs – defined benefit plans	521	663
Other post-employment benefits	21	-
Equity-settled share-based payments	174	-
	61,916	64,702
Average number of people employed		
Manufacturing (Production and Support)	868	891
Research and development	15	15
Selling	175	192
General and administration	149	171
Total average headcount	1,207	1,269

The directors of Praesidiad Group Limited are remunerated through another Group company and not through Praesidiad Group Limited. Refer to note 22 for directors and key management remuneration.

7. NET FINANCE COSTS

	2020 €'000	2019 €'000
Net finance costs comprises:		
Interest expense on loans and borrowings	20,100	18,066
Bank charges	354	329
Net foreign exchange loss	19,091	-
Leases interest expense	2,032	2,274
Total finance costs	41,577	20,669
Net finance income comprises:		
Interest income on bank deposits and pension asset	(687)	(1,156)
Net foreign exchange gain	-	(13,402)
Leases interest income	(15)	(12)
Total finance income	(702)	(14,570)
Net Finance Costs	40,875	6,099

The interest expense and income on leases arises from the adoption of IFRS 16 during the 2019 year (refer to notes 25 for further details). The net foreign exchange loss of €19.1m (2019: €13,402 gain) €'000 mostly relates to unrealised forex on the external borrowings. This is a result of a portion being non-Euro denominated as well as a large portion of the Euro borrowings being in non-Euro functional currency companies.

8. TAXATION

	2020 €'000	2019 €'000
Corporate tax		
- Current year tax charge	989	3,644
- Adjustments in respect of prior years	(3,690)	949
Total current tax (credit) / charge	(2,701)	4,593
Deferred tax		
- Origination and reversal of timing differences	(9,358)	(7,844)
- Adjustment in respect of previous years	(5)	198
Total deferred tax credit	(9,363)	(7,646)
Tax credit on loss on ordinary activities	(12,064)	(3,053)

Current tax reconciliation

The tax credit for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%), the difference is explained below.

	2020	2019
Loss before tax	(55,965)	(80,833)
Tax on loss at standard UK tax rate of 19% (year ended 31 December 2019: 19%)	(10,633)	(15,358)
Effects of:		
Expenses not deductible for tax purposes	10,554	19,224
Non taxable income	(75)	(124)
Overseas items taxed at different rates	1,144	670
Net deferred tax impact on utilisation and recognition on losses	3,623	(958)
Deferred tax not recognised	(3,317)	1,409
Origination and reversal of temporary differences	(9,665)	(8,865)
Prior year adjustments	(3,695)	949
Total tax credit reported in the statement of profit or loss	(12,064)	(3,053)

Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) were enacted by Finance Act 2015. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% for the financial year beginning 1 April 2020 as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

9. PROPERTY, PLANT AND EQUIPMENT

	Right of use assets	Land and Buildings	Plant, machinery, equipment & vehicles	Construction in progress	Total
	€'000	€'000	€'000	€'000	€'000
PPE - 2019					
At cost or valuation:					
At 1 January 2019	-	29,209	38,814	1,370	69,393
Recognition of right-of-use asset on initial application of IFRS 16	34,442	-	-	-	34,442
Acquisitions	-	-	-	-	-
Additions	4,090	126	2,901	5,375	12,492
Disposals	-	(78)	(2,928)	-	(3,006)
Derecognition of right-of-use assets	(488)	-	-	-	(488)
Transfers between classes	-	582	1,601	(2,183)	-
Effect of movements in exchange rates	-	117	79	22	218
At 31 December 2019	**38,044**	**29,956**	**40,467**	**4,584**	**113,051**
Accumulated Depreciation:					
At 1 January 2019	-	(3,291)	(560)	-	(3,851)
Depreciation charge	(5,439)	(1,583)	(5,537)	-	(12,559)
Impairment charge for the period	(8,494)	(5,525)	(210)	-	(14,229)
Disposals	-	7	2,689	-	2,696
Effect of movements in exchange rates	-	36	77	-	113
At 31 December 2019	**(13,933)**	**(10,356)**	**(3,541)**	-	**(27,830)**
Net book value					
Net book value at 31 December 2019	**24,111**	**19,600**	**36,926**	**4,584**	**85,221**

2019 Right of use assets

	Land and Buildings	Plant, machinery, equipment & vehicles	Construction in progress	Total
	€'000	€'000	€'000	€'000
Right of use assets relate to the following categories at 31 December 2019	**22,401**	**1,710**	-	**24,111**

	Right of use assets	Land and Buildings	Plant, machinery, equipment & vehicles	Construction in progress	Total
	€'000	€'000	€'000	€'000	€'000
PPE - 2020					
At cost or valuation:					
At 1 January 2020	38,044	29,956	40,467	4,584	113,051
Additions	2,323	121	1,134	3,185	6,763
Disposals	-	(1,964)	(2,355)	(67)	(4,386)
Derecognition of right-of-use assets	(4,155)	-	-	-	(4,155)
Transfers between classes	-	541	886	(1,427)	-
Effect of movements in exchange rates	(1,584)	(26)	(36)	(5)	(1,651)
At 31 December 2020	**34,628**	**28,628**	**40,096**	**6,270**	**109,622**
Accumulated Depreciation:					
At 1 January 2020	(13,933)	(10,356)	(3,541)	-	(27,830)
Depreciation charge	(2,323)	(1,769)	(6,456)	-	(10,548)
Impairment charge for the period	-	-	(609)	-	(609)
Disposals	-	1,229	2,313	-	3,542
Derecognition of right-of-use assets	1,058	-	-	-	1,058
Effect of movements in exchange rates	764	(10)	(3)	-	751
At 31 December 2020	**(14,434)**	**(10,906)**	**(8,296)**	-	**(33,636)**
Net book value					
Net book value at 31 December 2020	**20,194**	**17,722**	**31,800**	**6,270**	**75,986**

9. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Land and Buildings	Plant, machinery, equipment & vehicles	Construction in progress	Total
	€'000	€'000	€'000	€'000
Right of use assets relate to the following categories at 31 December 2020	18,630	1,564	-	20,194

The right of use assets were recognised on 1 January 2019 on the first time adoption of IFRS 16, please refer to notes 25 for further details.

At 31 December 2020, PP&E with a carrying amount of €5,744 (2019: €5,210) (€'000) were pledged as security on borrowings.

Included in land and buildings at 31 December 2020 is land at a carrying value of €9,530 (2019: €9,530) (€'000) which is not depreciated.

The lease rentals for the above right of use assets were €7,274 (2019: €6,721) (€'000) for the year.

The amount of expenditures recognised in the carrying amount of property, plant and equipment during its construction was €4 (2019: €4,738) (€'000)

Included in the depreciation above is depreciation of €2,426 (2019: €1,709) (€'000) on assets revalued in October 2017 as a part of the Carlyle acquisition.

During October 2019 an agreement was entered into to re-locate the German manufacturing site to a more modern site in the same region. As a part of this re-location the German site was sold. Due to COVID-19 and the government enforced lockdown in Germany this move took longer than anticipated and was not completed during 2019. As a part of this process the carrying value of the property was reviewed against the expected fair value less costs to sale and it was impaired by €5,525 (€'000) in 2019. The machinery on the site needed to be moved and the site cleared up before the sale could be finalised and as a result the site was not available for sale in its current condition and was therefore not classified as 'held for sale' under IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) in 2019. During the current year the machinery was removed, the site cleared and the sales conditions met and the sale has completed and was recognised and the remaining property carrying amount derecognised during the current year.

10. INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Trade name, patents & trademarks	Technology (incl software) & development costs	Customer relationships	Total
At cost or valuation - 2019	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
At 1 January 2019	301,453	65,954	59,075	184,946	611,428
Acquisitions	-	-	-	-	-
Additions	-	-	7,364	-	7,364
Disposals	-	-	-	-	-
Effect of movements in exchange rates	-	(81)	(82)	-	(163)
At 31 December 2019	**301,453**	**65,873**	**66,357**	**184,946**	**618,629**
Accumulated amortisation:					
At 1 January 2019	-	(8,787)	(6,158)	(19,018)	(33,963)
Amortisation charge	-	(6,825)	(5,600)	(15,150)	(27,575)
Impairment charge	(50,748)	-	(108)	-	(50,856)
Reclassification	-	(79)	-	79	-
Effect of movements in exchange rates	-	(19)	(15)	-	(34)
At 31 December 2019	**(50,748)**	**(15,710)**	**(11,881)**	**(34,089)**	**(112,428)**
Net book value					
Net book value at 31 December 2019	250,705	50,163	54,476	150,857	506,201

10. INTANGIBLE ASSETS AND GOODWILL (Cont.)

	Goodwill	Trade name, patents & trademarks	Technology (incl software) & development costs	Customer relationships	Total
At cost or valuation - 2020	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
At 1 January 2020	301,453	65,873	66,357	184,946	618,629
Additions	-	11	2,423	-	2,434
Disposals	-	(63)	(56)	-	(119)
Effect of movements in exchange rates	-	(121)	(1,049)	-	(1,170)
At 31 December 2020	**301,453**	**65,700**	**67,675**	**184,946**	**619,774**
Accumulated amortisation:					
At 1 January 2020	(50,748)	(15,710)	(11,881)	(34,089)	(112,428)
Amortisation charge	-	(6,583)	(4,099)	(15,150)	(25,832)
Impairment charge	-	-	-	-	-
Disposals	-	63	56	-	119
Effect of movements in exchange rates	-	(34)	(340)	-	(374)
At 31 December 2020	**(50,748)**	**(22,264)**	**(16,264)**	**(49,239)**	**(138,515)**
Net book value					
Net book value at 31 December 2020	250,705	43,437	51,411	135,707	481,259

Included in the amortisation above is amortisation of €24,425 (2019: €25,041) (€'000) on assets revalued in October 2017 as a part of the Carlyle acquisition.

2020

Consistent with the prior year the four CGU's in 2020 are; Hesco, EMENA region, Americas region and the South African region. In compliance with the IAS 36 synergy requirements, the previous Betafence and Guardiar CGU's (EMENA regions, Americas region and South African region) are combined as one for goodwill testing. The Hesco CGU remains separate for CGU testing.

	Regional businesses excluding Hesco	Hesco	Total
	€'000	**€'000**	**€'000**
Goodwill - 1 Jan 2020	**195,705**	**55,000**	**250,705**
Impairment	-	-	-
Goodwill - 31 December 2020	**195,705**	**55,000**	**250,705**

Goodwill acquired through business combinations is allocated to CGUs for impairment testing.

The Group considers the relationship between the carrying amounts compared to recoverable amounts as well as net asset values and future earning potential among other factors, when reviewing for indicators of impairment. Goodwill is tested annually (or more frequently if there are indications that goodwill might be impaired) for impairment regardless of indicators and the Group performed the goodwill test on these CGU's for the year ended 31 December 2020.

There was no goodwill impairment in 2020 (2019: €50,748) (€'000). There were no reasonably possible changes that would result in further goodwill being impaired.

Impairment testing

The recoverable amount of each CGU is based on the higher of its value in use and its fair value less costs of disposal per the requirements of IAS 36 Impairment of assets. In the current year the 'regional businesses excluding Hesco' recoverable amount has been determined on the basis of value in use calculations which has not resulted in an impairment and therefore the fair value less costs of disposal calculation has not been required. For the Hesco CGU the value in use calculation results in an impairment so the fair value less costs of disposal calculation has also been performed. The fair value less costs of disposal results in a higher recoverable amount and has therefore been used as the recoverable amount for Hesco.

Management performed this impairment assessment of goodwill allocated to Hesco and the remaining CGU in accordance with IAS 36. The assessment compared the recoverable amount of the CGUs to its carrying value for the year ended 31 December 2020. The recoverable amount of the CGU is assessed by reference to the higher of value in use ('VIU'), being the net present value ('NPV') of future cash flows expected to be generated by the asset, and fair value less costs to dispose ('FVLCD'). The VIU is derived using discounted cash flow techniques (NPV of expected future cash flows of a CGU), which incorporates management's assumptions. The expected future cash flows utilised in the NPV model are derived from the key estimates of projected 5-year EBITDA, capital expenditures and working capital changes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value differs from value in use. Fair value reflects the assumptions market participants would use when pricing the asset.

10. INTANGIBLE ASSETS AND GOODWILL (Cont.)

Value in use is determined by discounting the future cash flows generated from the continuing operation of the CGUs. The value in use was based on the following key assumptions for the Regional CGU (excluding Hesco in 2020):

- Cash flow projections are based on budgeted forecasts prepared by management covering a five year period.
- Cash flow projections assume a long term compound annual growth rate of 17.5% (2019: 25.7%) in EBITDA.
- Cash flow projections assume an additional deduction from EBITDA for capex expenditure which decreases at a rate of 6.08% (2019: 9.6%).
- The value in use calculations also include a terminal value which incorporates a long term growth rate of 2% (2019: 2%).
- The cash flows are discounted using a risk adjusted discount rate of 10.5% (2019: 10.5%). The 2020 and 2019 WACC is an overall rate based upon the individual rates of return for invested capital components (equity and interest-bearing debt) and is calculated by weighting the required returns on interest-bearing debt, preferred equity capital, and common equity capital in proportion to their estimated percentages in an expected capital structure.

The values applied to each of these key assumptions are derived from a combination of internal and external factors based on historical experience and taking into account the stability of cash flows typically associated with these factors.

Hesco assessment in 2020

During 2020 year the Hesco business experienced an increase in sales and profitability with EBITDA improving by 24% compared to the prior year. However one of Hesco's large government customers contract expired on 31 December 2020 and Hesco has re-tendered for a new contract (in the past Hesco has been successful in re-tendering for these contracts). However due to prudence the approved directors 5 year forecasts have kept revenue related to this customer at a historically low value. As a result of this lower future revenue and related EBITDA the value in use calculation of Hesco is prudent and lower at 31 December 2020. Per the requirements of IAS 36 a fair value less costs of disposal calculation has been performed, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. This results in a higher recoverable amount so the fair value less costs of disposal has been used as the recoverable amount for impairment testing. This recoverable amount is higher than the carrying value and therefore no impairment is required in the current year (2019: €50,748 (€'000) impairment).

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make. The working capital and capex changes are based on historical five year averages.

Regional businesses excluding Hesco - 2020

For the remaining CGU, at 31 December 2020, the recoverable amount was determined to be higher than the carrying amount of the CGU. The discount rate has increased this year to 12%, with this discount rate a 0.5% increase in the risk adjusted discount rate would still leave headroom, however a 1% increase would result in an impairment. The directors conclude that the carrying value of this remaining goodwill is not impaired at 31 December 2020 using the 12% discount rate. There was no goodwill impairment in 2019.

The discount rate applied to calculate the present value was based upon the pre-tax nominal weighted average cost of capital applicable to the CGUs. The discount rate reflects equity risk premiums over the risk-free rate, the impact of the remaining economic life of the CGU and the risks associated with the relevant cash flows based on the region in which the CGU is located. These risk adjustments are based on observed equity risk premiums, historical country risk premiums and average credit default swap spreads for the period.

During the 2020 impairment assessment management applied the following key assumptions:

Key assumption	Regional businesses excluding Hesco	Hesco
5-year EBITDA average growth rate	17.5%	-2.6%
Discount rate	12.0%	11.5%
Long-term growth rate	2%	2.3%

For the purposes of testing for impairment of the regional businesses CGU (i.e. excluding the Hesco CGU), the CGU is sensitive to impairment based on a change in the key assumptions used to estimate the recoverable amount which could result in a future impairment. However if there are such negative changes in the future, the Group would also perform a FVLCD impairment assessment (the higher of VIU and FVLCD can be used as the recoverable amount) to calculate the recoverable amount for impairment testing which could provide adequate headroom against an impairment depending on the size of negative changes in the key assumptions.

For the Hesco CGU, the following sensitivities have been disclosed to illustrate the reasonably possible impact of changes in key estimates, none of these result in an impairment in 2020:

- a decrease of 5-year EBITDA average growth rate by 10%.
- a increase of the discount rate by 1%.
- a decrease of a long-term growth rate by 1%

2019

There was a group reorganisation in 2019 and due to this reorganisation and the related synergies, the goodwill allocation was updated to allocate goodwill on a regional basis. The four CGU's in 2019 were; Hesco, EMENA region, Americas region and the South African region. In compliance with the IAS 36 synergy requirements, the previous Betafence and Guardiar CGU's (EMENA regions, Americas region and South African region) were combined as one for goodwill testing. The Hesco CGU remained separate for CGU testing. Accordingly, the Goodwill was allocated to the following two cash generating units (CGU's); EMENA, Americas, South Africa and Hesco as follows:

10. INTANGIBLE ASSETS AND GOODWILL (Cont.)

	Regional businesses excluding Hesco	Hesco	Total
	€'000	€'000	€'000
Goodwill - 1 Jan 2019	195,705	105,748	301,453
Impairment of Hesco goodwill	-	(50,748)	(50,748)
Goodwill - 31 December 2019	195,705	55,000	250,705

Goodwill acquired through business combinations is allocated to CGUs for impairment testing.

The Group considers the relationship between the carrying amounts compared to recoverable amounts as well as net asset values and future earning potential among other factors, when reviewing for indicators of impairment. Goodwill is tested annually (or more frequently if there are indications that goodwill might be impaired) for impairment regardless of indicators and the Group performed the goodwill test on these CGU's for the year ended 31 December 2019. Based on this testing there was an impairment in Hesco and no impairment in the remaining CGU, there were no reasonable possible changes that would result in further goodwill in the 'Regional businesses excluding Hesco' being impaired.

Impairment testing
The recoverable amount of the Group of the CGUs is based on the higher of its value in use and its fair value less costs of disposal per the requirements of IAS 36 Impairment of assets. In 2019 the 'regional businesses excluding Hesco' recoverable amount was determined on the basis of value in use calculations which did not result in an impairment and therefore the fair value less costs of disposal calculation was not required. For the Hesco CGU the value in use calculation resulted in an impairment so the fair value less costs of disposal calculation was also performed. The fair value less costs of disposal resulted in a higher recoverable amount and was therefore used as the recoverable amount for Hesco.

The directors performed this impairment assessment of goodwill allocated to Hesco and the remaining CGU in accordance with IAS 36. The assessment compared the recoverable amount of the CGUs to its carrying value for the year ended 31 December 2019. The recoverable amount of the CGU was assessed by reference to the higher of value in use ('VIU'), being the net present value ('NPV') of future cash flows expected to be generated by the asset, and fair value less costs to dispose ('FVLCD'). The VIU was derived using discounted cash flow techniques (NPV of expected future cash flows of a CGU), which incorporates management's assumptions. The expected future cash flows utilised in the NPV model are derived from the key estimates of projected 5-year EBITDA, capital expenditures and working capital changes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value differs from value in use. Fair value reflects the assumptions market participants would use when pricing the asset.

Value in use is determined by discounting the future cash flows generated from the continuing operation of the CGUs. The value in use was based on the following key assumptions for the Regional CGU (excluding Hesco in 2019):
- Cash flow projections are based on budgeted forecasts prepared by management covering a five year period.
- Cash flow projections assume a long term compound annual growth rate of 25.7% in EBITDA.
- Cash flow projections assume an additional deduction from EBITDA for capex expenditure which decreases at a rate of 9.6%.
- The value in use calculations also include a terminal value which incorporates a long term growth rate of 2%.
- The cash flows are discounted using a risk adjusted discount rate of 10.5%. The 2019 WACC is an overall rate based upon the individual rates of return for invested capital components (equity and interest-bearing debt) and is calculated by weighting the required returns on interest-bearing debt, preferred equity capital, and common equity capital in proportion to their estimated percentages in an expected capital structure.

The values applied to each of these key assumptions are derived from a combination of internal and external factors based on historical experience and taking into account the stability of cash flows typically associated with these factors.

Hesco impairment in 2019

During 2018 the Hesco business experienced a decline in sales volume from one of its main customers. In the past, the volumes on this customer were significant and the 5 year forecast included these revenues. As a result of the decline the 5 year forecast was recalculated to reflect the lower anticipated sales volumes. As a result of this lower future revenue and related EBITDA the value in use calculation of Hesco reduced at 31 December 2019. Per the requirements of IAS 36 a fair value less costs of disposal calculation was performed, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. This resulted in a higher recoverable amount so the fair value less costs of disposal was used as the recoverable amount for impairment testing. This calculation resulted in an impairment of €50,748 (€'000) leaving the Hesco CGU with €55,000 (€'000) of goodwill.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make. The working capital and capex changes are based on historical five year averages.

Regional businesses excluding Hesco - 2019
For the remaining CGU, at 31 December 2019, the recoverable amount was determined to be higher than the carrying amount of the CGU. A 1% increase in the risk adjusted discount rate would still leave a considerable amount of headroom. The directors concluded that the carrying value of this remaining goodwill was not impaired at 31 December 2019.

10. INTANGIBLE ASSETS AND GOODWILL (Cont.)

The discount rate applied to calculate the present value was based upon the pre-tax nominal weighted average cost of capital applicable to the CGUs. The discount rate reflected equity risk premiums over the risk-free rate, the impact of the remaining economic life of the CGU and the risks associated with the relevant cash flows based on the region in which the CGU is located. These risk adjustments were based on observed equity risk premiums, historical country risk premiums and average credit default swap spreads for the period.

During the 2019 impairment assessment management applied the following key assumptions:

Key assumption	**Regional businesses excluding Hesco**	**Hesco**
5-year EBITDA average growth rate	25.7%	13.2%
Discount rate	10.5%	12.0%
Long-term growth rate	2%	2.3%

For the purposes of testing for impairment of the regional businesses CGU (i.e. excluding the Hesco CGU), no reasonably possible change in any of the key assumptions used to estimate the recoverable value for the CGUs would result in an impairment.

For the Hesco CGU, the following sensitivities were disclosed to illustrate the possible impact of changes in key estimates:
- a decrease/increase of 5-year EBITDA average growth rate by 10% would decrease/increase the remaining goodwill recoverable amount by EUR12.6m / (EUR12.6m).
- a decrease/increase of the discount rate by 1% would increase/decrease the remaining goodwill recoverable amount by EUR 13.7m / (EUR11.1m).
- a decrease/increase of a long-term growth rate by 1% would decrease/increase the remaining goodwill recoverable amount by (EUR7.6m) / EUR 9.4m.

Impairment analysis prior to reorganisation

An impairment analysis was performed for the Guardiar CGU prior to the above mentioned reorganisation to analyse whether an impairment was required prior to reorganisation as this was sensitive to an impairment. This analysis was performed based on the March 2019 reforecast (FY19 3+9) for the remaining portion of 2019 and the 5 year forecast for the remaining periods. The key assumptions were as follows:

Key assumption	**Guardiar**
5-year EBITDA average growth rate	17.8%
Discount rate	10.5%
Long-term growth rate	2%

For the purposes of testing for impairment of property, plant and equipment, management has assessed whether a reasonably possible change in any of the key assumptions used to estimate the recoverable value for the CGUs would result in an impairment. The assessment is sensitive to changes in key assumptions and the following reasonably possible changes in isolation would result in the removal of headroom:

- Both CGU's prior to reorganisation were not sensitive to reasonable possible change in any of the key assumptions.

11. INVESTMENTS

	2020	**2019**
	€'000	**€'000**
Other investments		
Investment in Draht Bremer und Partner GmbH	-	-
Investment in Pindburg SL	81	81
	81	**81**

The Group has other investments in the following companies; Draht Bremer und Partner GmbH (Germany) and Pindburg SL (Spain). The Group does not have significant influence over these companies so they are both carried at cost. The carrying value of Draht Bremer und Partner GmbH (Germany) is € Nil, and Pindburg SL is €81 (€'000) which is unchanged from the prior year.

12. INVENTORIES

	2020	**2019**
	€'000	**€'000**
Raw Materials and consumables	8,613	11,386
Work in progress	19,401	18,728
Finished goods & Goods held for resale	33,982	28,098
	61,996	**58,212**

Inventories impaired during the period amounted to €1,565 (2019: €2,155) (€'000).

The amount of previous inventory write downs reversed in the current period were €1,205 (2019: €5,670) (€'000). This mostly relates to inventory from the Belgium plant in the current year. In 2019 this mostly related to inventory provided for on the Sheffield plant closure in 2018 (see note 17) which were subsequently sold in the 2019 year.

13. TRADE AND OTHER RECEIVABLES

	2020	2019
Current receivables	**€'000**	**€'000**
Trade receivables	47,893	47,533
Allowance for doubtful debts – trade receivables	(5,939)	(5,346)
Prepayments	2,254	1,228
Cash Collateral for Factored Receivables	1,131	-
Cash Collateralised Guarantees and other deposits maturing between 3 to 12 months	2,212	-
Finance lease receivable (note 25)	178	262
Other receivables	6,559	6,947
	54,288	50,624
Non-current receivables		
Loan receivable (refer note 27)	2,147	-
Cash Collateralised Guarantees and other deposits maturing after 12 months	4,751	-
	6,898	-

Based on the short term nature of the trade and other receivables the carrying values approximate the fair value. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

There is no collateral held as security for trade receivables, however certain trade receivables are credit insured.

Retentions related to construction contracts included in trade receivables amount to €1,388 (2019: €1,836) (€'000).

The maximum exposure to credit risk for trade and other receivables by geographic region was as follows:	2020	2019
	€'000	**€'000**
Europe	13,932	13,212
Americas	11,560	15,475
IMEA (India, Middle East & Africa)	16,074	13,141
Asia	388	359
	41,954	42,187

Factored Receivables

The carrying amount of trade receivables transferred at year end and de-recognised as factored without recourse is €16,460 (2019: €18,463) (€'000). The carrying amount of trade receivables transferred at year end and still recognised as factored with recourse is €13 (2019: €2,135) (€'000).

During the year the Group entered in to a new factoring facility with Factofrance. As a part of this new facility the Group is required to deposit a cash amount as collateral for the factored receivables. With the previous factoring arrangement there was no cash collateral, however a larger percentage was held back by the factor, so all else being equal, more funding would be provided under the new facility.

The maximum exposure to credit risk at the reporting date is the value of the receivables above. The Group does not hold any collateral as security.

14. CASH AND CASH EQUIVALENTS

	2020	2019
	€'000	**€'000**
Cash in bank	22,167	12,570
Call deposits and short term deposits	19,343	102
Cash guarantees and deposits with maturities less than 3 months	1,237	-
Cash and cash equivalents in the statement of financial position	42,747	12,672

Refer to note 16 for details around security on the bank accounts.

15. SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

Ordinary shares			
Issued - A Ordinary shares	**No.**	**€**	**€'000**
Shares in issue at 31 December 2019	9,590,958	95,909.58	96
Shares in issue at 31 December 2020	9,590,958	95,909.58	96
Share Premium		**€**	**€'000**
Share premium at 31 December 2019		9,495,049	9,495
Share premium at 31 December 2020		9,495,049	9,495
Total Ordinary Share Capital and Share Premium 2019		9,590,958	9,591
Total Ordinary Share Capital and Share Premium 2020		9,590,958	9,591

All issued share have been fully paid. There were no share issues in 2020 or 2019.

15. SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES (Cont.)

Preference shares

Issued - Redeemable preference shares	**No.**	**€**	**€'000**
Issue of preference shares at €0.01 par - 31 July 2018	409,646,756	0.01	4,096

Share Premium - Redeemable preference shares	**€**	**€'000**
Issue of 409,646,756 redeemable preference shares at a €0.99 premium per share - 31 July 2018	405,550,288	405,550

	2020	**2019**
Total Ordinary and Preference Shares	**€'000**	**€'000**
Total ordinary and preference Share Capital	**4,192**	**4,192**
Total Ordinary and Preference Share Premium	**415,045**	**415,045**

Conversion of loans into preference shares
In 2018 the Group (via Praesidiad Group Limited) had loans with Erpe Finco Ltd (a shareholder of the Group), which were converted to Preference shares. After conversion in 2018 there has been no further interest accrued.

After converting the loan to preference shares, the terms of the preference shares have the following features:
- The preference dividend will not accrue until a dividend has been declared as a dividend is not mandatory but rather the declaration and payment of the dividend will solely be at the discretion of the company, Praesidiad Group Limited (with board approval and shareholder consent). If declared, the dividend will then accrue at 12% since 1 August 2018 or the last declaration and payment date.
- The repayment term of 10 years was removed, the preference shares will only be repayable upon consent of both parties (Praesidiad Group Limited and Erpe Finco Ltd).

Therefore the preference dividend payment will be dependent on Praesidiad Group Limited board approval (with shareholder consent), there is no fixed repayment date, and the holder (Erpe Finco) is unable to unilaterally request repayment. Therefore as a result of the features the preference shares are classified as equity and not debt per IFRS (IAS 32). The calculation of the preference dividend is consistent with the original debt, i.e. on the original loan balance (12% of the original capital balance), compounded annually. However it will not be recognised unless approved and declared by the board of Praesidiad Group Limited and the terms of the financing documents.

There was no preference dividend declared during the year and therefore no preference dividend has been accrued.

Nature and purpose of reserves

Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserve

The other reserve comprises foreign currency differences arising from the translation of the monetary items that are a part of the net investment in a foreign operation (i.e. subsidiaries). Per IAS 21 'The Effects of Changes in Foreign Exchange Rates' long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. Exchange differences arising on such loans that forms part of the Group's net investment in a foreign operation shall be recognised in profit or loss in the separate financial statements of the reporting entities (i.e. subsidiaries). However in these consolidated financial statements such exchange differences are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment. The other comprehensive gain / loss in the year was a loss of €14,512 (2019: gain of €10,307) (€'000).

16. LOANS AND BORROWINGS

Interest-bearing loans and borrowings	**2020**	**2019**
	€'000	**€'000**
Current portion of interest-bearing loans and borrowings		
Interest bearing borrowings - external	1,444	5,306
Lease liabilities [2]	7,075	5,542
	8,519	10,848
Non-Current interest-bearing loans and borrowings		
Interest bearing borrowings - external	387,083	316,792
Lease liabilities [2]	18,265	28,667
	405,348	345,459
Total loans and borrowings	413,867	356,307

Terms and repayment schedule - 2020

The terms and conditions of outstanding loans are as follows:

	Currency of underlying loan	**Nominal interest rate**	**Year of maturity**	**Carrying Amount**	**Fair Value**
				€'000	**€'000**
Term loan	EUR	EURIBOR +4%	2024	254,709	254,709
Term loan	EUR	EURIBOR +4%	2024	30,534	30,534
Term loan [1]	USD	LIBOR +4.25%	2024	28,372	28,372
Term loans	USD	2.94% to 6.27%	2021 to 2025	417	417
Lease liabilities [2]	Various	3.26% to 10%	Various	25,340	25,340
'Lease' loan [3]	EUR	EURIBOR +1.5%	2024	3,000	3,000
RCF and drawn ancillary facility	EUR	EURIBOR +2.3%	2023	71,078	71,078
Short term loan	EUR	0.75%	2021	417	417
Total interest-bearing liabilities				413,867	413,867

[1] There is an interest rate swap on this loan to swap the floating rate one month LIBOR in exchange for a fixed rate of 2.6725%, i.e. the total fixed rate paid on the swap is 6.9225% (2.6725% plus 4.25%). Therefore the net amount paid / (received) would be 6.9225% (2.6725% plus 4.25%) less LIBOR +4.25%. The interest rate swap matures in June 2021. Refer to note 21 for further details.

[2] During 2019 the Group adopted IFRS 16 for the first time, refer to note 25 for further details around the lease liability maturity profile. Included in the lease liabilities is a lease with a carrying value of €101 (2019: €131) (€'000) which is an existing lease recognised as a finance lease in the prior year which is therefore included in net debt (refer note 4). In the current year there are new leases of €50 (€'000) which would have been classified as finance leases under net debt prior to the adoption of IFRS 16.

[3] This relates to an amount owed on the financing of the purchase and installation of a production line, only once the production line has been successfully installed will the repayments commence. There is no set date of when this will commence, and until that date only interest is repaid on this loan. The production line has not been completed and the repayments have not commenced at the time of signing these financial statements.

Terms and repayment schedule - 2019

The terms and conditions of outstanding loans are as follows:

	Currency of underlying loan	**Nominal interest rate**	**Year of maturity**	**Carrying Amount**	**Fair Value**
				€'000	**€'000**
Term loan	EUR	EURIBOR +4%	2024	253,414	253,414
Term loan	EUR	EURIBOR +4%	2024	30,423	30,423
Term loan [1]	USD	LIBOR +4.25%	2024	30,867	30,867
Term loans	USD	2.94% to 7.25%	2021 to 2024	1,094	1,094
Lease liabilities [2]	Various	3.26% to 10%	Various	34,209	34,209
'Lease' loan [3]	EUR	EURIBOR +1.5%	2024	2,000	2,000
RCF and drawn ancillary facility	EUR	EURIBOR +2.3%	2023	4,300	4,300
Total interest-bearing liabilities				356,307	356,307

[1] There is an interest rate swap on this loan to swap the floating rate LIBOR in exchange for a fixed rate of 2.6725%, i.e. the total fixed rate paid is 6.9225% (2.6725% plus 4.25%). The interest rate swap matures in June 2021. Refer to note 21 for further details.

[2] During 2019 the Group adopted IFRS 16 for the first time, refer to note 25 for further details around the lease liability maturity profile. Included in the lease liabilities is a lease with a carrying value of €131 (€'000) which is an existing lease recognised as a finance lease in the prior year which is therefore included in net debt (refer note 4).

[3] This relates to an amount owed on the financing of the purchase and installation of a production line, only once the production line has been successfully installed will the repayments commence. There is no set date of when this will commence, and until that date only interest is repaid on this loan. The production line has not been completed and the repayments have not commenced at the time of signing these financial statements.

At 31 December 2020 there has been no breach in loan covenants and there were no breaches in the 2019 year.

Due to the external borrowings having floating market related rates of interest the Group considers the fair value of borrowings equals their carrying amount. The current borrowings which are not discounted are short term in nature and the impact of discounting is not significant.

16. LOANS AND BORROWINGS (Cont.)

Security
The term and RCF loan are secured over the following:

Transaction security is granted over shares in, bank accounts (excluding cash pooling accounts) and inter-company receivables of material subsidiaries as listed below. Where security is governed by English law then floating charges and intellectual property is also included.

Material subsidiaries:

Praesidiad Group Limited, Praesidiad Limited, Erpe Bidco Inc, Praesidiad Holdings BVBA, Betafence Holding Italia Srl, Betafence Belgium NV, Betafence Italia SpA, Hesco Bastion Limited, Guardiar Europe BVBA, Betafence Sp.zo.o, Guardiar Corporation Inc, Guardiar USA LLC, Hesco Holdings Inc, Hesco Bastion Inc.

At 31 December 2020, machinery with a carrying amount of €5,744 (2019: €5,210) (€'000) was pledged as security on the US loan and 'Lease loan' (refer note 9).

Leasing
During the prior year the Group adopted IFRS 16 which changes the way leases are accounted for, in the past only finance lease liabilities were recognised, refer to notes 2 and 25 for details.

Lease liabilities are effectively secured because the rights to the leased asset revert to the lessor in the event of default.

2020 - Leases under IFRS 16

Maturity:	PV of minimum lease payments	Interest	Future Minimum lease payments
	€'000	€'000	€'000
Less than one year	7,111	1,331	8,442
Between one and five years	9,961	3,337	13,298
More than five years	8,268	1,447	9,715
Total	25,340	6,115	31,455

2019 - Leases under IFRS 16

Maturity:	PV of minimum lease payments	Interest	Future Minimum lease payments
	€'000	€'000	€'000
Less than one year	5,543	2,138	7,681
Between one and five years	18,066	4,918	22,985
More than five years	10,600	2,052	12,652
Total	34,209	9,108	43,318

17. PROVISIONS

	Warranty Provision	Environmental remediation	Onerous contracts & restructuring	Total
	€'000	€'000	€'000	€'000
Opening Balance 1 January 2019	-	**4,081**	**26,295**	**30,376**
Reversed on adoption of IFRS 16 leases	-	-	(9,152)	(9,152)
Additions	7,181	-	678	7,859
Utilised	-	(82)	(11,894)	(11,976)
Unwind of discount	-	-	166	166
Effect of movements in exchange rates	-	37	905	942
Closing Balance 31 December 2019	**7,181**	**4,036**	**6,998**	**18,215**
Additions	-	-	3,244	3,244
Utilised	(1,986)	(16)	(3,002)	(5,004)
Released	(267)	(976)	(1,719)	(2,962)
Unwind of discount	-	188	-	188
Effect of movements in exchange rates	(607)	(52)	399	(260)
Closing Balance 31 December 2020	**4,321**	**3,180**	**5,920**	**13,421**

	2020	2019
	€'000	€'000
Current portion of provision balance	10,241	9,405
Non- current portion of provision	3,180	8,810
	13,421	18,215

17. PROVISIONS (Cont.)

Environmental remediation

The environmental provision relates to the remediation of sites as a result of production. The following sites are included in the environmental remediation; Zwevegem (Belgium), Kotlarnia and Renska Wiess (Poland), Tortoreto (Italy), Silivri (Turkey), Ennis (USA) and Paarl (South Africa). An independent external expert has assisted management with the estimates of site remediation from historic production. Management does not expect a significant amount of the provision to realise within the next five years.

During the current year an agreement was entered into with the landlord of the Sheffield (UK) site to early surrender this site and as a part of this exit the landlord takes over any rehabilitation for the site and accordingly the related environmental provision has been released. During the year the Schwalmtal (Germany) site was sold and as a part of this sale the new owner takes responsibility for all environmental liabilities and this provision has therefore been released.

Onerous contracts & restructuring

Included in 'Onerous contracts & restructuring' are the following:
a) In November 2018 a decision was taken to close and cease manufacturing at the Betafence Ltd (BFL) site. BFL continues to trade and sell perimeter protection products in the UK market as a sales office with the products from other Betafence entities in the group. As a result of the restructuring the majority of the staff were made redundant. There is also costs for restoring the site, including environmental remediation and dilapidation costs. The manufacturing site is leased, the lease commenced in June 2008 and has an expiry of June 2058. There are break clauses throughout this period, the first being in June 2023.

In the current and prior year many of the costs provided were utilised. During the current year an agreement was entered into with the landlord of the Sheffield (UK) site to early surrender and as a part of this exit from the site the future costs of rental and maintenance (after the handover) have been released. The terms had been agreed in principle during the current year and the agreement was signed and executed in early January 2021. On adoption of IFRS 16 leases the lease portion of the liability was reversed in the prior year as the discounted amount of the full liability was recognised as a lease liability (see note 25).

b) In 2018 there were two separate accidents relating to the Betafence Ltd plant which were being investigated. In 2019 one of the claims was finalised and the other is still being investigated. If the company is found to be liable there may be a fine payable. As a result, the Group has taken advantage of the exemption in IAS 37 paragraph 92, to not disclose certain information relating to these accidents which may prejudice the position of Betafence Ltd when determining a fine. The Group's best estimate at year end is that the probability and amount of any possible fine has reduced from the prior year and accordingly €225 has been released in the current year and €180 (€'000) remains.

c) In 2018 there was a provision for a lease for a site situated in Harelbeke in Belgium. The lease commenced in December 2011 and has an expiry of December 2031. This rental agreement has a rental amount higher than a market related rental and therefore a provision of €154 (€'000) was recognised at 31 December 2018. On adoption of IFRS 16 leases in the prior year the lease portion of the liability was reversed in the prior year as the discounted amount of the full liability was recognised as a lease liability (see note 25).

d) At the end of 2018 an announcement was made to restructure the operations at Betafence Belgium NV at the Zwevegem site in Belgium. At 31 December 2018 there were consultations where staff redundancies were communicated to the staff. Due to the Belgium statutory laws the process ran in to the first quarter of 2019. During 2019 and 2020 many staff have left and the related portions of the provision were utilised as a result. At year end a provision of €2,051 (2019: €2,571) (€'000) remains in this regard.

e) During the year the Hesco Leeds assembly site in the UK was closed and activities transferred to another Group site in Kotlarnia, Poland, to allow manufacturing and assembly to be performed at the same facility. There will continue to be a sales office in Leeds, UK. As a result of this move a restructuring provision was raised in the year and expenses relating to the site move were incurred. At year end there is €2,173 (€'000) remaining relating to this provision.

Warranty provision

The warranty provision relates to non-perimeter security products in a single subsidiary which previously passed external quality control testing but failed the test in the year. The provision is management's best estimates of the costs relating to collecting and disposing of uncertified products and re-supplying certified products.

18. EMPLOYEE BENEFITS

	2020 €'000	2019 €'000
Net defined benefit asset	32,366	34,165
Total employee benefit asset	32,366	34,165
Net defined benefit liability	(10,729)	(10,889)
Total employee benefit liabilities	(10,729)	(10,889)

The Group's subsidiaries operate a number of post employment plans, namely:

Twil Group Pension Fund (United Kingdom)

The Group participates in the TWIL Group Pension Fund in the UK, a defined benefit pension scheme which is financed through separate trustee administered funds. The TWIL Group Pension Fund has been in place for the employees of Betafence Limited and related companies of the former TWIL Group (former Tinsely Wire Ltd). It provides annuity pension payments at retirement for the participants and surviving spouse. The Scheme was closed to future accrual in February 2010 with members given the option of joining the Company's defined contribution pension arrangement. A full actuarial valuation was carried out at 31 December 2020 by a qualified independent actuary. Following the IAS19 standards, the current valuation is performed using the Projected Unit Credit method using actuarial assumptions.

	2020 €'000	2019 €'000
Defined benefit obligation at end of year	(200,138)	(202,174)
Fair value of plan assets at end of year	232,504	236,339
Net defined benefit asset	32,366	34,165

There were no changes in reimbursement rights, asset ceilings or onerous liabilities relating to the plan during the period. There are no amounts invested in the Group's own financial instruments.

GMP Equalisation

The defined benefit cost for the fiscal year ending on the 31 December 2020 includes a past service cost due to a plan amendment of €1,222 (€'000). This has arisen following a High Court case on 20 November 2020 which ruled that transfers out of the Fund, between 17 May 1990 and 26 October 2018, need to be revisited and equalised for GMP.

The defined benefit cost for the fiscal year ending 31 December 2019 includes no charges/credits due to special events.

RPI Reform

The Group made decisions on the RPI and CPI assumptions for the 2020 year-end IAS19 disclosures, which then impact on the 2021 P&L. The following approach was followed:
- Maintain the "inflation risk premium" at 0.3% p.a. as used for the 2019 year end i.e. assume that gilt-market implied RPI, along with this inflation risk premium, reflect expected changes to the calculation of RPI in or around 2030;
- Reduce the single equivalent gap between RPI and CPI from 0.9% p.a. to 0.6% p.a. The single equivalent CPI assumption consists of maintaining the RPI/CPI gap at 1.0% p.a. until 2030 but reducing the gap to 0% p.a. thereafter, with a suitable weighting for the Fund's CPI linkage over time.

Guarantee issued in 2019

During 2019 as a result of Betafence Ltd ceasing manufacturing and having a large surplus where contributions are not expected, a parent company guarantee was issued by Praesidiad Group Limited in favour of the trustees of the TWIL Group Pension fund. This eliminates the need for contributions from Betafence Ltd which the company believes are not necessary. It is in place for three years (expiring March 2022) to cover the nil contributions schedule of the Employer of the scheme during that period and guarantees the liability of Betafence Limited where such liability is triggered by Betafence Ltd failing to meet the agreed contributions (which are expected to be nil during this period), becoming insolvent, or taking steps to wind up the scheme.

Defined benefit obligation by participant status	2020 €'000	2019 €'000
a. Active members	-	-
b. Vested deferred members	63,341	60,956
c. Retired members	136,796	141,219
Total	200,137	202,174

18. EMPLOYEE BENEFITS (Cont.)

Fair value of plan assets with a quoted market price	**2020 €'000**	**2019 €'000**
a. Cash and cash equivalents	11,059	6,845
b. Government bonds	47,419	51,769
c. Corporate bonds	174,026	177,726
Total	232,504	236,340

Significant actuarial assumptions

Weighted-average assumptions to determine defined benefit obligation:

Discount rate	1.40%	2.00%
Salary increase rate	N/A	N/A
Price inflation rate (RPI)	2.95%	2.95%
Price inflation rate (CPI)	2.35%	2.05%
Pension increases in payment (RPI capped at 5%)	2.85%	2.85%

Post-retirement mortality assumption: S2PA tables with a +1 year age rating, CMI 2019 projections and a long-term improvement rate of 1.25% p.a. (2019: S2PA tables with a +1 year age rating, CMI 2018 projections and a long-term improvement rate of 1.25% p.a.).

Assumed life expectancy on retirement at age 65		
Retiring today (male member age 65)	21.0	21.0
Retiring in 25 years (male member age 40 today)	22.7	22.7

Sensitivity analysis ***Present value of defined benefit obligation***	**2020 €'000**	**2019 €'000**
Discount rate - 25 basis points	207,420	209,475
Discount rate + 25 basis points	192,485	195,273
Price inflation rate - 25 basis points	195,301	197,968
Price inflation rate + 25 basis points	204,248	206,770
Post-retirement mortality assumption - 1 year age rating	208,736	210,266

Expected cash flows for the following year		
Expected employer contributions	-	-
Expected total benefit payments	12,857	9,193

Defined Benefit Pension - Production workers in Belgium (Guardiar Europe BVBA (previously Betafence BVBA).

Praesidiad has a closed defined benefit plan in place for the production workers which provides a retirement benefit and death-in-service benefit. The plan is closed for new entrants as from 1 October 2016. A full actuarial valuation was carried out at 31 December 2020 by a qualified independent actuary. Following the IAS19 standards, the current valuation is performed using the Projected Unit Credit method using actuarial assumptions.

	2020 €'000	**2019 €'000**
Defined Benefit Obligation end of year	(256)	(416)
Plan Assets at Fair Value end of year	106	248
Defined Benefit (Liability) end of year	(150)	(168)

Significant actuarial assumptions		
Discount rate	0.33%	0.69%
Return On Assets	0.33%	0.69%
Salary Increase	2.50%	2.50%
Inflation rate	2.00%	2.00%

Sensitivity analysis	**2020 €'000**	**2019 €'000**
Change in discount rate	DBO	DBO
-0.50%	280	440
+0.5%	235	395
Change in salary increase		
-0.50%	256	416
+0.5%	256	416

Plan assets breakdown		
Financing Fund	106	248
Total	106	248

18. EMPLOYEE BENEFITS (Cont.)

	2020			2019		
Participants data	Active	Retirees	Total	Active	Retirees	Total
Number of participants	3	183	186	23	188	211
Average Future Service Lifetime participants	2	22	22	1	23	20
Average Age participants	63	42	43	64	42	44
Average Future Service participants	2	-	2	1	-	1
Average Past Service participants	36	-	36	44	-	44
Weighted Average Duration	-	-	16	-	-	10

	2020 €'000	2019 €'000
Expected cash flows for the following year		
Expected employer contributions	-	-
Expected total benefit payments	-	55

Defined Benefit Pension - Production workers in Belgium (Betafence Belgium BVBA).

Praesidiad has a closed defined benefit plan in place for the production workers which provides a retirement benefit and death-in-service benefit. The plan is closed for new entrants as from 1 October 2016. A full actuarial valuation was carried out at 31 December 2020 by a qualified independent actuary. Following the IAS19 standards, the current valuation is performed using the Projected Unit Credit method using actuarial assumptions.

	2020 €'000	2019 €'000
Defined Benefit Obligation end of year	(651)	(592)
Plan Assets at Fair Value end of year	294	258
Defined Benefit (Liability) end of year	(357)	(334)
Significant actuarial assumptions		
Discount rate	0.33%	0.69%
Return On Assets	0.33%	0.69%
Salary Increase	2.50%	2.50%
Inflation rate	2.00%	2.00%
Sensitivity analysis	DBO	DBO
Change in discount rate		
-0.50%	701	639
+0.5%	606	549
Change in salary increase		
-0.50%	651	592
+0.5%	651	592
Plan assets breakdown		
External Individual Assets	-	-
Financing Fund	294	258
Total	294	258

	2020			2019		
Participants data	Active	Retirees	Total	Active	Retirees	Total
Number of participants	109	61	170	123	47	170
Average Future Service Lifetime participants	17	-	17	17	-	17
Average Age participants	48	48	48	48	46	47
Average Future Service participants	17	-	17	17	-	17
Average Past Service participants	23	-	23	22	-	22
Weighted Average Duration	-	-	13	-	-	14

	2020 €'000	2019 €'000
Expected cash flows for the following year		
Expected employer contributions	-	-
Expected total benefit payments	-	-

18. EMPLOYEE BENEFITS (Cont.)

Defined Benefit Pension - Non-production workers in Belgium. (Betafence Belgium BVBA, Praesidiad Holdings BVBA (previously Praesidiad NV) and Guardiar Europe BVBA (previously Betafence BVBA))

The Group companies have a closed defined benefit plan in place for the non-production workers and management which provides a retirement benefit, death-in-service benefit and disability benefit. The plan is closed for new entrants as from 31 December 2013. A full actuarial valuation was carried out at 31 December 2020 by a qualified independent actuary. Following the IAS19 standards, the current valuation is performed using the Projected Unit Credit method using actuarial assumptions.

	2020	2019
	€'000	€'000
Defined Benefit Obligation end of year	(11,446)	(11,650)
Plan Assets at Fair Value end of year	9,884	9,988
Defined Benefit (Liability) end of year	(1,562)	(1,662)
Expected cash flows for the following year		
Expected employer contributions	172	202
Expected total benefit payments	616	306
Significant actuarial assumptions		
Discount rate	0.40%	0.80%
Return On Assets	0.40%	0.80%
Salary Increase	3.00%	3.00%
Inflation rate	2.00%	2.00%

	2020			2019		
Participants data	Active	Retirees	Total	Active	Retirees	Total
Number of participants	42	148	190	53	141	194
Average Future Service Lifetime participants	35	32	33	36	39	38
Average Age participants	50	47	47	48	46	47
Average Future Service participants	11	-	11	13	-	13
Average Past Service participants	23	10	13	22	9	13
Weighted Average Duration	-	-	7	-	-	8

	2020	2019
	€'000	€'000
Sensitivity analysis		
Change in discount rate	DBO	DBO
-0.50%	11,940	12,177
+0.5%	11,009	11,160
Change in salary increase		
-0.50%	11,278	11,417
+0.5%	11,676	11,934

Fair value of plan assets with a quoted market price		
1. Fair value of plan assets		
a. Cash and cash equivalents	205	120
b. Government bonds	1,737	1,704
c. Corporate bonds	2,292	2,556
d. Equities	5,650	5,608
Total	9,884	9,988

18. EMPLOYEE BENEFITS (Cont.)

Post employment benefit plans in Germany (Betafence Deutschland GmbH)

U-Kasse: Book-reserved retirement annuity in relation to the support fund (Unterstützungskasse or U-kasse). The plan also stipulates the payment of an annuity for the widow(er), orphans and eligible surviving divorcee. The support fund is closed for new entrants since 1992. The retirement age is 62 or 63 (with exceptions).

V-Kasse: Book-reserved direct promises (lump sum) in relation to the pension plan (Versorgungsplan or V-plan) in force. The plan is closed for new entrants and future accruals. There are only deferred members, and some retirees and widow(er)s in the plan.

Jubilee Benefit: The employees in Germany are entitled to seniority payments after 10, 25, 40 and 50 years of service.

Death Benefit: A death-in-service benefit of 350 EUR is in place for the workforce of Betafence Deutschland GmbH.

A full actuarial valuation was carried out at 31 December 2020 by a qualified independent actuary. Following the IAS19 standards, the current valuation is performed using the Projected Unit Credit method using actuarial assumptions.

	2020	**2019**
	€'000	**€'000**
Defined benefit obligation at end of year	**(8,659)**	**(8,724)**
1. Defined benefit obligation by participant status		
a. Actives members	2,294	2,113
b. Vested deferred members	1,898	2,073
c. Retired members	4,467	4,538
Total	8,659	8,724
Significant actuarial assumptions		
Discount rate	0.91%	1.20%
Salary increase rate	1.91%	2.00%
Pensions-in-payment increase rate	1.96%	2.00%
Price inflation rate	1.96%	2.00%
Expected cash flows for the following year		
Expected employer contributions	-	-
Expected total benefit payments	332	422

19. DEFERRED TAXATION

	2020 €'000	2019 €'000
Deferred Tax		
Opening balance	(58,899)	(66,545)
Credit to profit and loss - current year	9,358	7,844
Adjustments in respect of the prior year	5	(198)
Foreign exchange	(207)	-
Closing balance	**(49,743)**	**(58,899)**
Deferred Tax relates to the following:		
Intangible assets recognised on business combinations	(56,565)	(62,808)
Difference between accumulated depreciation and capital allowances	870	1,495
Employee benefits	61	112
Inventory	754	(214)
Provisions	4,166	738
Tax losses	-	1,503
Other timing differences	971	275
Net Deferred tax liability	(49,743)	(58,899)
Reflected in the Consolidated Statement of Financial Position as follows:		
Deferred tax assets:	3,698	3,777
Deferred tax liabilities:	(53,441)	(62,676)
Net Deferred tax liability	(49,743)	(58,899)

All deferred tax movements in the current year have been charged / credited to profit and loss.

Deferred tax assets not recognised
The total deferred tax assets (i.e. the net amount after tax) not recognised as at 31 December 2020 are approximately EUR28.7m (2019: EUR61.1m). In accordance with accounting policy note 1.5 'Income taxes' these items have not been recognised as deferred tax assets on the basis that their future economic benefit is not probable. These assets primarily relate to tax losses in the UK, Belgium, France and Germany.

20. TRADE AND OTHER PAYABLES

	2020 €'000	2019 €'000
Current Payables		
Trade payables	49,530	52,351
Accrued expenses and other payables	23,673	25,295
Payables for factored receivables with recourse	13	1,922
Total Current Payables	**73,216**	**79,568**

Trade and other payables are usually settled within 30 to 60 days after the invoice date with some up to 120 days.
Due to the short term nature of the trade and other payables the carrying value approximates fair value.

21. FINANCIAL INSTRUMENTS - CATEGORIES AND RISK MANAGEMENT

Financial liabilities by category
The accounting policies for financial instruments have been applied to the line items below:

	Financial liabilities measured at fair value €'000	Financial liabilities measured at amortised cost €'000	Total €'000
2019			
Interest bearing borrowings	-	322,098	322,098
Interest rate swap - derivative financial instruments	513	-	513
Lease liabilities	-	34,209	34,209
Accounts payable and accruals (excluding deferred revenue)	-	77,646	77,646
	513	**433,953**	**434,466**

21. FINANCIAL INSTRUMENTS - CATEGORIES AND RISK MANAGEMENT (CONT.)

	Financial liabilities measured at fair value €'000	Financial liabilities measured at amortised cost €'000	Total €'000
2020			
Interest bearing borrowings	-	388,527	388,527
Interest rate swap - derivative financial instruments	368	-	368
Lease liabilities	-	25,340	25,340
Accounts payable and accruals (excluding deferred revenue)	-	73,203	73,203
	368	487,070	487,438

During the 2018 year the Group entered into an interest rate swap to hedge interest rate risk, this is classified as a derivative and categorised as at fair value through profit and loss as hedge accounting has not been adopted but is, nevertheless, intended to reduce the level of interest rate risk for the USD debt repayments. Previously the Group was paying a floating interest rate on certain USD debt (refer note 16), however the interest rate swap has swapped the floating rate (1 month LIBOR rate) in exchange for a fixed rate (2.6725%). The interest rate swap matures in June 2021.

The Group did not have any forward exchange contracts to hedge foreign exchange exposure open at year end or in the prior year. The Group has had forward exchange contracts previously and they are usually short term with durations of less than a month.

Cash flows relating to payables are not discounted as they are short term in nature.

Financial assets by category
The accounting policies for financial instruments have been applied to the line items below:
2019

	Financial assets at fair value through OCI €'000	Financial assets at amortised cost €'000	Total €'000
Accounts receivable (excluding prepayments and other receivables)	1,968	40,219	42,187
Cash and cash equivalents	-	12,672	12,672
	1,968	52,891	54,859

2020

	Financial assets at fair value through OCI €'000	Financial assets at amortised cost €'000	Total €'000
Accounts receivable (excluding prepayments and other receivables)	2,649	39,305	41,954
Cash and cash equivalents	-	42,747	42,747
	2,649	82,052	84,701

Cash flows relating to receivables are not discounted as they are short term in nature.

Fair value measurement
At year end there was an open interest rate swap which is classified as a derivative at fair value through profit and loss. At year end there were no open forward exchange contracts.

Factored receivables
The Group factors certain portfolios of accounts receivable in specific countries. In addition, credit insurance is entered into on certain of these accounts receivables. Where receivables are credit insured these are factored on a non-recourse basis. Where receivables are not credit insured these are factored on a recourse basis. Therefore, before invoices are factored the non-recourse receivables are known. Under IFRS 9 the debtors without recourse are derecognised from the balance sheet. The debtors with recourse are not derecognised from the balance sheet under IFRS 9.

Under IFRS 9 there is a classification model (business model and solely payments of principal and interest (SPPI) test). Under IFRS 9, an accounting derecognition is considered a sale for the purposes of assessing the business model; consequently, factoring that results in derecognition must be taken into account as part of the assessment. This means for factored receivables without recourse these are not seen as being a part of a 'hold to collect' business model which would preclude amortised cost classification (even if the SPPI test is met). The Group accordingly treats the recourse and non-recourse debtors as separate portfolios. Under IFRS 9 the debtors without recourse that are derecognised do not meet the 'held to collect business model' and these meet the held to collect and sell model. Therefore the portfolio of receivables without recourse are likely held under the 'hold to collect and sell' model which results in their classification at fair value through OCI. This is relevant where for example 95% of a receivable is factored without recourse; the 95% portion will be derecognised as receivables and the remaining 5% will be classified as receivables at fair value through OCI. The portion of the receivables which are not derecognised are under a 'hold to collect' business model and will be classified at amortised cost like non-factored debtors.

During the year the Group entered in to a new factoring facility with Factofrance. As part of this new facility the Group is required to deposit a cash amount as collateral for the factored debtors. With the previous factoring arrangement there was no cash collateral, however a larger percentage was held back by the factor, so all else being equal, more funding would be provided under the new facility as less percentage is held back even after taking into account the cash collateral.

21. FINANCIAL INSTRUMENTS - CATEGORIES AND RISK MANAGEMENT (CONT.)

The income approach has been used to value the receivables held at fair value using the estimated future cashflows discounted to the present value. Practically as these are usually short term with a period less than 180 days the time value of money is not material and this valuation results in a similar value to the expected credit loss method. The Group assesses the expected amount which will be received from the debtor and recognises this amount, any amounts not expected to be received are recognised in profit and loss as an impairment expense.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2019:

	Quoted prices in active markets (Level 1) €'000	Significant observable inputs (Level 2) €'000	Significant unobservable inputs (Level 3) €'000	Total €'000
Assets measured at fair value:				
Factored receivables without recourse	-	-	1,968	**1,968**
Liabilities measured at fair value:				
Derivative financial liabilities				
Interest rate swap	-	513	-	**513**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2020:

	Quoted prices in active markets (Level 1) €'000	Significant observable inputs (Level 2) €'000	Significant unobservable inputs (Level 3) €'000	Total €'000
Assets measured at fair value:				
Factored receivables without recourse	-	-	2,649	**2,649**
Liabilities measured at fair value:				
Derivative financial liabilities				
Interest rate swap	-	368	-	**368**

Cash at bank and in hand
For cash at bank and in hand the carrying value is deemed to reflect a reasonable approximation of fair value.

Trade receivables and payables
For the non-factored receivables, receivables factored with recourse, and payables with a remaining term of less than one year or demand balances, the carrying value less impairment provision, where appropriate, is a reasonable approximation of fair value. The current non-factored receivables and receivables factored with recourse carrying value is a reasonable approximation of fair value.

Bank and shareholder loans (loans and borrowings)
For loans the fair value was calculated based on the present value of the expected future principal and interest cash flows discounted at market interest rates estimated at the reporting date. The carrying value of variable rate interest bearing loans and borrowings is a reasonable approximation of the fair value (Level 3) as the rates are generally floating rates (e.g. LIBOR).

Derivatives
Discounted cash-flow analyses have been used to determine the fair value of the interest rate swaps and interest rate cap, taking into account current market inputs and rates (Level 2). The models incorporate various inputs including the expected interest rate curves.

RISK MANAGEMENT

The Board of Directors and Executive Committee has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed and enhanced as necessary.

21. FINANCIAL INSTRUMENTS - CATEGORIES AND RISK MANAGEMENT (CONT.)

Capital management policies and procedures

The Board's policy is to maintain a sufficient capital base so as to maintain investor and creditor confidence and to sustain future development of the business. Capital consists of ordinary shares and retained earnings of the Group. The Board of Directors and executive committee monitor the return on capital to the shareholders.

The Company monitors capital on the basis of the carrying amount of equity and shareholders loans less cash and cash equivalents as presented on the face of the Consolidated Statement of Financial Position. The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. As a result of this review many intercompany loans have been restructured and repaid. In 2018 the shareholder loan was also converted to preference shares as a part of these reviews (refer note 15).

The Company aims to maintain a manageable level of external debt that can be serviced through operating and other cash flows. As a result of the capital structure in the short to medium term the shareholders ultimately receive their return through interest on the related party loans.

Liquidity risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. The Company has minimised its liquidity risk by ensuring that it has adequate banking facilities and reserve borrowing capacity. Prudent liquidity risk management includes maintaining sufficient cash and ensuring the availability of funding from an adequate amount of credit facilities. Sufficient capital was raised during the year for the Group's liquidity needs. To strengthen the Group's financial position in 2018 the shareholder loan was been converted to preference shares and treated as equity which has resulted in a decreased interest charge during the prior, current, and in future years until a preference dividend is declared in the future (refer note 15). As a result of COVID-19 in the year the RCF was drawn down (refer to note 16) to ensure they Group had sufficient liquidity for any eventual negative effects. As a result the Group has more than adequate liquidity over the short and medium term.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
2019						
Term loans	-	-	-	321,393	-	321,393
Term loans - interest payable	-	3,405	9,940	47,819	-	61,164
Interest rate swap (derivative)	-	86	257	171	-	513
RCF loan	-	-	-	4,300	-	4,300
RCF loan - interest payable	-	38	13	-	-	50
Lease liabilities	-	1,905	5,776	22,985	12,652	43,318
US loan	-	76	289	690	40	1,094
US loan - interest payable	-	4	31	76	1	112
	-	5,512	16,305	397,434	12,692	431,944

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
2020						
Term loan	-	-	-	318,740	-	318,740
Term loans - interest payable	-	3,219	9,715	37,378	-	50,312
Interest rate swap (derivative)	-	184	184	-	-	368
RCF loan	-	-	-	71,015	-	71,015
RCF loan - interest payable	-	619	661	5,793	-	7,073
Lease liabilities	-	4,629	3,815	13,296	9,715	31,455
US loan	-	80	198	139	-	417
US loan - interest payable	-	4	8	14	-	26
Short term loan	-	125	292	-	-	417
Short term loan - interest payable	-	1	2	-	-	3
	-	8,860	14,876	446,375	9,715	479,826

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date. The Company continuously monitors defaults of customers and other counterparties, identifies and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. The Group factors and has credit insurance for certain receivables which reduce the exposure to credit risk on these. The Group recognises a provision for bad debts to cover potential impairment of past due debts. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. There are certain receivables which are from government or state owned enterprises, the Group views these as having a very low credit risk and although in the past some have taken time to pay, the Group has not previously had credit losses with such entities.

21. FINANCIAL INSTRUMENTS - CATEGORIES AND RISK MANAGEMENT (CONT.)

The external loans and borrowings are with a syndicate of banks, all of whom have an investment grade credit rating. Cash is deposited with numerous banks who are all third parties and reputable. The largest holdings are with the following banks:

Name of bank:	**Moody's LT Rating**
ING Bank NV	Aa3
Barclays Bank UK Plc	A1
JP Morgan Chase Bank	Aa2
Wells Fargo Bank, NA	A2
DNB Bank ASA	Aa2
ABSA Bank	Ba1
Raiffeisen Bank	Baa2
First National Bank	Ba1

The carrying amount of the following financial assets represents the Group's maximum credit exposure. The maximum exposure to credit risk at year end was as follows:

	Carrying amount 2020 €'000	**Carrying amount 2019 €'000**
Trade receivables	41,954	42,187
Cash and cash equivalents	42,747	12,672
	84,701	54,859

Trade receivables and contract assets
The Group has procedures for monitoring and managing the credit risk related to trade receivables. Trade receivables are monitored by review of aged receivables reports by management. Management does not expect any significant losses from receivables that have not been provided for as shown above.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in note 3.

Refer note 13 for the exposure to credit risk for trade receivables. The exposure to credit risk for contract assets by geographic region was as follows.

	2020 €'000	**2019 €'000**
Americas	3,242	1,792
EMEA (Europe, Middle East & Africa)	-	-
Total	3,242	1,792

Expected credit loss assessment for trade receivables as at 31 December 2020

Prior to IFRS 9, under IAS 39 a 'general' provision was generally not allowed and the amount raised as a provision for bad debts was based on incurred credit losses (e.g. if a debtor was still current and there were no indicators of impairment then no impairment was required).

Under IFRS 9 it is a requirement to calculate an 'expected credit loss' (ECL) provision. Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an expected credit loss associated with it—from the moment of its origination or recognition. i.e. on day 1 the Group assesses what the potential credit loss is and provides for it.

The Group has taken advantage of the simplified "provision matrix" IFRS 9 allows an entity to use for calculating expected losses as a practical expedient. The provision matrix is based on each Company in the Group's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. The forward looking estimates are mostly within the next 12 months.

IFRS 9 was adopted for the first time in 2018 so the comparatives are on the same basis.

21. FINANCIAL INSTRUMENTS - CATEGORIES AND RISK MANAGEMENT (CONT.)

The following tables provide information about the exposure to credit risk and ECLs for trade receivables (excluding prepayments) and contract assets from customers as at 31 December 2020.

Not specifically impaired and are not credit insured - 2020

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount after loss allowance
		€'000	€'000	€'000
Not past due	0.92%	4,584	(42)	4,542
Past due 1 to 30 days	1.22%	1,149	(14)	1,135
Past due 31–90 days	4.71%	679	(32)	647
Past due over 90 days	2.77%	7,088	(196)	6,892
Total		13,500	(284)	13,216

Not specifically impaired and are credit insured - 2020

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount after loss allowance
		€'000	€'000	€'000
Not past due	0.39%	20,778	(80)	20,698
Past due 1 to 30 days	0.73%	3,821	(28)	3,793
Past due 31–90 days	0.92%	2,923	(27)	2,896
Past due over 90 days	1.07%	2,241	(24)	2,217
Total		29,763	(159)	29,604

Specifically impaired - 2020

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount after loss allowance
		€'000	€'000	€'000
Not past due	17.72%	2,263	(401)	1,862
Past due 1 to 30 days	17.50%	0	(0)	0
Past due 31–90 days	94.10%	390	(367)	23
Past due over 90 days	90.59%	5,220	(4,729)	491
Total		7,873	(5,497)	2,376

Expected credit loss assessment for trade receivables as at 31 December 2019

The following tables provide information about the exposure to credit risk and ECLs for trade receivables (excluding prepayments) and contract assets from customers as at 31 December 2019.

Not specifically impaired and are not credit insured - 2019

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount after loss allowance
		€'000	€'000	€'000
Not past due	1.15%	2,771	(32)	2,739
Past due 1 to 30 days	0.76%	2,104	(16)	2,088
Past due 31–90 days	0.98%	1,333	(13)	1,320
Past due over 90 days	8.64%	1,436	(124)	1,312
Total		7,644	(185)	7,459

Not specifically impaired and are credit insured - 2019

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount after loss allowance
		€'000	€'000	€'000
Not past due	0.53%	20,837	(111)	20,726
Past due 1 to 30 days	0.83%	6,355	(53)	6,302
Past due 31–90 days	6.79%	4,552	(309)	4,243
Past due over 90 days	2.82%	2,129	(60)	2,069
Total		33,873	(533)	33,340

21. FINANCIAL INSTRUMENTS - CATEGORIES AND RISK MANAGEMENT (CONT.)

Specifically impaired - 2019

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount after loss allowance
		€'000	€'000	€'000
Not past due	1.06%	189	(2)	187
Past due 1 to 30 days	0.00%	211	-	211
Past due 31–90 days	86.78%	121	(105)	16
Past due over 90 days	62.03%	7,288	(4,521)	2,767
Total		7,809	(4,628)	3,181

Management does not expect any significant losses from receivables that have not been provided for as shown above.

Foreign exchange risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies vary with the more significant currencies being Euro, USD, GBP, ZAR and PLN. The currencies in which these transactions are primarily denominated in largely follow the functional currencies of the Group companies. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group – primarily Euro, but also USD. In addition, interest on borrowings is denominated in the currency of the borrowing. Having borrowings in the currency of expected cashflows provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

Group treasury in conjunction with local management monitor the exposure to foreign currency and transfer funds where necessary. Group treasury monitor material receivables, payables and potential outflows of subsidiary companies on a weekly basis. The Group also considers the use of forward exchange contracts where necessary. The Group entered into forward exchange contracts to hedge foreign exchange exposure during the prior year. The forward exchange contracts are usually short term with durations of less than a month. There were no open forward exchange contracts at year end.

	2020	2019
Cash and bank split per currency:	€'000	€'000
EURO	36,420	525
GBP	210	181
USD	2,517	9,088
ZAR	1,418	1,380
PLN	515	137
Other	1,667	1,361
Total	**42,747**	**12,672**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

During the 2018 year the Group entered into a interest rate swap to hedge interest rate risk, this is classified as a derivative and categorised as at fair value through profit and loss as hedge accounting has not been adopted but is, nevertheless, intended to reduce the level of interest rate risk for the USD debt repayments. Previously the Group was paying a floating interest rate on certain USD debt (refer note 16), however the interest rate swap has swapped our floating rate (1 month LIBOR rate) for a fixed rate (2.6725%) so that we now pay a fixed rate on this debt. The interest rate swap matures in June 2021.

At year end long-term borrowings of €319m (2019: €321m) (capital excluding accrued interest) with a third party bank were at a variable rate. Of these €29m (2019: €31m) were USD denominated and €290m (2019: €290m) were Euro denominated. These loans mature 7 years from the date issued on 3 October 2024. During the prior year, and still in force in the current year, an interest rate swap was entered into on the €31m USD loan to fix the interest.

In addition at year end there are also €74m (2019: €6m) worth of borrowings at a variable rate (see note 16). This increase is mostly a result of the Group drawing down on the RCF and ancillary financing for prudence as a result of the uncertainty during the COVID-19 pandemic.

At 31 December 2020, if interest rates on the variable debt had been 0.25% higher (which is management's assessment of the most probable movement as at 31 December 2020) with all other variables held constant, finance charges would have been €0.9m (2019: €0.7m) higher and pre-tax profit for the year would have been €0.9m (2019: €0.7m) lower.

Price risk

Price risk is the risk that raw material prices fluctuate (e.g. increased steel prices) which increase the cost of production and are not identified timely and cannot be passed onto customers which result in lower profit margins. The risk of significant fluctuations in raw material prices is managed through building strong supplier relationships and strategic purchasing initiatives which include regularly monitoring key raw material indices and linking these to the timing and quantities of raw materials purchased.

22. RELATED PARTIES

Note 23 provides information about the Group's structure, including details of the subsidiaries and the holding Company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	Sales to related parties €'000	Purchases / expenses from related parties €'000	Amounts owed by related parties €'000	Amounts owed to related parties €'000
2019				
CIM Global LLC (a part of 'The Carlyle Group' the ultimate shareholder)	-	644	-	(255)
Other related parties	64	-	-	-
Erpe Finco Ltd - immediate shareholder	-	-	-	(608)
Total	64	644	-	(863)
2020				
CIM Global LLC (a part of 'The Carlyle Group' the ultimate shareholder)	-	590	-	(837)
Trident Union Partners (Pty) Ltd - Non controlling interest	-	-	2,147	-
Erpe Finco Ltd - immediate shareholder	-	-	-	(979)
Total	-	590	2,147	(1,816)

Compensation of key management personnel of the Group	2020 €'000	2019 €'000
Short-term employee benefits	2,826	2,442
Post-employment benefits	29	54
Equity-settled share-based payments	161	-

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. The key management personnel of the Group are the directors of Praesidiad Group Limited and the senior executive committee members who have a direct line of reporting into the CEO. In 2019 the executive committee was expanded to include certain senior operating staff, however many of these are not key management personnel as they report into other members (e.g. CFO) of the executive committee.

All outstanding balances with these related parties are priced on an arm's length basis. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. There are amounts due as reimbursement of third party costs incurred by related parties but passed directly on to the Group. These reimbursed amounts are not included in the Sales or Purchases columns above as they do not constitute a transaction with the related party as such.

The prior year 'other related parties' relates to Global Technology Systems (Pty) Ltd who was related to the minority shareholders in Guardiar South Africa (Pty) Ltd. The minority shareholding was acquired during the prior year and subsequent to this the Group does not have any relations or transactions with Global Technology Systems (Pty) Ltd.

The loan with Erpe Finco Limited (the immediate shareholder) is a short term fluctuating balance which accordingly does not incur interest.

The loan with Trident Union Partners (Pty) Ltd relates to a loan outstanding relating to the purchase of shares (refer to note 27), the purchase price, interest rate and loan terms are all at fair value and market related.

Included in the compensation of key management personnel is an amount of €174 (2019: €78) (€'000) to compensate for the loss of office.

During the 2020 year a new class of growth shares were issued to certain key management (refer to note 28).

23. GROUP INFORMATION AND NON-CONTROLLING INTERESTS

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Address of the registered office	Nature of business	Proportion of ordinary shares held (%)
Betafence Belgium BVBA	Blokkestraat(Z) 34 box B, 8550 Zwevegem	Perimeter security manufacturing	100%
Guardiar Europe BVBA	Blokkestraat(Z) 34 box B, 8550 Zwevegem	Perimeter security manufacturing	100%
Praesidiad Holding BVBA (formerly Betafence Holding BVBA)	Blokkestraat(Z) 34 box B, 8550 Zwevegem	Holding Company	100%
Betafence S.R.O.	Zvonarka 16 box 2, Brno	Perimeter security sales & distribution	100%
Betafence Hrvatska d.o.o	Samoborska Cesta 106, Zagreb	Perimeter security sales & distribution	100%
Betafence Finland OY	Aviabulevardi, Karhumäentie 3, Vantaa	Perimeter security sales & distribution	100%
Betafence France SAS	Rue de la Renaissance 5, box A, Antony	Perimeter security sales & distribution	100%
Betafence Holding France SAS	Rue du Guindal 15, Bourbourg	Holding Company	100%
Betafence Deutschland Gmbh	Dulkener Strasse 200, Schwalmtal	Perimeter security sales & distribution	100%
Betafence Gmbh	Dulkener Strasse 200, Schwalmtal	Perimeter security manufacturing	100%
Draht Bremer und Partner GmbH	Tempelweg 62, Zöblitz	Perimeter security manufacturing	19%
Betafence Holding Italia Srl	Contrada Salinello 59, Tortoreto	Holding Company	100%
Betafence Italia SPA	Contrada Salinello 59, Tortoreto	Perimeter security manufacturing	100%
Betafence sp Zoo	Ul. Debowa 4, Kotlarnia	Perimeter security manufacturing	100%
Betafence Espana SLU	C/Vitoria 23 2, box D, Burgos	Perimeter security sales & distribution	100%
Pindburg SL	Avda. Burgos 68, Briviesca	Perimeter security manufacturing	33%
Praesidiad Ltd	York House, 221 Pentonville Road, London	Holding Company	100%
Betafence Ltd	First Floor, Unit B, Forge House, 21 Carbrook Hall Road, Sheffield, England, S9 2EH	Perimeter security manufacturing	100%
Hesco Group Limited [1]	41 Knowsthorpe Way, Cross Green Industrial Estate, Leeds	Holding Company	100%
Hesco Bastion Ltd	41 Knowsthorpe Way, Cross Green Industrial Estate, Leeds	Perimeter security manufacturing	100%
Betafence Wire & Mesh Products Co Ltd	Tede Western Zone, Standard Building 10, Tianjin	Dormant	100%
Betafence International Trading Company Ltd	Habiner Road Room 1A 414 Free Trade Zone 78, Tianjin	Dormant	100%
Guardiar Morocco sarl/au	Rue Moussa Bnou Noussair 10, Cassablanca	Perimeter security sales & distribution	100%
Guardiar Namibia (Pty) Ltd [1]	Independence Avenue 344, Windhoek	Perimeter security sales & distribution	100%
Betafence Peru S.A.C.	Avenue Victor Andres Belaunde 71, San Isidro	Dormant	100%
Betafence o.o.o.	Dmitrovskoye Shosse 100 box 2, Moscow	Perimeter security sales & distribution	100%
Guardiar Arabia LLC	Al Fayha's Industrial Zone, WH E3, Al Khoba	Perimeter security sales & distribution	100%
Guardiar South Africa (Pty) Ltd	Berg River Park, Dal Joasaf, Paarl	Perimeter security manufacturing	74% [2]
Betafence Schweiz GmbH	Hardstrasse 59, Neuenhof	Perimeter security sales & distribution	100%
Betafence Yapi Sanayi Ve Ticaret A.S.	Sancaktepe Mah Bülük Sanayi Cad 1/3, Istanbul	Perimeter security manufacturing	100%
Erpe Bidco Inc	C/o The Corporation Trust, Compan, 1209 Orange Street, Wilmington, Wilmington	Holding Company	100%
Guardiar Corporation, Inc	South State St 1675 box B, Dover	Holding Company	100%
Guardiar USA LLC	McKinney Avenue 3232, Dallas	Perimeter security manufacturing & services	100%
Guardiar Solutions, Inc.	Crestwood Parkway NW, Ste 350 3675, Gwinnett, Duluth	Perimeter security manufacturing & services	100%
Hesco Holdings Inc	Fifth Avenue, Suite 4200 1420, Seattle	Holding Company	100%
Hesco Armor Inc.	2210 Port Industrial Road, Suite B, Aberdeen	Security products manufacturing	84%
Hesco Bastion Inc	South Dupont Highway, Dover, Kent 3500, Dover	Perimeter security manufacturing	100%
Praesidiad Germany GmbH	Hennes-Weisweiler Allee 8, 41179, Mönchengladbach, Germany	Holding Company	100%

The Group is controlled by Erpe Finco Ltd (incorporated in the UK) which owns 100% of the Company's shares. The Group's ultimate controlling party is CEP IV Participations S.a.r.l., SICAR (incorporated in Luxembourg).

[1] Due to internal restructurings and group simplification, these entities are in deregistration at year end.
[2] During the year 26% of non-controlling interest ownership was disposed (refer to note 27). In 2019 26% non-controlling interest ownership was acquired from the minority owners (refer to note 26).

24. BUSINESS COMBINATIONS

Acquisitions during 2020

There were no business combinations in 2020 or 2019, refer to note 26 and 27 for details about the acquisition and disposal of NCI.

25. LEASING

The group leases various offices, manufacturing sites, warehouses, equipment and forklifts and vehicles. Rental contract periods vary throughout the group with some as short as two months and others for more than ten years.

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The majority of extension options held are usually exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of vehicles and forklifts for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and are spread throughout the group in many different regional locations and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 2 for details. In the 2018 year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. On initial adoption of IFRS 16 on 1 January 2019 the lease liability recognised was €34,420 (€'000).

The group has leases in various regions with a range of incremental borrowing rates unique to those regions, type of assets and length of lease. The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application on 1 January 2019 was 7.00%.

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases at year end:

Right of use assets	**2020**	**2019**
	€'000	**€'000**
Land and Buildings	18,630	22,401
Plant, machinery, equipment & vehicles	1,564	1,710
	20,194	24,111

Lease liabilities		
	2020	**2019**
	€'000	**€'000**
Current	(7,075)	(5,512)
Non-current	(18,265)	(28,566)
	(25,340)	(34,078)

The future minimum rentals payable under non-cancellable leases as at 31 December are as follows (undiscounted):

	2020	**2019**
	€'000	**€'000**
Less than one year	8,442	7,681
One to two years	3,975	7,410
Two to three years	3,568	6,751
Three to four years	3,227	5,191
Four to five years	2,528	3,632
More than five years	9,715	12,652
Total	31,455	43,318

Amounts recognised in the statement of profit or loss

	2020	**2019**
Depreciation charge of right-of-use assets	**€'000**	**€'000**
Land and Buildings	(1,578)	(4,836)
Plant, machinery, equipment & vehicles	(745)	(603)
	(2,323)	(5,439)
Interest expense (included in finance cost)	2,032	2,274
Expense relating to short-term leases (included in cost of goods sold and General & administrative expenses)	796	531
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in cost of goods sold and General & administrative expenses)	306	257

The total cash outflow for leases in 2020 was €7,274 (2019: €6,727) (€'000).

25. LEASING (Cont.)

The Group as lessor

An American subsidiary leases an office in Alexandria (US). This lease started on 1 March 2018 and ends on 31 July 2023. During June 2019 a sublease was entered into with a third party whereby they will lease this property to the 30th July 2023. This sublease is for the major portion of the life of the original lease and has therefore been accounted for as a finance sublease. In the prior year upon commencement of the sublease the related right of use asset of €488 (€'000) (refer note 9) relating to the original lease was derecognised and a loss of €190 (€'000) was recognised in the profit and loss in 2019 with this derecognition.

During 2020, the Group recognised interest income on lease receivables of €15 (2019: €12) (€'000).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2020 €'000	2019 €'000
Less than one year	75	83
One to two years	79	82
Two to three years	41	86
Three to four years	-	44
Four to five years	-	-
Total	**195**	**295**
Less Unearned finance income	(16)	(33)
Total Net Investment in Lease	**179**	**262**

26. ACQUISITION OF NCI

Acquisitions during 2019

In August 2019 Guardiar Holdings South Africa (Pty) Ltd purchased 240 ordinary shares (20% of Guardiar South Africa (Pty) Ltd) from Mela Woman's Investment (Pty) Ltd for €1,828 (€'000). On 15 August 2019 Guardiar Holdings South Africa (Pty) Ltd also purchased 72 ordinary shares (6% of Guardiar South Africa (Pty) Ltd) from Nzunzo Investments (Pty) Ltd for €548 (€'000). The total purchase price was €2,377 (€'000) (approximately ZAR40m) and this was paid in August 2019.

Prior to the repurchase of shares the Group held 74% of the shares and consolidated 100% of the P&L of Guardiar South Africa (Pty) Ltd and transferred 26% of this to non controlling interest (NCI) in the Income Statement and Equity. Refer to note 27 regarding subsequent disposals of NCI.

	2019 €'000
Non controlling interest on balance sheet prior to acquisition	3,252
Acquisition price of remaining 26%	2,377
Surplus recognised in Retained earnings	875

27. DISPOSAL OF NCI

During the 2020 year the Group disposed of 26% of the shares in Guardiar South Africa (Pty) Ltd via a competitive bidding process to a local Black Economic Empowerment ("BEE") partner. The South African government encourages companies to have such local indigenous empowerment partners and will usually only procure services with an entity which has an appropriate BEE rating. This disposal enables Guardiar South Africa (Pty) Ltd to achieve an improved BEE rating to facilitate winning contracts with the South African government. The disposal price was ZAR55m (approx €2.8m). At year end ZAR38.5m (approx €2.1m) of the purchase price was outstanding and incurring interest to the Group (refer note 22). The purchase price and interest rate at fair market values and the loan terms are on a commercial basis. The resulting non-controlling interest is not material to the Group.

	2020 €'000
Carrying amount of NCI disposed	**(1,788)**
Foreign currency translation reserve OCI transfer to the non-controlling interests on disposal	**(769)**
Changes in the proportion held by non-controlling interests in equity attributable to the owners of the parent	**(234)**

28. SHARE-BASED PAYMENT ARRANGEMENTS

During the year certain key management personnel in the Group were invited to participate in a new class of growth shares in Erpe Topco Limited (a holding company).

These growth shares are intended to incentivise management as holders will participate in equity returns (based on set thresholds and limits) to the extent that the shareholder achieves a sale of their shares in the future over certain values.

Growth Shareholders are immediately entitled to the Growth Share Entitlement should a distribution of proceeds occur. Therefore, the shares do not vest and are fully expensed as of the grant date.

28. SHARE-BASED PAYMENT ARRANGEMENTS (Cont.)

The fair value of the growth shares has been measured by applying an option pricing method (Black-Scholes-Merton) and the Probability-Weighted Expected Return Method. Service and non market performance conditions attached to the shares were not taken into account in measuring fair value. The issue price was €0.33 (actual issue price had 15 decimal places rounding) per share and the fair value was calculated as €0.52 fair value per share resulting in a €0.19 (all rounded to two decimal places) profit or loss share based payment charge per share.

During the year 930,000 shares in Erpe Topco Limited were subscribed for and issued to management in the Group for €310,000 (i.e. the amount paid for by management). This resulted in a €174 (€'000) fair value IFRS 2 equity settled share based payment charge through other comprehensive income being the difference between the fair value and the price received for the shares.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows;

	2020
Weighted Average Cost of Capital	11.5%
Discount period at issue date	3.8 years
Discount for Lack of Marketability	12.5%
Discount for Lack of Control	25.0%
Discount for Lack of Voting Rights	2.5%
Expected Asset Volatility	20.0%
Company-specific cost of equity	33.4%

Refer to note 6 for details of the share based payment expense recognised in profit or loss.

29. CONTINGENCIES AND COMMITMENTS

Contingencies
From time to time, the Group is engaged in litigation in the ordinary course of business with provisions established where appropriate (see note 17). The Group carries various types of insurance, which depending on the type of claim, may fully or partially cover the claims which arise.

The Group is involved in litigation relating to a dispute with a customer which involves a counter-claim. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.

30. GUARANTEES

At 31 December 2020 there were guarantees issued by the Group for €12,850 (2019: €7,861) (€'000). At year end there was an amount of €7,990 (2019: €Nil) (€'000) which was deposited with banks relating to Group wide Cash Collateralised Guarantees. At year end there are no material claims or issues which would result in any Cash Collateralised Guarantees being claimed by a counterparty. In the ordinary course of operations the Group sometimes has to provide guarantees or letter of credit. These mostly relate to performance, payment or warranty bonds.

There will only be an outflow of funds if there is non-performance of a contract and the guarantee is called upon. It is not expected that the guarantee has affected the pricing related to the underlying contracts. There are no breaches to date, nor are any expected in the future. Consequently there is no fair value attributable to the guarantees and they do not relate to 'contracts that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument' and accordingly per IFRS 9 no amounts have been recognised for the guarantees.

31. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that may have an effect on the Group are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) - This is not expected to be material as the Group has not had any COVID-19 related changes which would effect reported values at the current year end.
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) - The Group has commenced discussions and obtained preliminary information from the lenders relating to the LIBOR changes and will assess and quantify the effects in the next financial reporting effect as there is no effect at 31 December 2020.

The Group is still assessing the interest rate benchmark reform (specifically around LIBOR) and is not currently aware of any other changes that will have a material effect in the financial statements and intends to adopt these changes on the required effective date.

32. EVENTS AFTER THE REPORTING PERIOD

As noted above, the effect of the COVID-19 pandemic continues to have an impact on the Group and the global markets. The Group has been able to adopt and continue working within the various country guidelines and rules. There have been no material adverse COVID-19 impacts after the reporting period to date. However due to the remaining uncertainty (e.g. around vaccination timetables globally, subsequent COVID-19 'waves' and future unknown COVID-19 mutations etc.) the Group cannot give any accurate or reliable estimates on the ultimate potential quantitative impacts currently. Refer to note 1.1 of the Group accounts for further details.

During the current year an agreement was entered into with the landlord of the Sheffield (UK) site to early surrender the site and settle the remaining liability, although the terms had been agreed in principle during the current year the agreement was signed and executed in early January 2021 and no subsequent adjustment was needed (refer to note 17).

There are no other material events after the reporting period to disclose.

33. ULTIMATE GROUP UNDERTAKING

The Group is controlled by Erpe Finco Limited (incorporated in the UK) which owns 100% of the Company's shares. The financial statements for the Company, Group and Erpe Finco Limited can be obtained from the Companies House website (https://beta.companieshouse.gov.uk/). The Group's ultimate controlling party is CEP IV Participations S.a.r.l., SICAR (incorporated in Luxembourg).

COMPANY FINANCIAL STATEMENTS

PRAESIDIAD GROUP LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	2020 €'000	2019 €'000
ASSETS			
Non-current assets		494,501	460,716
Investment in subsidiaries	5	100,079	100,079
Loans receivable from related parties		394,422	360,637
Current assets		5,634	608
Other receivables from related parties		5,634	608
Total assets		500,135	461,324
EQUITY			
Capital and Reserves			
Equity attributable to equity holders of the parent			
Share capital	6	4,192	4,192
Share premium	6	415,045	415,045
Retained earnings		79,918	41,479
Total Equity		499,155	460,716
LIABILITIES			
Non-current liabilities		-	-
Current liabilities		980	608
Other payables to related party		980	608
Current tax liability		-	-
Total liabilities		980	608
Total equity and liabilities		500,135	461,324

The Company reported a profit for year ended 31 December 2020 of €38,439 (2019: €37,526) (€'000).

These financial statements were approved by the directors and signed on their behalf on 30 April 2021 by:

Akhil Chokra
Director

Registered Company number: 10847053.

The notes on pages 67 to 70 are an integral part of these company financial statements.

PRAESIDIAD GROUP LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital	Share premium	Retained earnings	Total
	€'000	€'000	€'000	€'000
Balance as at 1 January 2019	**4,192**	**415,045**	**3,953**	**423,190**
Transaction with owners of the Company	-	-	-	-
Profit for the period	-	-	37,526	37,526
Balance as at 31 December 2019	**4,192**	**415,045**	**41,479**	**460,716**
Transaction with owners of the Company	-	-	-	-
Profit for the period	-	-	38,439	38,439
Balance as at 31 December 2020	**4,192**	**415,045**	**79,918**	**499,155**

1. BASIS OF PREPARATION

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC). The financial statements have been prepared in accordance with FRS 101 reduced disclosure framework (incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016 and the amendments to Company law made by the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015).

Praesidiad Group Limited ('the Company') is a private Company domiciled and registered in England and Wales. The registered number is 10847053 and the registered address is York House, 221 Pentonville Road, London, United Kingdom, N1 9UZ.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of: (i) paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of financial statements': 10(d) (statement of cash flows); 16 (statement of compliance with all IFRS); 38A (requirement for minimum of two primary statements, including cash flow statements); 38B–D (additional comparative information); 111 (cash flow statement information); and 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8,
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a Group.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared under the historical cost convention (unless otherwise indicated). The accounting policies have been applied consistently, other than where new policies have been adopted. The principal accounting policies adopted are summarised below.

Going concern
The directors have prepared trading and cash flow forecasts for the Company and its subsidiaries. These forecasts show that the Company has sufficient resources to meet its obligations as they fall due during this period from the date that these financial statements were approved.

Accordingly, after considering the forecasts, appropriate sensitivities, current trading and available facilities, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have concluded that the going concern basis of preparation is appropriate to enable the Company to continue trading for at least one year from the date of signing these financial statements.

Although this assessment has been made due to the uncertainties surrounding the COVID-19 pandemic there is a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern. Please refer to note 1.1 in the preceding Group accounts for further details in this regard. The liquidity assessment that applies to the Group also applies to the Company. Notwithstanding this material uncertainty, the Directors' confidence in the Group's forecasts and ability to service the debt facilities supports the Directors' going concern assessment covering a period of at least 12 months from the date of approval of the Annual Report and consolidated financial statements.

Functional and presentation currency
These financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest thousands, except where otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fixed asset investments
Fixed asset investments in subsidiaries are stated at cost less, where relevant, provision for impairment.

Financial instruments
Issued equity – Ordinary shares are classified as equity as evidenced by their residual interest in the assets of the Company after deducting all of its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The share premium account records amounts by which the proceeds from issuing shares exceeds the nominal value of the shares issued unless merger relief criteria within the Companies Act (2006) are met, in which case the difference is recorded in retained earnings.

Financial assets
The company classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

This classification is used for the loans and borrowing receivable.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. This is relevant for the loans receivable.

Cash and cash equivalents – Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Finance income and finance costs
Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset form part of the cost of the assets and are capitalised as such. Other borrowing costs are recognised as an expense. Interest income or expense is recognised using the effective interest method.

Current tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates in applying the Company's accounting policies
The accounting estimates, to the extent they apply to the Company, are consistent with those of the Group and are as follows:

Impairment of fixed asset investments
Determining whether the Company's investments in subsidiaries have been impaired requires estimates of the investment's recoverable amount. The methodology for calculation of the recoverable amount is consistent with that of the Group.

Impairment of loans

The Company has intercompany loans receivable. For IFRS 9 the Company has to calculate an expected credit loss on intergroup receivables and loans receivable. The Company also applied these requirements in the prior year.

As allowed under IFRS 9 the methodology for calculating the expected credit loss is the probability of default methodology (PD (probability of default)*LGD (loss given default)*EAD (exposure at default)).

The Company's assessment is that the most probable outcome is that there will be no credit loss on the intergroup loans receivable. However in accordance with IFRS 9 the Company has considered a range of possible outcomes, and the expected credit loss reflects both the possibility that a loss occurs and the possibility that no loss occurs, even though the most likely outcome is no credit loss. The Company has assessed forward-looking information in the form of budgets and 5 year plan and no credit loss is anticipated. There is also adequate buffer in the way of cash, unused facilities and not foreseen, but the potential support from the shareholders if needed.

At 31 December 2020 the Company believes the debt is still performing and in stage 1 per IFRS 9. This means the expected credit loss is based on the 12 month expected credit loss model. The expected credit loss recognised in profit and loss at 31 December 2020 is €492 (2019: €1,126) (€'000).

4. PROFIT AND LOSS ACCOUNT

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company's profit and loss account was approved by the Board on 30 April 2021. The profit attributable to the Company is disclosed as a footnote to the Company's balance sheet.

The Company did not receive dividend income from its subsidiary undertakings. The Company has no employees other than the directors, whose remuneration was paid by a subsidiary undertaking.

5. INVESTMENTS

	2020	2019
Carrying amount	**€'000**	**€'000**
Investment in Praesidiad Ltd	1,234	1,234
Investment in Erpe Bidco Inc	98,845	98,845
At 31 December	100,079	100,079

Full list of related undertakings

Name	**Address of the registered office**	**Nature of business**	**Proportion of ordinary shares held (%)**
Betafence Belgium BVBA	Blokkestraat(Z) 34 box B, 8550 Zwevegem	Perimeter security manufacturing	100%
Guardiar Europe BVBA	Blokkestraat(Z) 34 box B, 8550 Zwevegem	Perimeter security manufacturing	100%
Praesidiad Holding BVBA	Blokkestraat(Z) 34 box B, 8550 Zwevegem	Holding Company	100%
Betafence S.R.O.	Zvonarka 16 box 2, Brno	Perimeter security sales & distribution	100%
Betafence Hrvatska d.o.o	Samoborska Cesta 106, Zagreb	Perimeter security sales & distribution	100%
Betafence Finland OY	Aviabulevardi, Karhumäentie 3, Vantaa	Perimeter security sales & distribution	100%
Betafence France SAS	Rue de la Renaissance 5, box A, Antony	Perimeter security sales & distribution	100%
Betafence Holding France SAS	Rue du Guindal 15, Bourbourg	Holding Company	100%
Betafence Deutschland Gmbh	Dulkener Strasse 200, Schwalmtal	Perimeter security sales & distribution	100%
Betafence Gmbh	Dulkener Strasse 200, Schwalmtal	Perimeter security manufacturing	100%
Draht Bremer und Partner	Tempelweg 62, Zöblitz	Perimeter security manufacturing	19%
Betafence Holding Italia Srl	Contrada Salinello 59, Tortoreto	Holding Company	100%
Betafence Italia SPA	Contrada Salinello 59, Tortoreto	Perimeter security manufacturing	100%
Betafence sp Zoo	Ul. Debowa 4, Kotlarnia	Perimeter security manufacturing	100%
Betafence Espana SLU	C/Vitoria 23 2, box D, Burgos	Perimeter security sales & distribution	100%
Pindburg SL	Avda. Burgos 68, Briviesca	Perimeter security manufacturing	33%
Praesidiad Ltd	York House, 221 Pentonville Road, London	Holding Company	100%
Betafence Ltd	First Floor, Unit B, Forge House, 21 Carbrook Hall Road,	Perimeter security manufacturing	100%
Hesco Group Limited [1]	41 Knowsthorpe Way, Cross Green Industrial Estate, Leeds	Holding Company	100%
Hesco Bastion Ltd	41 Knowsthorpe Way, Cross Green Industrial Estate, Leeds	Perimeter security manufacturing	100%
Betafence Wire & Mesh	Tede Western Zone, Standard Building 10, Tianjin	Dormant	100%
Betafence International Trading	Habiner Road Room 1A 414 Free Trade Zone 78, Tianjin	Dormant	100%
Guardiar Morocco sarl/au	Rue Moussa Bnou Noussair 10, Cassablanca	Perimeter security sales & distribution	100%
Guardiar Namibia (Pty) Ltd [1]	Independence Avenue 344, Windhoek	Perimeter security sales & distribution	100%
Betafence Peru S.A.C.	Avenue Victor Andres Belaunde 71, San Isidro	Dormant	100%
Betafence o.o.o.	Dmitrovskoye Shosse 100 box 2, Moscow	Perimeter security sales & distribution	100%
Guardiar Arabia LLC	Al Fayha's Industrial Zone, WH E3, Al Khoba	Perimeter security sales & distribution	100%
Guardiar South Africa (Pty) Ltd	Berg River Park, Dal Joasaf, Paarl	Perimeter security manufacturing	74% [2]
Betafence Schweiz GmbH	Hardstrasse 59, Neuenhof	Perimeter security sales & distribution	100%
Betafence Yapi Sanayi Ve Ticaret A.S.	Sancaktepe Mah Bülük Sanayi Cad 1/3, Istanbul	Perimeter security manufacturing	100%
Erpe Bidco Inc.	C/o The Corporation Trust, Compan, 1209 Orange Street, Wilmington, Wilmington	Holding Company	100%
Guardiar Corporation, Inc	South State St 1675 box B, Dover	Holding Company	100%
Guardiar USA LLC	McKinney Avenue 3232, Dallas	Perimeter security manufacturing & services	100%
Guardiar Solutions, Inc.	Crestwood Parkway NW, Ste 350 3675, Gwinnett, Duluth	Perimeter security manufacturing & services	100%
Hesco Holdings Inc.	Fifth Avenue, Suite 4200 1420, Seattle	Holding Company	100%
Hesco Armor Inc.	2210 Port Industrial Road, Suite B, Aberdeen	Security products manufacturing	84%
Hesco Bastion Inc.	South Dupont Highway, Dover, Kent 3500, Dover	Perimeter security manufacturing	100%
Praesidiad Germany GmbH	Hennes-Weisweiler Allee 8, 41179, Mönchengladbach, Germany	Holding Company	100%

Praesidiad Group Limited directly holds 100% of the equity of Praesidiad Limited and Erpe Bidco Inc. All other investments are held indirectly. Due to the 2019 reorganisations and the Hesco goodwill impairment (refer to preceding Group financial statements) there was an impairment trigger and an impairment assessment was performed and no impairment was necessary.

[1] Due to internal restructurings and group simplification, these entities are in deregistration at year end.
[2] During the year 26% of non-controlling interest ownership was disposed. In 2019 26% non-controlling interest ownership was acquired from the minority owners.

6. SHARE CAPITAL AND SHARE PREMIUM

Issued - A Ordinary shares	**No.**	**€**	**€'000**
Shares in issue at 31 December 2019	9,590,958	95,909.58	96
Shares in issue at 31 December 2020	9,590,958	95,909.58	96

Share Premium	**€**	**€'000**
Share premium at 31 December 2019	9,495,049	9,495
Share premium at 31 December 2020	9,495,049	9,495
Total Ordinary Share Capital and Share Premium 2019	9,590,958	9,591
Total Ordinary Share Capital and Share Premium 2020	9,590,958	9,591

The Company has only one class of ordinary shares. All issued share have been fully paid. There were no ordinary share issues in 2020 or 2019.

Preference shares

Issued - Redeemable preference shares	**No.**	**€**	**€'000**
Issue of preference shares at €0.01 par - 31 July 2018	409,646,756	0.01	4,096
Share Premium - Redeemable preference shares		**€**	**€'000**
Issue of 409,646,756 redeemable preference shares at a €0.99 premium per share - 31 July 2018		405,550,288	405,550

	2020	**2019**
Total Ordinary and Preference Shares	**€'000**	**€'000**
Total ordinary and preference share capital	4,192	4,192
Total Ordinary and Preference Share Premium	415,045	415,045

Conversion of loans into preference shares
In 2018 the Group (via Praesidiad Group Limited) had loans with Erpe Finco Ltd (a shareholder of the Group). In 2018 these loans were converted to Preference shares. Prior to the conversion of the preference shares the Group had accrued €26,691 (€'000) of interest expense on the loans. After conversion there has been no further interest accrued.

After converting the loan to preference shares, the terms of the preference shares have the following features:
- The preference dividend will not accrue until a dividend has been declared as a dividend is not mandatory but rather the declaration and payment of the dividend will solely be at the discretion of the company, Praesidiad Group Limited (with board approval and shareholder consent). If declared, the dividend will then accrue at 12% since 1 August 2018 or the last declaration and payment date.
- The repayment term of 10 years was removed, the preference shares will only be repayable upon consent of both parties (Praesidiad Group Limited and Erpe Finco Ltd).

Therefore the preference dividend payment will be dependent on Praesidiad Group Limited board approval (with shareholder consent), there is no fixed repayment date, and the holder (Erpe Finco) is unable to unilaterally request repayment. Therefore as a result of the features the preference shares are classified as equity and not debt per IFRS (IAS 32). The calculation of the preference dividend is consistent with the original debt, i.e. on the original loan balance (12% of the original capital balance), compounded annually. However it will not be recognised unless approved and declared by the board of Praesidiad Group Limited and the terms of the financing documents.

There was no preference dividend declared during the current or prior year and therefore no preference dividend has been accrued.

7. EVENTS AFTER THE REPORTING PERIOD

The effect of COVID-19 pandemic continues to have an impact on the Group and the global markets. The Group has been able to adopt and continue working within the various country guidelines and rules. There have been no material adverse COVID-19 affects after the reporting period to date. However due to the remaining uncertainty (e.g. around vaccination timetables globally, subsequent COVID-19 'waves' and future unknown COVID-19 mutations etc.) the Group cannot give any accurate or reliable estimates on the ultimate potential quantitative impacts currently. Refer to note 1.1 of the preceding Group accounts for further details. There are no other material events after the reporting period to disclose.

8. PARENT AND ULTIMATE CONTROLLING PARTY

The Company is controlled by Erpe Finco Ltd (incorporated in the UK) which owns 100% of the Company's shares. The Group's ultimate controlling party is CEP IV Participations S.a.r.l., SICAR (incorporated in Luxembourg).