ERPE TOPCO LIMITED

(Incorporated in England and Wales, company number: 10846633)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 December 2021

CONTENTS **PAGE**

CORPORATE INFORMATION

Directors
Andrew Stevens
Marco de Benedetti
Fraser Robson (Resigned on 16 February 2022)
William Woolsey (Appointed on 16 February 2022)
Dino Koutrouki
Akhil Chokra

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 well in 2021 despite continuing difficult trading conditions, unprecedented macro-economic conditions with significant increase in commodity prices, global supply chain disruptions mainly around transportation and continued uncertainties around COVID-19. While revenues were impacted during the year by government enforced lockdowns in some locations and COVID-19 related projects delays and cancellations, the Group achieved strong financial results.

Recurring EBITDA was just under 20% higher than the prior year which was driven by increased sales, strong cost control and the execution of a number of restructuring and other productivity projects. During the year some highlighted projects included.

- In 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 completed in 2021 despite significant challenges caused by the COVID-19 pandemic. The Poland site is fully operational and has been certified to the required standards
- Set up a manufacturing plant in China (in combination with a Chinese strategic partner), which was largely completed during 2021 and has become fully operational after the year end.
- Announced the intention to downsize the Belgium plant, while committing to investment in further automation in the remaining plant (refer to note 17 for further details).
- Successfully delivered sales for the newly launched Betafence products for the American residential markets.
- Managed all restructuring and investments within the existing cash facility with minimum cash utilisation in the year.
- Reached agreement with the Italian workers unions for 'Cassa Integrazione (Social Tool)' to June 2022 and thereafter extended to June 2023.
- Hesco successfully re-tendered and won a five year contract with one of it's large government customers.

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 (and in the future Asia-Pacific (APAC) through the set-up of a Chinese manufacturing plant) 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:

	2021 €'000	2020 €'000
Revenue	316,177	285,805
Recurring EBITDA (refer note 4)	36,058	30,114
Net cash inflow / (outflow) from operating activities	5,080	(26,484)
External Net debt (refer note 4)	346,056	339,333

FUTURE DEVELOPMENTS

The Group plans to continue regular investments in product development and innovation during 2022 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. During the year the Group set up a manufacturing plant in China, which will become fully operational in 2022 and drive the expansion in the APAC region.

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. Since the Ukraine invasion with the increased prices the Group has daily meetings with senior management which evaluate pricing and related strategy. The Group has also monitored pricing closely and increased prices accordingly to pass along the increased costs. The Group currently does not hedge raw material prices.

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 the prior year continued to pose many risks and uncertainties in the global economy and also for the Group. The effects of this were felt throughout 2021. This has had and will likely continue to have an impact on the Group's customer industries as well as on its supply chain and production (see events after the reporting period below). Currently some of these risks are still unquantifiable. It also has the potential to crystallise other principal risks (mentioned above) simultaneously, with the effect that the impact could be magnified.

UKRAINE CONFLICT AND SANCTIONS

Following the Russian invasion of Ukraine in February 2022, the Board has considered the impact on the Group's operations and continue to monitor the developing situation. Whilst the Group does not have operations in Ukraine, Russia or Belarus and has no exposure in terms of revenue in Russia or Belarus (and an insignificant amount of revenue from Ukraine) the Group is affected by the market conditions this creates. The board continues to monitor any wider impacts on high inflation, increased cost and limitations on supply of steel, increased uncertainty of these and other costs in the manufacture and delivery of products (energy, steel prices and transport costs being the primary ones). The Board recognises that it is difficult to fully assess the associated impacts and accordingly makes accurate forecasting difficult. Refer to the 'events after the reporting date and future developments' in the Directors' report for further info.

The Group is not aware of any sales to sanctioned countries/locations such as North Korea, Iran, and Russia. The Group has pre-existing detailed global polices (such as the 'Trade Sanctions and Export Control Policy') and processes in place to ensure compliance with local and global export control laws and do not export or import goods from countries that are on the United Kingdom, United States of America, or the European Union sanctions list.

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 2021.

Long term decisions
The shareholders have representation on the board of directors and there is frequent and regular interactions with the shareholders. All strategic decisions are taken in a collaborative nature with the representative shareholders. The executive management team have developed a long term strategic plan to ensure the long term success of the business

Employees
Our employees are fundamental to the company's success. The health, safety and well-being of our employees is one of our primary considerations in the way we do business. We aim to be a responsible employer in our approach to the pay and benefits. The executive directors and senior management have a well-established history of visiting different sites and holding town hall meetings where employee matters are discussed and opportunities are provided for staff to engage with senior management. They also regularly engage with trade union officials in the regions which have trade unions and have good relationships with them in this regard.

Standards of business conduct
The Group has undertaken and developed mandatory training for staff and directors relating to company policies, values and standards, best practice and other legal compliance. The Group has a central repository which all employees have access to which has all the company policies. The Group has comprehensive policies which are regularly reviewed and updated where necessary, including a well-established whistle-blower policy. Employees have to do annual updates and annual compliance declarations covering company policies and various legal compliance with laws and regulations. The directors set the tone for compliance and any non-compliance with company standards or laws are promptly investigated and action taken which ensures that the Group maintains high standards of business conduct.

Strategic relationships
Our strategy and future plans prioritise organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. The Group led by senior management develop and maintain strong client relationships. Senior management including the CEO regularly engage with key clients to obtain feedback about our products, where we can improve, and understand client needs so the Group can continue to provide solutions that meet client needs. We value all of our suppliers and have long term contracts with many of our key suppliers.

Refer to the Directors' Report 'Streamlined energy and carbon reporting' section for further information around the environmental reporting relating to S172.

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

A Chokra
Director
10 August 2022

The Directors have pleasure in presenting their consolidated annual report on the activities of the Group for the year ended 31 December 2021.

RESULTS

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

	2021 €'000	2020 €'000
Loss for the year	(73,326)	(101,652)
Total comprehensive loss for the year	(90,586)	(82,135)

Refer to note 1(c) for information regarding a prior period restatement relating to pension liabilities.

DIVIDEND

No dividend has been declared for the year ended 31 December 2021 (2020: €Nil).

DIRECTORS

The directors who served the Company during the year and subsequently were as follows:
Andrew Stevens
Marco de Benedetti
Fraser Robson (Resigned on 16 F (resigned 19 March 2020)
William Woolsey (Appointed on 16 February 2022)
Dino Koutrouki
Akhil Chokra

GOING CONCERN

The Directors prepared these financial statements on a going concern basis. In making this judgement the Directors considered the Group's projected financial position, current intentions, access to financial resources and analysed the impact of the macro-economic developments on the operations, including the COVID-19 pandemic and the military conflict in Ukraine.

At year end the Group had liquidity (including undrawn borrowing facilities) of €47.1m (2020: €50m), which included funds from drawing on the available financing facilities to see it through the unprecedented and uncertain trading environment. As at 31 December 2021 (and at 31 December 2020), the Group was in compliance with debt covenants under the terms of senior finance agreement ('SFA').

The Group's base case going concern assessment, reflecting the current approved budget and forecast, shows that it will be able to operate within the SFA for at least 12 months from the date of approval of the Annual Report and Financial Statements with sufficient liquidity, and no financial covenant breaches are forecasted.

The Directors have modelled cash flows under severe but plausible downside scenarios, including the combined impact of the following key changes to the base case forecast, triggered by the market conditions:

- Disruption of supply chain;
- Increased inflation rates affecting the steel, energy and transport costs, partially offset by pricing increases to customers; and
- Reduction in demand from customers.

The result of the sensitivity analysis shows that in the event of a severe but plausible change in key assumptions, the Group will still sustain sufficient liquidity for at least 12 months from date of approval of the Annual Report and Financial Statements. However, the sensitised forecast results in a limited headroom over the financial covenant.

Whilst the Group does not have operations in Ukraine, Russia or Belarus and has no exposure in terms of revenue in Russia or Belarus (and an insignificant amount of revenue from Ukraine) the Group is affected by market conditions that the military conflict in Ukraine creates. The Directors continue to closely monitor cash flow forecasts, steel pricing and availability and would take mitigating actions in order to maintain compliance with the SFA. Due to the market impacts from the invasion of Ukraine the Group has implemented a weekly-determined pricing update to customers to cover the increase in costs and has deployed a new Management Operating System of daily "Business Pulse" calls with the Senior Executive Leadership and others as required, covering the working capital reviews and markets.

At the time of issuing of the Annual Report and Financial Statements there is still some uncertainty in market conditions driven by the impact of the ongoing COVID-19 pandemic, e.g. if there will be future severe strains causing future restrictions, how long China's zero COVID policy and lockdowns will continue, etc. However, due to successful vaccine programmes in many regions and the mildness of recent virus strains, many of the regions we operate in have softened rules after year end and markets have opened up with some reverting close to a normal pre-COVID environment (albeit with some remaining effects such as higher inflation and shipping constraints affecting regions differently).

Considering the factors above, the Directors believe that there are still unprecedented market conditions driven by the impact of the COVID-19 pandemic and the military conflict in Ukraine, 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 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 direct adverse impacts arising from the COVID-19 pandemic after the reporting period to date other than the continued impact on the global economic recovery which has affected regions differently. However, due to successful vaccine programmes in many regions and the mildness of recent virus strains, many of the regions we operate in have eased rules after year end and markets have opened up with disruptions reducing (albeit with some remaining effects of e.g. higher inflation and shipping constraints affecting regions differently). There is still uncertainty (e.g. around vaccination timetables globally, subsequent COVID-19 'waves' and future unknown COVID-19 mutations/strains etc.) so although the effect has greatly reduced the Group cannot give accurate or reliable estimates on the ultimate potential quantitative impacts currently. Refer to note 1.1 of the Group accounts for further details.

As noted above, although this is a non-adjusting event after the reporting period, following the Russian invasion into Ukraine in February 2022, the Board has considered the impact on the Group's operations and continues to monitor the developing situation. Whilst the Group does not have operations in Ukraine, Russia or Belarus and has no exposure in terms of revenue in Russia or Belarus (and an insignificant amount of revenue from Ukraine) the Group is affected by market conditions that this creates. This has caused energy and steel prices to increase which are negative for the company, however, this is partially offset as the Hesco business has received orders for additional sales over and above those forecast and many ongoing enquiries as a result. The board continues to monitor any wider impacts on high inflation, increased cost and limitations on supply of steel, increased uncertainty of these and other costs in the manufacture and delivery of products (energy, steel prices and transport costs being the primary ones). There is uncertainty regarding the length and outcomes of the conflict and the resulting impacts on the markets. The Group cannot give accurate or reliable estimates on the ultimate potential quantitative impacts currently. Refer to note 1.1 of the Group accounts for further details.

During February 2022 the Group has extended the RCF and drawn ancillary facility from 2023 to 4 September 2024 to be in line with the other external debt (term loans). This provides the Group with extra certainty regarding liquidity projections. Refer to note 16 of the Group accounts for further details.

The Group has extended the guaranatee for the TWIL pension fund to 31 December 2028 on materially the same terms as before (refer to note 18 for further details).

In July 2022 the Group paid an upfront premium to enter in to interest rate caps on €194m of Euro and $20m of the USD external 'Term loan' borrowings to limit potential increased future interest payments due to increasing interest rates in the markets. This results in the Euro debt capping EURIBOR at 2.5% and for the USD debt capping USD Libor at 3.25%. The interest rate caps mature in September 2024 (refer to notes 16 and 21 for further info around the term loans).

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'), since last year large unquoted companies (such as Erpe Topco Limited) are now required to report their UK energy use and associated greenhouse gas ('GHG') emissions for the second year.

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 programme 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 and prior 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 two UK sites namely the London administration head office and Leeds shared sales office. In the prior year we had three UK sites, namely the London administration head office, Sheffield sales office and Leeds assembly site. During the year the Leeds assembly site was closed down and operations moved to Poland. The Sheffield staff were co-located with the remaining Leeds staff to a new Leeds site. The London and Leeds 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 usage (e.g. from fork lifts) which was closed during the year as well as the Leeds 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 2021 year:

	2021 year	**2020 year**
Total CO2e (tonnes)	64	195
Energy (Leeds, UK) CO2e (tonnes)	49	167
Travel / Fuel (UK) CO2e (tonnes)	15	28
Carbon intensity ratio Total tonnes (CO2e / €m	3.86	9.24
Energy Usage		
UK energy consumption in kWh	239,878	803,540

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 2021 usage has come down as Hesco exited their Leeds assembly site during the year. In the past other Betafence locations outside the UK would manufacture, transport to Leeds and Hesco would assemble. By moving the assembly to the Polish site where manufacturing is also done on site, the Group has reduced the transport carbon footprint.

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. This move has completed during the 2021 year.
- 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.
- With regard to raw materials for plastics coatings, Betafence guarantees that only green plastic coatings are used which do not contain harmful or toxic compounds; no lead, no cadmium, no hexavalent chromium, no toxic plasticizers

- We limit water consumption as much as possible by recycling where feasible. In our main production location in EMENA, we have wastewater treatment plants.
- Employees are regularly informed and trained about environmental matters by local SHEQ representatives. The corporate car policy gives preference to low CO^2 emissions and where feasible, e.g. Betafence Belgium encourages our employees to come to work by bicycle. Betafence bicycles are available for the teams at the manufacturing site in Belgium.
- Long product lifespan; Durable products are the basis for sustainable development. The longer lifetime of e.g. Betafence's plastic-coated products is guaranteed by careful selection of plastics based on their UV resistance, their adhesion performance and state-of-the-art coating technology combined with stringent process control. Betafence also integrates environmental criteria in the design of our products. At the end of its lifetime, the Betafence products can be recycled through steel recycling processes. Therefore we can guarantee a lower amount of waste material.

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (Cont.)

- The Group makes an effort to reducing our energy consumption in all our manufacturing sites by analysing, improving and using energy-efficient lighting. The Group has a high degree of automation and insulation of energy consuming processes, and is always looking to automate further. E.g. all Betafence steel fences, posts, rails and security mesh panels are manufactured using recycled material. The result is steel components utilising between 20% and 95% recycled content, depending on the product. Raw materials used for plastification are guaranteed free of any toxic components.

- 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 centre 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 (BREEAM is the world's leading sustainability assessment method for master planning projects, infrastructure and buildings. The BREEAM assessment includes an asset's environmental, social and economic sustainability performance, using standards developed by BRE. This means BREEAM rated developments are more sustainable environments that enhance the well-being of the people who live and work in them, helping protect natural resources.)
o 100% renewable energy usage in 2020 and 2021

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

A Chokra
Director
10 August 2022

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 UK-adopted international accounting standards 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 UK-adopted international accounting standards 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 Erpe Topco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Erpe Topco 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 2021 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 UK-adopted international accounting standards;
- 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 Financial Statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 December 2021; 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 disclosures set out the possible impact and consequences of unprecedented market conditions driven by the ongoing COVID-19 pandemic and the military conflict in Ukraine on customer demand and the supply chain. If these impacts are realised, the uncertainty of delivering against the Group's forecasts increases, as does the risk that the Group may breach a financial covenant in a severe but plausible scenario. 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 2021 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 noncompliance 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, employee benefit liabilities and its impairment assessment of goodwill.

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
10 August 2022

ERPE TOPCO LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	2021 €'000	2020 €'000
Revenue	3	316,177	285,805
Cost of sales		(239,158)	(217,871)
Gross profit		**77,019**	**67,934**
Selling and distribution costs	5	(19,918)	(22,222)
General & administrative expenses total		(70,033)	(54,708)
General & administrative expenses	5	(40,636)	(27,857)
Depreciation and amortisation from business combination		(29,397)	(26,851)
Expected net credit loss on trade and other receivables	13	(219)	(1,209)
Other losses – net	5	(2,308)	(4,908)
Operating loss	4	**(15,459)**	**(15,113)**
Net finance costs	7	**(61,889)**	**(98,603)**
Finance income		24,681	702
Finance costs - external		(23,038)	(42,580)
Finance costs - shareholder loan		(63,532)	(56,725)
Loss before tax		**(77,348)**	**(113,716)**
Income tax credit	8	4,022	12,064
Loss for the financial year		**(73,326)**	**(101,652)**
Recurring EBITDA	**4**	***36,058***	***30,114***
Other Comprehensive Income / (Expense)			
Other comprehensive income items that will not be reclassified to profit or loss in subsequent years:			
Remeasurements of defined benefit liabilities and asset	18	3,457	1,086
		3,457	**1,086**
Other comprehensive (expense) / income items that are or may be reclassified to profit or loss in subsequent years:			
Foreign operations – foreign currency translation differences		(41,566)	32,943
Remeasurement of forex gains / (losses) on the net investment in foreign operations	15	20,849	(14,512)
Other comprehensive (expense) / income for the year net of tax		**(17,260)**	**19,517**
Total comprehensive loss for the year		**(90,586)**	**(82,135)**
Loss attributable to:			
Owners of the Company		(73,007)	(101,570)
Non-controlling interests		(319)	(82)
		(73,326)	**(101,652)**
Total comprehensive loss attributable to:			
Owners of the Company		(90,267)	(82,053)
Non-controlling interests		(319)	(82)
		(90,586)	**(82,135)**

The notes on pages 18 to 65 are an integral part of these consolidated financial statements.

ERPE TOPCO LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	31 Dec 2021 €'000	* Restated 31 Dec 2020 €'000	* Restated 1 Jan 2020 €'000
ASSETS				
Non-current assets		**574,499**	**600,288**	**629,445**
Property, plant and equipment	9	66,699	75,986	85,221
Intangible assets and goodwill	10	473,811	495,836	520,778
Investments	11	81	81	81
Employee benefits asset	18	20,050	17,789	19,588
Other loans and receivables	13	6,870	6,898	-
Deferred tax assets	19	6,988	3,698	3,777
Current assets		**162,050**	**165,469**	**123,478**
Inventories	12	77,491	61,996	58,212
Trade and other receivables	13	36,775	54,288	50,627
Contract assets	3	6,369	3,242	1,792
Current tax assets		420	3,196	175
Cash and cash equivalents	14	40,995	42,747	12,672
Total assets		736,549	765,757	752,923
EQUITY				
Capital and Reserves				
Equity attributable to equity holders of the parent		**(432,831)**	**(342,609)**	**(262,065)**
Share capital	15	113	111	131
Share premium	15	9,217	9,146	9,187
Accumulated losses		(429,421)	(359,843)	(260,160)
Other Reserves	15	16,765	(4,084)	10,428
Foreign currency translation reserve		(29,505)	12,061	(21,651)
Non-controlling interests	26	3,447	1,706	-
Total Equity		(429,384)	(340,903)	(262,065)
LIABILITIES				
Non-current liabilities		**1,076,926**	**1,011,579**	**908,979**
Loans and borrowings	16	418,943	414,797	353,896
Loans and borrowings - shareholder loans	16	592,964	529,432	472,708
Provisions	17	6,558	3,180	8,810
Employee benefits liability	18	8,557	10,729	10,889
Deferred tax liabilities	19	49,904	53,441	62,676
Current liabilities		**89,007**	**95,081**	**106,009**
Trade and other payables	20	70,927	72,236	78,960
Contract liabilities	3	3,672	2,940	3,869
Provisions	17	6,632	10,241	9,405
Loans and borrowings	16	5,411	8,519	10,848
Derivative financial instrument	21	-	368	513
Current tax liabilities		2,365	777	2,414
Total liabilities		**1,165,933**	**1,106,660**	**1,014,989**
Total equity and liabilities		736,549	765,757	752,923
External net debt (excluding shareholder loans)	**4**	*346,056*	*339,333*	*311,479*

* Refer to note 1.3(c) for details regarding the restatement.

These financial statements were approved by the directors and signed on their behalf on 10 August 2022 by:

Akhil Chokra
Director

Registered Company number: 10847053.

The notes on pages 18 to 65 are an integral part of these consolidated financial statements.

	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 2020	131	9,187	(260,160)	10,428	(21,651)	(262,065)	-	(262,065)
Transaction with owners of the Company								
Equity settled share based payment (note 27)	-	-	197	-	-	197	-	197
Issue of shares	19	352	-	-	-	371	-	371
Buy back of shares	(39)	(393)	421	-	-	(11)	-	(11)
Dividends paid (withholding tax on inter-Group dividend)	-	-	(51)	-	-	(51)	-	(51)
Comprehensive income / (loss)								
Loss for the year	-	-	(101,570)	-	-	(101,570)	(82)	(101,652)
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	-	-	(100,250)	(14,512)	33,712	(81,050)	1,706	(79,344)
Balance as at 31 December 2020	111	9,146	(359,843)	(4,084)	12,061	(342,609)	1,706	(340,903)
Transaction with owners of the Company								
Equity settled share based payment (note 27)	-	-	41	-	-	41	-	41
Issue of shares	2	71	-	-	-	73	-	73
Comprehensive income / (loss)								
Loss for the year	-	-	(73,007)	-	-	(73,007)	(319)	(73,326)
Dividends paid (withholding tax on inter-Group dividend)	-	-	(69)	-	-	(69)	-	(69)
Set up of a subsidiary with NCI (note 24)	-	-	-	-	-	-	2,060	2,060
Other comprehensive income / (expense) (note 15)	-	-	3,457	20,849	(41,566)	(17,260)	-	(17,260)
Total Comprehensive (loss) / profit	-	-	(69,619)	20,849	(41,566)	(90,336)	1,741	(88,595)
Balance as at 31 December 2021	113	9,217	(429,421)	16,765	(29,505)	(432,831)	3,447	(429,384)

	Note	Year ended 31 Dec 2021 €'000	Year ended 31 Dec 2020 €'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the year		(73,326)	(101,652)
Adjustments to reconcile loss after tax to net cash flows:			
Depreciation of property, plant and equipment	9	16,265	10,548
Amortisation of intangible assets	10	23,857	25,832
Gain on sale of property, plant and equipment		(101)	(499)
Allowance (reversed) / recognised on trade receivables	13	(293)	593
Impairment of PP&E		-	609
Net exchange differences		(1,674)	1,032
Fair value movement of derivatives		(374)	(145)
Net finance (income) / costs	7	61,889	98,603
Equity settled share-based payment transactions		41	197
Tax credit	8	(4,022)	(12,064)
Working capital adjustments:			
Trade and other receivables and prepayments		17,806	(4,257)
Contract assets		(3,127)	(1,450)
Trade, other payables and pensions		(972)	(7,048)
Inventories		(15,495)	(3,784)
Contract liabilities		733	(928)
Provisions		(230)	(4,794)
Cash Collateralised Guarantees		18	(4,751)
Cash generated from / (used in) operating activities		**20,995**	**(3,958)**
Interest paid (including IFRS 16 leases interest)		(17,847)	(20,680)
Interest received		196	66
Tax refunds / (paid)		1,736	(1,912)
Net cash inflow / (outflow) from operating activities		**5,080**	**(26,484)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	9	(3,540)	(3,448)
Disposals of property, plant and equipment		380	249
Additions to intangible assets		(1,109)	(2,367)
Disposal of NCI		-	896
NCI capital contributed	24	2,060	-
Net cash outflow from investing activities		**(2,209)**	**(4,670)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Repayment) / Proceeds from loans and borrowings		(367)	66,518
Payment of lease liabilities		(4,186)	(5,238)
Dividends paid (withholding tax on inter-Group dividend)		(69)	(51)
Net cash (outflow) / inflow from financing activities		**(4,622)**	**61,229**
Net movement in cash and cash equivalents		(1,751)	30,074
Cash and cash equivalents at the beginning of the year		42,747	12,672
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	**40,995**	**42,747**

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 General information and basis of preparation

Erpe Topco Limited ('the Company') is a private Company domiciled and registered in England and Wales. The registered number is 10846633 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 2021 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 10 August 2022.

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

The Directors prepared these financial statements on a going concern basis. In making this judgement the Directors considered the Group's projected financial position, current intentions, access to financial resources and analysed the impact of the macro-economic developments on the operations, including the COVID-19 pandemic and the military conflict in Ukraine.

At year end the Group had liquidity (including undrawn borrowing facilities) of €47.1m (2020: €50m), which included funds from drawing on the available financing facilities to see it through the unprecedented and uncertain trading environment. As at 31 December 2021 (and at 31 December 2020), the Group was in compliance with debt covenants under the terms of senior finance agreement ('SFA').

The Group's base case going concern assessment, reflecting the current approved budget and forecast, shows that it will be able to operate within the SFA for at least 12 months from the date of approval of the Annual Report and Financial Statements with sufficient liquidity, and no financial covenant breaches are forecasted.

The Directors have modelled cash flows under severe but plausible downside scenarios, including the combined impact of the following key changes to the base case forecast, triggered by the market conditions:

- Disruption of supply chain;
- Increased inflation rates affecting the steel, energy and transport costs, partially offset by pricing increases to customers; and
- Reduction in demand from customers.

The result of the sensitivity analysis shows that in the event of a severe but plausible change in key assumptions, the Group will still sustain sufficient liquidity for at least 12 months from date of approval of the Annual Report and Financial Statements. However, the sensitised forecast results in a limited headroom over the financial covenant.

Whilst the Group does not have operations in Ukraine, Russia or Belarus and has no exposure in terms of revenue in Russia or Belarus (and an insignificant amount of revenue from Ukraine) the Group is affected by market conditions that the military conflict in Ukraine creates. The Directors continue to closely monitor cash flow forecasts, steel pricing and availability and would take mitigating actions in order to maintain compliance with the SFA. Due to the market impacts from the invasion of Ukraine the Group has implemented a weekly-determined pricing update to customers to cover the increase in costs and has deployed a new Management Operating System of daily "Business Pulse" calls with the Senior Executive Leadership and others as required, covering the working capital reviews and markets

At the time of issuing of the Annual Report and Financial Statements there is still some uncertainty in market conditions driven by the impact of the ongoing COVID-19 pandemic, e.g. if there will be future severe strains causing future restrictions, how long China's zero COVID policy and lockdowns will continue, etc. However, due to successful vaccine programmes in many regions and the mildness of recent virus strains, many of the regions we operate in have softened rules after year end and markets have opened up with some reverting close to a normal pre-COVID environment (albeit with some remaining effects such as higher inflation and shipping constraints affecting regions differently).

Considering the factors above, the Directors believe that there are still unprecedented market conditions driven by the impact of the COVID-19 pandemic and the military conflict in Ukraine, 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 Financial Statements.

1.2 Statement of compliance

The consolidated financial statements of Erpe Topco Limited have been properly prepared in accordance with UK-adopted 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, sources of estimation uncertainty and errors

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

Assessment of control of Praesidiad Dihang (Suzhou) 护栏科技 (Security & Fencing Technology) Co., Ltd ("PDS")

Erpe Topco via the 'Praesidiad' subsidiaries is establishing a manufacturing location in China. Prior to this Praesidiad did not have any locations in APAC. The manufacturing operation is being established with a partner Chinese company which is in a similar business as Praesidiad although focussed on more residential products rather than high security. The new entity PDS is a Chinese entity and has been incorporated in January 2021. Praesidiad owns 51% of this entity through a newly incorporated Hong Kong holding company, which is itself 100% owned by Erpe Topco Limited. Praesidiad may appoint, subject to the Board approval, the key management teams. In addition, as Praesidiad holds a majority of seats on the board (three out of five), Praesidiad has sole discretion to decide on the appointment and removal of such officers. The board of directors (where Praesidiad appoint 3 out of 5) will be responsible for the day to day management of the entity.

The Group has assessed the IFRS 10 'Consolidated financial statements' requirements for control; The Group has concluded it has power over the investee and has existing rights in PDS which give it the current ability (once operations commence) to direct the relevant activities that will significantly affect their return. Praesidiad also has the right to variable returns from it's involvement (ownership) of PDS. Praesidiad will also have the ability to use its power over the investee (PDS) to affect the amount of the investor's (Praesidiad's) returns. Praesidiad was significantly involved in the set up of PDS and can use the power and exposure to variable returns for it's own benefit (versus another party) which indicates it is a principal and not an agent. The Group therefore concludes it controls PDS. The Erpe Topco (Group) has therefore consolidated PDS per IFRS 10 requirements from the date of the agreement with the minority shareholder (which was before any significant activities commenced, costs were incurred or capital provided).

1.3 (b) Sources of estimation uncertainty:

Hesco Intangible Assets impairment assessment

One of Hesco's large government customers contract expired towards the end of the 2020 year and Hesco had re-tendered for a new contract. Hesco won the re-tender and was awarded a five year contract, 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 the value in use calculation of Hesco is prudent and lower at 31 December 2021 than prior years. There is also an intangible asset for this customer relationship with a net book value of €4.2m (2020: €5.1m) at year end. If Hesco do not obtain sufficient future sales from this contract there may be a negative consequence for the impairment testing around the customer relationship intangible asset. Refer to note 10 for further details on the impairment assessment.

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).

Betafence Limited TWIL pension fund valuation

As disclosed in note 1.3(c) below the TWIL pension plan is undergoing it's triennial valuation and certain issues have been identified relating to the benefits administered versus the scheme rules dating back several years. In light of the materiality of the potential liability the Company needs to carry out its own legal review of the issue to determine whether it agrees with the Trustee's assessment of there being a liability and also a due diligence on the Trustees calculations. This analysis with the Trustees is anticipated to take several months to conclude and therefore at the time of approving these financial statements the process is continuing. Therefore the Group has made an assessment of the liabiity at the date of signing to assess whether it is 'more likely than not' that a liability exists and based on the information available has made a best estimate of the liability per IAS 19 Employee benefits rules. If the legal conclusions, application of increases or actuarial valuations differ when finalised then the ultimate liability could be materially different.

1.3 (b) Sources of estimation uncertainty:

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 (refer note 10). 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. The Group will continue to consider these factors in its assessments as the risks become more probable and quantifiable.

Provisions

In December 2021 an announcement was made of the intention to proceed with a potential collective lay-off at the Zwevegem, Belgium manufacturing site. Due to Belgium labour laws a process followed which involved obtaining agreement with the unions. At year end an amount of €8,369 (€'000) was raised as a provision for this restructuring based on management best estimate. Agreement was reached with the unions relating to the restructuring and redundancies in Q1 2022. No cash outflow was incurred in 2021 and cash spend will start in 2022. If the actual number of staff who are made redundant differ from the estimated number of staff at year end the ultimate provision amount may differ from the estimate. E.g. if employees leave on their own will before receiving the redundancy offer, the company will save that portion of the estimated cost. 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.

1.3 (c) Correction of material error in calculation of pension liabilities

The TWIL Group Pension Fund is a well-funded plan with a historic surplus sitting in the Betafence Limited books (a subsidiary of the Group). The scheme is financed through separate trustee administered funds. The Trustees of the fund work with their advisors and administrators to ensure that the scheme benefits are paid in line with the fund rules. The Trustees scheme actuary calculates the liabilities and performs triennial funding valuations. The Trustees are independent of the Group and as common with such schemes the Group relies on the correct interpretation of the Rules and calculations by the Trustees and their advisors.

The Trustees performed an exercise during the year to obtain accurate insurance pricing by approaching potential insurers to buy out the Fund from the Company. As part of the process of getting accurate insurance quotes, the Trustees were made aware of an issue regarding the way pension increases had been administered for a proportion of the members due to a legacy legal interpretation issue. Differences were noted between certain of the historic legal documents and the increase terms that were being applied in practice and in the valuation of benefits going back multiple years.

During February 2022 as a result of this process the Group was made aware of the initial estimate of the additional liability to rectify these historic issues. In light of the materiality of the potential liability the Company is carrying out its own legal review of the issue to determine whether it agrees with the Trustee's assessment and also a due diligence on the Trustees calculations. Due to the legacy of these historic issues the 2020 triennial funding valuation has not been agreed yet and is expected to take several months to conclude. Therefore, the Group has made its best estimate of the liability per IAS 19 'employee benefits' rules at the date of finalising these accounts, and assesses that it is 'more likely than not' that a liability exists based on the information available. If the legal conclusion, application of increases or actuarial valuations differ when finalised then the ultimate liability could be materially different.

The issues identified relate to the period before October 2017 (the date the Group was acquired and goodwill initially recognised). Therefore, this error has been corrected by retrospectively restating each of the affected financial statement line items below for the prior periods in compliance with IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. This has been restated against goodwill because if the error was known at the date of acquisition it would have been recognised in goodwill per IFRS 3 'Business Combinations'. The additional defined benefit pension liability recognised because of this issue is €14,577 (€'000) based on the Trustees calculations adapted for IAS 19 purposes. Although the Trustees have not finalised their calculations at the date of approving these financials this is the most supportable estimate currently available. Management believes that although this estimate may change it is at the higher end of the currently known range and accordingly is prudent to recognise. The fund remains in a net IFRS surplus after this adjustment.

Balance sheet (extract)

	31 Dec 2020 (Original) €'000	Increase / (Decrease) €'000	31 Dec 2020 (Restated) €'000	31 Dec 2019 (Original) €'000	Increase / (Decrease) €'000	1 Jan 2020 (Restated) €'000
Defined benefit obligation	(200,138)	(14,577)	(214,715)	(202,174)	(14,577)	(216,751)
Fair value of plan assets	232,504	-	232,504	236,339	-	236,339
Employee benefits asset	32,366	(14,577)	17,789	34,165	(14,577)	19,588
Goodwill	250,705	14,577	265,282	250,705	14,577	265,282
Intangible assets	230,554	-	230,554	255,496	-	255,496
Intangible assets and goodwill	481,259	14,577	495,836	506,201	14,577	520,778
Net assets	513,625	-	513,625	540,366	-	540,366

The adjustment affects goodwill and the employee benefit asset comparatives. Refer to notes 10 and 18 for the Intangible assets and goodwill and Employee benefits notes. The cumulative effect of unwinding the discount on the additional pension liability relating to the above restatement to 31 December 2020 is €1,165 and the current year affect is €224 (€'000) both are recognised in 'Interest expense on loans, borrowings and pensions' in the current year (refer to note 7). The comparative interest expense has not been restated due to this adjustment not being material.

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021.

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.

2 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 2021:

- COVID-19 Related Rent Concessions (Amendment to IFRS 16) - There were no COVID-19 rent concessions so this amendment had no impact.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (refer below) - There was no impact in the current year, however this may have an impact in future periods (refer to note below)

Interest Rate Benchmark Reform

Currently the Group has loans which have interest based on USD LIBOR and EURIBOR. The specific period USD LIBOR the Group uses is set to end in June 2023. Since a methodology change in 2019, EURIBOR is expected to continue alongside €STR and there is no current indication it will cease in the near future. As a result there is no immediate change to the Group's external loans. At 31 December 2021 Sterling, Euro, Swiss Franc, and Japanese Yen LIBOR Interbank Offered Rate (IBOR) has ceased to be published (with USD LIBOR Overnight, 1-month, 3-month, 6-month and 12-month remaining until June 2023). 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.

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 had 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). The contractual change proposals and implications will likely be looked in to around June 2022. 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 (the first change required by June 2023).

2 Summary of other significant accounting policies (cont.)

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 consistently applied IFRS 16 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.

2 Summary of other significant accounting policies (cont.)

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 2021 or 2020 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.

2 Summary of other significant accounting policies (cont.)

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. In 2021 and 2022 there is no material difference in applying either treatment.

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.

2 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. There are currently no cash settled share based payments.

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. Provisions are determined by discounting (unless clearly immaterial) the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Provisions are recognised as current liabilities when they are expected/due to be settled within twelve months after the reporting period. Other provisions are non-current.

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.

2 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.

2 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

2 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.

2 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, in addition to contract assets under IFRS 15, 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.

2 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

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.

3. REVENUE

The Group generates revenue primarily from the provision of integrated perimeter security systems and solutions. The Group operates on a regional basis (EMENA, Americas, South Africa, APAC and Hesco) but still uses the Betafence, Guardiar and Hesco branding for products 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. However the Group now cross sells the different brands to each region based on the local market.

	2021	2020
	€'000	€'000
Revenue from contracts with customers	316,177	285,805

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.

2021	**Regional entities**	**Hesco**	**Total**
Primary geographical markets	**€'000**	**€'000**	**€'000**
IMEA (India, Middle East & Africa)	4,134	5,321	9,455
South Africa	14,328	-	14,328
Europe	208,766	6,949	215,715
Americas (USA & Latin America)	53,788	20,864	74,652
Asia	1,836	191	2,027
	282,852	33,325	316,177
Timing of revenue recognition			
Products transferred at a point in time (usually sale of goods)	278,688	33,312	**312,000**
Products and services transferred over time (usually service revenue)	4,164	13	**4,177**
Revenue from contracts with customers	282,852	33,325	316,177

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

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 2021**	**31 Dec 2020**
	€'000	**€'000**
Contract assets	6,369	3,242
Contract liabilities	(3,672)	(2,940)

3. REVENUE (Cont.)

The contract assets in the current and prior year primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on project revenue in the Americas region. There were no impairments on contract assets during the year. 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 2021 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. In the 2020 year 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.

Offset contract liability

Included in the contract liabilities is an amount of €2,637 (2020: €2,462) (€'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

	2021	2020
Recurring EBITDA	**€'000**	**€'000**
Operating loss (post IFRS 16)	(15,459)	(15,113)
Reversal of IFRS 16 effect on EBITDA	(5,724)	(6,104)
Add back:		
Depreciation excluding IFRS 16 right of use (leased) assets	11,816	8,225
Depreciation on right of use (leased) assets per IFRS 16	4,449	2,323
Amortisation of intangible assets	23,857	25,832
EBITDA (1)	**18,939**	**15,163**
Adjust for non-recurring items		
Restructuring of Hesco assembly facility (2)	-	5,677
Set up of Chinese manufacturing site (4)	1,883	-
Restructuring of Belgium manufacturing site (refer to note 17)	8,369	-
Closure of Betafence Ltd manufacturing operations (refer to note 17)	-	(4,948)
Warranty provision (refer note 17)	(1,464)	(298)
Transaction costs on acquisitions and disposals (3)	57	246
GMP equalisation of the Betafence Ltd pension plan (refer to note 18)	-	1,222
Other (5)	8,274	13,052
	17,119	14,951
Recurring EBITDA	**36,058**	**30,114**

(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 has 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 prior 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 2021 transaction costs mostly relate to the aborted attempt to dispose one of the smaller businesses as the bids received did not meet the Group's required return The 2020 transaction costs mostly relate to the disposal of the non-controlling interest in Guardiar South Africa (Pty) Ltd (refer note 26).

(4) During the year the Group set up a manufacturing plant in China, which was largely completed during 2021 and has become fully operational after the year end.

(5) The 2021 Other relates to non-recurring and other non-operating items, including redundancies and restructurings. Included in this amount are redundancies of €1,352 (2020: €2,574) (€'000).

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

	2021	2020
External net debt	**€'000**	**€'000**
Non current liabilities		
Loans and borrowings	408,360	405,348
Current liabilities		
Loans and borrowings - external	5,411	8,519
Reversal of accrued interest on term loans	(1,100)	-
Reversal of IFRS 16 leases which are outside of net debt	(21,423)	(25,189)
	391,248	388,678
Trade and other payables		
Payables for factored receivables with recourse	483	13
Current assets		
Cash and cash equivalents	(40,995)	(42,747)
Cash collateralised guarantees included in cash	(4,680)	(6,611)
External net debt	**346,056**	**339,333**

Net debt is a non-IFRS measure used by management and is defined as the external debt excluding accrued interest (and 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

	2021	2020
The following items are included in the expenses (in selling and distribution costs and general & administrative expenses):	**€'000**	**€'000**
Depreciation of PP&E	16,265	10,548
Amortisation of Intangible Assets	23,857	25,832
Low value and short term lease payments under the IFRS 16 exemption	597	1,102
Lease expense (interest charge on lease, low value and short term lease expense)	2,097	3,134
Repairs and maintenance	3,154	2,756
Fees paid and accrued to the auditors - for the current year audit services	842	774
Fees paid and accrued to the auditors - for current year tax compliance services	4	72
Fees paid and accrued to the auditors - other non audit services	23	5
Research and development	3,984	5,009
Transaction expenses on business combinations and aborted acquisitions	57	246

Included in the depreciation and amortisation above is depreciation and amortisation of €29,397 (2020: €26,851) (€'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.

Current year audit services above includes €80k relating to the 2020 audit which were recorded in 2021.

6. EMPLOYEES

Employee benefit expense	**2021**	**2020**
	€'000	**€'000**
Salaries - staff	50,320	52,034
Social security costs	8,012	8,269
Pension costs - defined contribution plans	675	897
Pension costs – defined benefit plans	361	521
Other post-employment benefits	129	21
Equity-settled share-based payments	41	197
	59,538	**61,939**
Average number of people employed		
Manufacturing (Production and Support)	817	868
Research and development	18	15
Selling	161	175
General and administration	135	149
Total average headcount	**1,131**	**1,207**

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

7. NET FINANCE COSTS

	2021 €'000	2020 €'000
Finance costs comprises:		
Interest expense on loans, borrowings and pensions	21,133	21,112
Interest expense on shareholder loans	63,532	56,725
Bank charges	405	354
Net foreign exchange loss	-	19,082
Leases interest expense	1,500	2,032
Total finance costs	86,570	99,305
Finance income comprises:		
Interest income on bank deposits and pensions	(131)	(687)
Net foreign exchange gain	(24,539)	-
Leases interest income	(11)	(15)
Total finance income	(24,681)	(702)
Net Finance Costs	**61,889**	**98,603**

The net foreign exchange gain of €24.6m (2020: €19.1m loss) 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. Refer to note 25 for further details on the leases interest.

8. TAXATION

	2021 €'000	2020 €'000
Corporate tax		
- Current year tax charge	3,863	989
- Adjustments in respect of prior years	(1,172)	(3,690)
Total current tax charge / (credit)	2,691	(2,701)
Deferred tax		
- Origination and reversal of timing differences	(6,713)	(9,358)
- Adjustment in respect of previous years	-	(5)
Total deferred tax credit	(6,713)	(9,363)
Tax credit on loss on ordinary activities	**(4,022)**	**(12,064)**

Current tax reconciliation
The tax credit for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%), the difference is explained below.

	2021	2020
Loss before tax	(77,348)	(113,716)
Tax on loss at standard UK tax rate of 19% (year ended 31 December 2020: 19%)	(14,696)	(21,606)
Effects of:		
Expenses not deductible for tax purposes	16,138	21,529
Non taxable income	-	(75)
Overseas items taxed at different rates	2,421	1,144
Net deferred tax impact on utilisation and recognition on losses	1,055	3,623
Deferred tax not recognised	(15,323)	(3,319)
Origination and reversal of temporary differences	7,555	(9,665)
Prior year adjustments	(1,172)	(3,695)
Total tax credit reported in the statement of profit or loss	**(4,022)**	**(12,064)**

UK corporate tax is calculated at a statutory rate of 19% for the profit for the year. The UK corporation tax main rate was due to reduce to 17% with effect from 1 April 2020. However, following the enactment of Finance Act 2020, UK corporation tax main rate remained at 19% from 1 April 2020. On 11 March 2021, the UK Government published the Finance Bill 2021 clauses, which set out that the UK corporation tax main rate will increase to 25% from 1 April 2023. This bill has been considered as "substantively enacted" for IFRS purposes, following the Third Reading on 24 May 2021. Finance Bill 2021 received Royal Assent on 10 June 2021 and became Finance Act 2021.

Deferred taxes relating to the UK on the balance sheet have been measured at 25% (2020: 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

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 - 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 year	-	-	(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

2020 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 2020	18,630	1,564	-	20,194

	Right of use assets	Land and Buildings	Plant, machinery, equipment & vehicles	Construction in progress	Total
	€'000	€'000	€'000	€'000	€'000
PPE - 2021					
At cost or valuation:					
At 1 January 2021	34,628	28,628	40,096	6,270	109,622
Additions	4,012	765	2,416	608	7,801
Disposals	-	(87)	(12,533)	(691)	(13,311)
Derecognition of right-of-use assets	(12,614)	-	-	-	(12,614)
Transfers between classes	-	61	368	(429)	-
Effect of movements in exchange rates	2,698	84	87	20	2,889
At 31 December 2021	**28,724**	**29,451**	**30,434**	**5,778**	**94,387**
Accumulated Depreciation:					
At 1 January 2021	(14,434)	(10,906)	(8,296)	-	(33,636)
Depreciation charge	(4,449)	(1,159)	(10,657)	-	(16,265)
Impairment charge for the period	-	-	-	-	-
Disposals	-	79	12,342	-	12,421
Derecognition of right-of-use assets	10,887	-	-	-	10,887
Effect of movements in exchange rates	(1,139)	30	14	-	(1,095)
At 31 December 2021	**(9,135)**	**(11,956)**	**(6,597)**	-	**(27,688)**
Net book value					
Net book value at 31 December 2021	19,589	17,495	23,837	5,778	66,699

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 2021	18,507	1,082	-	19,589

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

At 31 December 2021, PP&E with a carrying amount of €4,713 (2020: €5,744) (€'000) were pledged as security on borrowings.

Included in land and buildings at 31 December 2021 is land at a carrying value of €9,530 (2020: €9,530) (€'000) which is not depreciated.

The lease rentals for the above right of use assets were €5,688 (2020: €7,274) (€'000) for the year.

The amount of expenditures recognised in the carrying amount of property, plant and equipment during its construction was €Nil (2020: €4) (€'000)

10. INTANGIBLE ASSETS AND GOODWILL

	Goodwill (refer to note 1(c) regarding restatement)	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 (refer note 1(c) for restatement)	316,030	65,873	66,357	184,946	633,206
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	**316,030**	**65,700**	**67,675**	**184,946**	**634,351**
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)
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	265,282	43,437	51,411	135,707	495,836

10. INTANGIBLE ASSETS AND GOODWILL (Cont.)

	Goodwill	Trade name, patents & trademarks	Technology (incl software) & development costs	Customer relationships	Total
At cost or valuation - 2021	€'000	€'000	€'000	€'000	€'000
At 1 January 2021	316,030	65,700	67,675	184,946	634,351
Additions	-	-	1,141	-	1,141
Disposals	-	-	(10)	-	(10)
Effect of movements in exchange rates	-	51	488	-	539
At 31 December 2021	**316,030**	**65,751**	**69,294**	**184,946**	**636,021**
Accumulated amortisation:					
At 1 January 2021	(50,748)	(22,264)	(16,264)	(49,239)	(138,515)
Amortisation charge	-	(3,985)	(4,722)	(15,150)	(23,857)
Impairment charge	-	-	-	-	-
Disposals	-	-	-	-	-
Effect of movements in exchange rates	-	20	142	-	162
At 31 December 2021	**(50,748)**	**(26,229)**	**(20,844)**	**(64,389)**	**(162,210)**
Net book value					
Net book value at 31 December 2021	265,282	39,522	48,450	120,557	473,811

Included in the amortisation above is amortisation of €22,578 (2020: €24,425) (€'000) on assets revalued in October 2017 as a part of the Carlyle acquisition.

2021

Besides the new APAC region, consistent with the prior year the five CGU's in 2021 are; Hesco, EMENA region, Americas region, the South African region and the APAC region (the APAC region has become fully operational after year end). In compliance with the IAS 36 synergy requirements, the various regions 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 2021	210,282	55,000	265,282
Goodwill - 31 December 2021	210,282	55,000	265,282

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 2021.

There was no goodwill impairment in 2021 (2020: €Nil).

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. This is consistent with the prior year.

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 2021. The recoverable amount of the CGU is assessed by reference to the higher of value in use ('VIU'), 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 2021):
- 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 15.5% (2020: 17 5%) in EBITDA.
- Cash flow projections assume an additional deduction from EBITDA for capex expenditure which increases at a rate of 20.4% (2020: 6.08%)
- The value in use calculations also include a terminal value which incorporates a long term growth rate of 2.2% (2020: 2%).
- The cash flows are discounted using a risk adjusted discount rate of 11.9% (2020: 12.5%). The 2021 and 2020 WACC is an overall pre-tax 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 2021

During the 2021 year the Hesco business remained profitable, however it experienced a decrease in sales and profitability with EBITDA decreasing by 18% compared to the prior year (the prior year had an increase of 24% over 2019). However one of Hesco's large government customers awarded Hesco a new five year contract during the year. 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 2021. 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 (2020: no 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 - 2021

For the remaining CGU, at 31 December 2021, the recoverable amount was determined to be higher than the carrying amount of the CGU. The discount rate has reduced this year to 11.9% pre-tax, with this discount rate a 1% increase in the risk adjusted discount rate would still leave headroom, however a 1.5% increase would result in an impairment. In this event the directors could perform a fair value less costs of disposal valuation which would likely increase the recoverable amount due to productivity initiatives etc. The directors conclude that the carrying value of this remaining goodwill is not impaired at 31 December 2021 using the 11.9% discount rate. There was no goodwill impairment in 2020.

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 2021 impairment assessment management applied the following key assumptions:

Key assumption	**Regional businesses excluding Hesco**	**Hesco**
5-year EBITDA average growth rate	15.5%	11.6%
Discount rate (pre-tax)	11.9%	12.5%
Long-term growth rate	2.2%	2.0%

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 2021:
- a decrease of 5-year EBITDA average growth rate by 20%.
- a increase of the discount rate by 1%.
- a decrease of a long-term growth rate by 1%

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.

10. INTANGIBLE ASSETS AND GOODWILL (Cont.)

	Regional businesses excluding Hesco	Hesco	Total
	€'000	€'000	€'000
Goodwill - 1 Jan 2020 (refer to note 1(c) relating to restatement)	210,282	55,000	265,282
Impairment of Hesco goodwill	-	-	-
Goodwill - 31 December 2020	210,282	55,000	265,282

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. 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.

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% in EBITDA.
- Cash flow projections assume an additional deduction from EBITDA for capex expenditure which decreases at a rate of 6.08%.
- 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 12.5%. The 2020 WACC was an overall rate based upon the individual rates of return for invested capital components (equity and interest-bearing debt) and was 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 had 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 2020 year.

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 was 12%, with this discount rate a 0.5% increase in the risk adjusted discount rate would still leave headroom, however a 1% increase would have resulted in an impairment. The directors conclude that the carrying value of this remaining goodwill was not impaired at 31 December 2020 using the 12% discount rate.

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 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 were 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 was 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%

11. INVESTMENTS

	2021 €'000	2020 €'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

	2021 €'000	2020 €'000
Raw Materials and consumables	9,424	8,613
Work in progress	30,126	19,401
Finished goods & Goods held for resale	37,941	33,982
	77,491	**61,996**

Inventories impaired during the period amounted to €4,922 (2020: €1,565) (€'000).

The amount of previous inventory write downs reversed in the current period were €1,187 (2020: €1,205) (€'000). This mostly relates to inventory from the Belgium plant in the current and prior year.

13. TRADE AND OTHER RECEIVABLES

	2021	2020
Current receivables	**€'000**	**€'000**
Trade receivables	32,024	47,893
Allowance for doubtful debts – trade receivables	(5,646)	(5,939)
Prepayments	2,605	2,254
Cash Collateral for Factored Receivables	1,609	1,131
Cash Collateralised Guarantees and other deposits maturing between 3 to 12 months	84	2,212
Finance lease receivable (note 25)	122	178
Other receivables	5,977	6,559
	36,775	54,288
Non-current receivables		
Loan receivable (refer note 26)	2,137	2,147
Cash Collateralised Guarantees and other deposits maturing after 12 months	4,733	4,751
	6,870	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

The maximum exposure to credit risk for trade and other receivables by geographic region was as follows:	2021	2020
	€'000	**€'000**
Europe	11,833	13,932
Americas	6,716	11,560
IMEA (India, Middle East & Africa)	6,505	16,074
Asia and Oceania	1,324	388
	26,378	41,954

Factored Receivables

During the prior year the Group entered in to a new factoring facility with Factofrance. As a part of this facility the Group is required to deposit a cash amount as collateral for the factored receivables.

The carrying amount of trade receivables transferred at year end and de-recognised as factored without recourse is €17,015 (2020: €16,460) (€'000). The carrying amount of trade receivables transferred at year end and still recognised as factored with recourse is €520 (2020: €13) (€'000)

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

	2021	2020
	€'000	**€'000**
Cash in bank	25,653	22,167
Call deposits and short term deposits	15,332	19,343
Cash guarantees and deposits with maturities less than 3 months	10	1,237
Cash and cash equivalents in the statement of financial position	40,995	42,747

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**
A Shares in issue at 1 January 2020, 31 December 2020 and 31 December 2021	**8,356,736**	**83,567**	**84**
Issued - B Ordinary shares			
In issue at 31 December 2020 and 31 December 2021	**151,002**	**1,510**	**2**
Issued - C Ordinary shares			
In issue at 1 January 2020	**705,000**	**7,050**	**7**
Issue of 97,500 C shares at par value €0.01 - 25 June 2020	97,500	975	1
Issue of 697,500 C shares at par value of €0.01 per share - 28 August 2020	697,500	6,975	7
In issue at 31 December 2020 and 31 December 2021	**1,500,000**	**15,000**	**15**

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

Issued - D Ordinary shares			
In issue at 1 January 2020	**333,750**	**26,700**	**27**
Buy back of 213,750 D shares at par value of €0.08 per share - 10 June 2020	(213,750)	(17,100)	(17)
Buy back of 120,000 D shares at par value of €0.08 per share - 10 June 2020	(120,000)	(9,600)	(10)
In issue at 31 December 2020 and 31 December 2021	-	-	-
Issued - F Ordinary shares			
In issue at 1 January 2020	**97,500**	**11,700**	**12**
Buy back of F shares par value €0.12 - 25 June 2020	(97,500)	(11,700)	(12)
In issue at 31 December 2020 and 31 December 2021	-	-	-
Issued - G Ordinary shares			
In issue at 1 January 2020	-	-	-
Issue of 1,055,000 G shares at par value of €0.01 per share - 28 August 2020	1,055,000	10,550	11
In issue at 31 December 2020	**1,055,000**	**10,550**	**11**
Issue of 220,000 G shares at par value of €0.01 per share - 19 February 2021	220,000	2,200	2
In issue at 31 December 2021	**1,275,000**	**12,750**	**13**
Total Ordinary shares - 31 December 2020	**11,062,738**	**110,627**	**111**
Total Ordinary shares - 31 December 2021	**11,282,738**	**112,827**	**113**

Share Premium	**€**	**€'000**
Shares premium at 1 January 2020	**9,186,761**	**9,187**
Buy back of 213,750 D shares at par value of €0.08 per share - 10 June 2020	(196,650)	(197)
Buy back of 120,000 D shares at par value of €0.08 per share - 10 June 2020	(110,400)	(110)
Issue of 1,055,000 G shares at par value of €0.01 per share at 0.323 premium per share - 28 August 2020	341,117	341
Buy back of F shares par value €0.12 at €1 per share - 25 June 2020	(85,800)	(86)
Issue of 97,500 C shares at par value €0.01 for €0.11 per share - 25 June 2020	10,725	11
Shares premium at 31 December 2020	**9,145,752**	**9,146**
Issue of 220,000 G shares at par value of €0.01 per share at 0.323 premium per share - 19 February 2021	71,134	71
Share premium at 31 December 2021	**9,216,886**	**9,217**
Total Ordinary Share Capital and Share Premium 31 December 2020	**9,256,380**	**9,257**
Total Ordinary Share Capital and Share Premium 31 December 2021	**9,329,714**	**9,330**

All issued share have been fully paid. There were no share issues in 2021 or 2020.

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

Each class of Ordinary shares ranks equally in respect of receipt of dividends and returns of capital on a liquidation, sale or otherwise, and such amounts will be paid pari passu as if all classes of Ordinary shares constituted one class of share. The Preference shares rank ahead of all Ordinary shares in both respects, and have a fixed cumulative preferential dividend at an annual rate of 12 per cent of the issue price (refer note 16).

Ordinary B shares, Ordinary C shares, Ordinary G shares and Preference shares carry no voting rights. Each Ordinary A share carries the right to one vote. Ordinary D shares, Ordinary E shares and Ordinary F shares (currently none in issue) entitle the holder to such number of votes as would be required to exercise 5 per cent of the voting rights attaching to the total number of Ordinary shares (inclusive of the voting rights attaching to any other class of Ordinary shares held by such holder).

2020
During the year 333,750 D shares were bought back at a total aggregate value of €2 This resulted in a gain of €334 (€'000). During the year 97,500 F shares were bought back for a value of €12 (€'000) resulting in a gain of €86 (€'000). Both of these gains were recognised directly in equity.

2021
There were no share buy backs in the 2021 year

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 gain of €20,849 (2020: loss of €14,512) (€'000).

16. LOANS AND BORROWINGS

Interest-bearing loans and borrowings	**2021 €'000**	**2020 €'000**
Current portion of interest-bearing loans and borrowings		
Interest bearing borrowings - external	1,160	1,444
Lease liabilities [2]	4,251	7,075
	5,411	8,519
Non-Current interest-bearing loans and borrowings		
Interest bearing borrowings - external	391,083	387,083
Interest bearing borrowings - shareholder loans (unsecured)	592,964	529,432
Fixed coupon Preference shares	10,583	9,449
Lease liabilities [2]	17,277	18,265
	1,011,907	944,229
Total loans and borrowings	1,017,318	952,748

Terms and repayment schedule - 2021

The terms and conditions of outstanding loans are as follows:

	Currency of underlying loan	Nominal interest rate	Year of maturity	Carrying Amount €'000	Fair Value €'000
Term loan	EUR	EURIBOR +4%	2024	256,173	256,173
Term loan	EUR	EURIBOR +4%	2024	30,663	30,663
Term loan [1]	USD	USD LIBOR +4.25%	2024	30,862	30,862
Term loans	USD	2.94% to 6.27%	2022 to 2025	157	157
Shareholder loan [5]	EUR	12%	2027	592,964	592,964
Fixed coupon preference shares	EUR	12%	2027	10,583	10,583
Lease liabilities [2]	Various	2% to 9.42%	Various	21,528	21,528
'Lease' loan [3]	EUR	EURIBOR +1.5%	2027	3,000	3,000
RCF and drawn ancillary facility [4]	EUR	EURIBOR +3.5%	2024	71,076	71,076
Term loan	CNY	LPR 1 year loan rate +1%	2031	312	312
Total interest-bearing liabilities				1,017,318	1,017,318

[1] There was an interest rate swap on this loan to swap the floating rate one month USD 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 matured in June 2021. Refer to note 21 for further details.

[2] Refer to note 25 for further details around the lease liability maturity profile. Included in the lease liabilities are leases with a carrying value of €105 (2020: €151) (€'000) which are existing leases recognised as finance leases in the prior year which is therefore included in net debt (refer note 4) as they 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, once completed there will be 60 monthly instalments (5 year period).

[4] An extension to the RCF and ancillary facility from 2023 to October 2024 was agreed after year end (refer note 31).

[5] On 4 October 2017, loan notes were issued to CEP IV Investment 15 S.A.R.L., the intermediary shareholders in Erpe Topco Limited. The loan notes are unsecured with a maturity date of 2027. The notes bear interest at 12% per annum and compound annually on 31 December.

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 €'000	Fair Value €'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 7.25%	2021 to 2024	417	417
Lease liabilities [2]	Various	3.26% to 10%	Various	25,340	25,340
Shareholder loan [4]	EUR	12%	2027	529,432	529,432
Fixed coupon preference shares	EUR	12%	2027	9,449	9,449
'Lease' loan [3]	EUR	EURIBOR +1.5%	2024	3,000	3,000
RCF and drawn ancillary facility	EUR	EURIBOR +3.5%	2023	71,078	71,078
Short term loan	EUR	0.75%	2021	417	417
Total interest-bearing liabilities				952,748	952,748

[1] There was 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 matured in June 2021 Refer to note 21 for further details.

[2] Refer to note 25 for further details around the lease liability maturity profile. Included in the lease liabilities are leases with a carrying value of €151 (€'000) which were existing leases recognised as a finance lease under IAS 17 which is therefore included in net debt (refer note 4).

16. LOANS AND BORROWINGS (Cont.)

[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.
[4] On 4 October 2017, loan notes were issued to CEP IV Investment 15 S.A.R.L., the intermediary shareholders in Erpe Topco Limited. The loan notes are unsecured with a maturity date of 2027. The notes bear interest at 12% per annum and compound annually on 31 December.

At 31 December 2021 there has been no breach in loan covenants and there were no breaches in the 2020 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.

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, Praesidiad 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 2021, machinery with a carrying amount of €4,713 (2020: €5,744) (€'000) was pledged as security on the US loan and 'Lease loan' (refer note 9).

Leasing
The Group adopted IFRS 16 on 1 January 2019 which changed the way leases are accounted for, in the past only finance lease liabilities were recognised, refer to note 25 for details.

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

2021 - Leases under IFRS 16

Maturity:	PV of minimum lease payments	Interest	Future Minimum lease payments
	€'000	€'000	€'000
Less than one year	4,251	1,279	5,530
Between one and five years	10,821	2,846	13,667
More than five years	6,456	1,116	7,572
Total	21,528	5,241	26,769

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

17. PROVISIONS

	Warranty Provision	Environmental remediation	Onerous contracts & restructuring	Total
	€'000	€'000	€'000	€'000
Opening Balance 1 January 2020	**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**
Additions	-	-	8,369	8,369
Utilised	(2,880)	(49)	(3,825)	(6,754)
Released	(1,464)	(4)	(1,188)	(2,656)
Unwind of discount	-	218	-	218
Effect of movements in exchange rates	358	(2)	236	593
Closing Balance 31 December 2021	**335**	**3,343**	**9,512**	**13,190**

	2021	2020
	€'000	€'000
Current portion of provision balance	6,632	10,241
Non- current portion of provision	6,558	3,180
	13,190	13,421

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 prior 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 prior 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 was leased, the lease commenced in June 2008 and was ended by mutual agreement in January 2021.

In the current and prior year many of the costs provided were utilised. During the prior 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 prior year and the agreement was signed and executed in early January 2021, and the site has been exited and handed over in 2021. At year end there is no provision related to the site remaining, however there are provisions of €149 (€'000) remaining for related incidental costs. On adoption of IFRS 16 leases the lease portion of the liability was reversed in the 2019 year as the discounted amount of the full liability was recognised as a lease liability (see note 25).

b) In 2018 there were accidents relating to the Betafence Ltd plant which were 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 is €238 (€'000) which has been recognised

c) 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 the years to 2021 many staff have left and the related portions of the provision were utilised as a result. At year end a provision of €Nil (2020: €2,051) (€'000) remains in this regard.

d) In December 2021 an announcement was made of the intention to proceed with a potential collective lay-off at the Zwevegem, Belgium manufacturing site. This is a part of a project to invest in the capabilities in Belgium which includes capital expenditure mostly in new technology such as automation. Certain 'made to order' products will continue to be manufactured in Belgium. However as a part of this restructuring, the manufacture of many standardised 'made to stock' products will move to other locations, the largest volume being the new Chinese manufacturing site. Due to Belgium labour laws a process followed which involved obtaining agreement from the unions. Agreement was reached with the unions relating to the restructuring and redundancies in Q1 2022. At year end an amount of €8,369 (€'000) was raised as a provision for this restructuring. No costs were incurred in 2021 and costs will start to incur in 2022.

17. PROVISIONS (Cont.)

e) During the prior 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 prior year and expenses relating to the site move were incurred. At year end there is €62 (2020: €2,173) (€'000) remaining relating to this provision (incidental costs) as the move was completed in the 2021 year.

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. During the year the rectification has completed and the remaining amount of €335 (€'000) mostly relates to the estimate of shipping costs to send the rectified products to customers. A portion of the provision was released due to efficiencies such as learning more efficient methods to build the plates, labour costs being reduced due to mass production efficiencies, bulk purchasing and other discounts offered by suppliers etc. which subsequently arose after raising the provision.

18. EMPLOYEE BENEFITS

	2021 €'000	2020 €'000
Net defined benefit asset (refer to note 1(c) regarding restatement)	20,050	17,789
Total employee benefit asset	20,050	17,789
Net defined benefit liability	(8,557)	(10,729)
Total employee benefit liabilities	(8,557)	(10,729)

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

Twil Group Pension Fund (United Kingdom) - refer to note 1(c) regarding restatement

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 actuarial valuation was carried out at 31 December 2021 by a qualified independent actuary. Following the IAS19 standards, the current valuation is performed using the Projected Unit Credit method using actuarial assumptions.

	2021 €'000	2020 €'000
Defined benefit obligation at end of year (refer to note 1(c) regarding restatement)	(220,359)	(214,715)
Fair value of plan assets at end of year	240,409	232,504
Net defined benefit asset	20,050	17,789

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 prior year 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

RPI Reform

The Group made decisions on the RPI and CPI assumptions for the 2021 and 2020 year-end IAS19 disclosures, which then impact on the 2022 and 2021 P&L. The following approach was followed:
- Maintain the "inflation risk premium" at 0.3% p.a. as used for the 2020 and 2019 year end i.e. assume that gilt-market implied RPI, along with this inflation risk premium, reflects long term RPI inflation;
- Maintain (2020: Reduce) the single equivalent gap between RPI and CPI at 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 (extended to March 2028)

During 2019 as a result of Betafence Limited ceasing manufacturing and having a large surplus where contributions are not expected, a parent company guarantee was issued by Praesidiad Group Limited (a subsidiary of Erpe Topco Limited) in favour of the trustees of the TWIL Group Pension Fund. 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 Limited 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.

A temporary extension for 6 months from the end of March 2022 was agreed and thereafter a new extension to the prior guarantee was entered in to during June 2022 (with materially the same terms as the old guarantee) to extend the guarantee to 31 December 2028 to give the Trustees comfort and agree the current and future triennial valuations.

18. EMPLOYEE BENEFITS (Cont.)

Defined benefit obligation by participant status	**2021** €'000	*Restated* **2020** €'000
a. Active members	-	-
b. Vested deferred members	62,650	64,578
c. Retired members	157,709	150,137
Total	220,359	214,715

Fair value of plan assets with a quoted market price	**2021** €'000	**2020** €'000
a. Cash and cash equivalents	7,555	11,059
b. Government bonds	61,913	47,419
c. Corporate bonds	170,940	174,026
Total	240,409	232,504

Significant actuarial assumptions

Weighted-average assumptions to determine defined benefit obligation:		
Discount rate	1.85%	1.40%
Salary increase rate	N/A	N/A
Price inflation rate (RPI)	3.40%	2.95%
Price inflation rate (CPI)	2.80%	2.35%
Pension increases in payment (RPI capped at 5%)	3.25%	2.85%

During the year the post-retirement mortality assumptions were updated which resulted in an extra liability of €2,705 which has been recognised in other comprehensive income per the IAS 19 'Employee benefits' requirements.

The assumptions are as follows:
2021 Post-retirement mortality assumption: S3PA table for male and S3PA "medium" table for female with the following weightings: Male pensioners - 114%; Female pensioners -103%; Male non- pensioners -120%; Female non- pensioners - 107%; CMI 2020 Sk = 7.5 with additional parameter of 0 and a 1.25% long term rate of improvement.

2020 Post-retirement mortality assumption: S2PA table + 1 years with future improvements in line with CMI 2019 Sk = 7.5 with additional parameter of 0 and a 1.25% long term rate of improvement).

Assumed life expectancy on retirement at age 65		
Retiring today (male member age 65)	21.2	21.0
Retiring in 25 years (male member age 40 today)	22.5	22.7

Sensitivity analysis	**2021**	*Restated* **2020**
Present value of defined benefit obligation	**€'000**	**€'000**
Discount rate - 25 basis points	228,087	238,722
Discount rate + 25 basis points	213,050	221,532
Price inflation rate - 25 basis points	216,056	224,773
Price inflation rate + 25 basis points	224,653	235,070
Post-retirement mortality assumption - 1 year age rating	229,775	240,236

Expected cash flows for the following year		
Expected employer contributions	-	-
Expected total benefit payments	11,812	12,857

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 2021 by a qualified independent actuary. Following the IAS19 standards, the current valuation is performed using the Projected Unit Credit method using actuarial assumptions.

	2021 €'000	**2020** €'000
Defined Benefit Obligation end of year	(219)	(256)
Plan Assets at Fair Value end of year	94	106
Defined Benefit (Liability) end of year	(125)	(150)

Significant actuarial assumptions		
Discount rate	0.98%	0.33%
Return On Assets	0.98%	0.33%
Salary Increase	2.50%	2.50%
Inflation rate	2.00%	2.00%

18. EMPLOYEE BENEFITS (Cont.)

	2021	2020
Sensitivity analysis	**€'000**	**€'000**
Change in discount rate	DBO	DBO
-0.50%	238	280
+0.5%	202	235
Change in salary increase		
-0.50%	219	256
+0.5%	219	256
Plan assets breakdown		
Financing Fund	94	106
Total	94	106

	2021			2020		
Participants data	Active	Retirees	Total	Active	Retirees	Total
Number of participants	2	182	184	3	183	186
Average Future Service Lifetime participants	2	22	22	2	22	22
Average Age participants	63	42	42	63	42	43
Average Future Service participants	2	-	2	2	-	2
Average Past Service participants	31	-	31	36	-	36
Weighted Average Duration	-	-	16	-	-	16

	2021	2020
	€'000	**€'000**
Expected cash flows for the following year		
Expected employer contributions	-	-
Expected total benefit payments	-	-

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 2021 by a qualified independent actuary. Following the IAS19 standards, the current valuation is performed using the Projected Unit Credit method using actuarial assumptions.

	2021	2020
	€'000	**€'000**
Defined Benefit Obligation end of year	(602)	(651)
Plan Assets at Fair Value end of year	304	294
Defined Benefit (Liability) end of year	**(298)**	**(357)**
Significant actuarial assumptions		
Discount rate	0.98%	0.33%
Return On Assets	0.98%	0.33%
Salary Increase	2.50%	2.50%
Inflation rate	2.00%	2.00%

	2021	2020
	€'000	**€'000**
Sensitivity analysis	DBO	DBO
Change in discount rate		
-0.50%	644	701
+0.5%	564	606
Change in salary increase		
-0.50%	602	651
+0.5%	602	651
Plan assets breakdown		
External Individual Assets	-	-
Financing Fund	304	294
Total	304	294

18. EMPLOYEE BENEFITS (Cont.)

	2021			2020		
Participants data	Active	Retirees	Total	Active	Retirees	Total
Number of participants	109	58	167	109	61	170
Average Future Service Lifetime participants	17	-	17	17	-	17
Average Age participants	48	47	48	48	48	48
Average Future Service participants	17	-	17	17	-	17
Average Past Service participants	23	-	23	23	-	23
Weighted Average Duration	-	-	13	-	-	13

	2021 €'000	2020 €'000
Expected cash flows for the following year		
Expected employer contributions	-	-
Expected total benefit payments	-	-

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 2021 by a qualified independent actuary. Following the IAS19 standards, the current valuation is performed using the Projected Unit Credit method using actuarial assumptions.

	2021 €'000	2020 €'000
Defined Benefit Obligation end of year	(10,754)	(11,446)
Plan Assets at Fair Value end of year	10,856	9,884
Defined Benefit asset / (liability) end of year	102	(1,562)

	2021 €'000	2020 €'000
Expected cash flows for the following year		
Expected employer contributions	95	172
Expected total benefit payments	917	616
Significant actuarial assumptions		
Discount rate	0.70%	0.40%
Return On Assets	0.70%	0.40%
Salary Increase	3.00%	3.00%
Inflation rate	2.00%	2.00%

	2021			2020		
Participants data	Active	Retirees	Total	Active	Retirees	Total
Number of participants	38	147	185	42	148	190
Average Future Service Lifetime participants	33	31	32	35	32	33
Average Age participants	52	48	48	50	47	47
Average Future Service participants	10	-	10	11	-	11
Average Past Service participants	25	9	13	23	10	13
Weighted Average Duration	-	-	7	-	-	7

	2021 €'000	2020 €'000
Sensitivity analysis		
Change in discount rate	DBO	DBO
-0.50%	11,171	11,940
+0.5%	10,365	11,009
Change in salary increase		
-0.50%	10,598	11,278
+0.5%	10,928	11,676

18. EMPLOYEE BENEFITS (Cont.)

Fair value of plan assets with a quoted market price	**2021 €'000**	**2020 €'000**
1. Fair value of plan assets		
a. Cash and cash equivalents	368	205
b. Government bonds	2,146	1,737
c. Corporate bonds	2,115	2,292
d. Equities	6,227	5,650
Total	10,856	9,884

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 2021 by a qualified independent actuary. Following the IAS19 standards, the current valuation is performed using the Projected Unit Credit method using actuarial assumptions.

	2021 €'000	**2020 €'000**
Defined benefit obligation at end of year	**(8,236)**	**(8,659)**
1. Defined benefit obligation by participant status		
a. Actives members	1,985	2,294
b. Vested deferred members	1,711	1,898
c. Retired members	4,540	4,467
Total	8,236	8,659
Significant actuarial assumptions		
Discount rate	1.03%	0.91%
Salary increase rate	1.91%	1.91%
Pensions-in-payment increase rate	1.97%	1.96%
Price inflation rate	1.97%	1.96%

Expected cash flows for the following year	**2021 €'000**	**2020 €'000**
Expected employer contributions	-	-
Expected total benefit payments	370	332

19. DEFERRED TAXATION

	2021 €'000	2020 €'000
Deferred Tax		
Opening balance	(49,743)	(58,899)
Credit to profit and loss - current year	6,713	9,358
Adjustments in respect of the prior year	-	5
Foreign exchange	114	(207)
Closing balance	**(42,916)**	**(49,743)**
Deferred Tax relates to the following:		
Intangible assets recognised on business combinations	(49,706)	(56,565)
Difference between accumulated depreciation and capital allowances	436	870
Employee benefits	76	61
Inventory	1,633	754
Provisions	4,708	4,166
Tax losses	595	-
Other timing differences	(658)	971
Net Deferred tax liability	(42,916)	(49,743)
Reflected in the Consolidated Statement of Financial Position as follows:		
Deferred tax assets:	6,988	3,698
Deferred tax liabilities:	(49,904)	(53,441)
Net Deferred tax liability	(42,916)	(49,743)

All deferred tax movements in the current year have been 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 2021 are approximately EUR41m (2020: EUR30.7m). In accordance with accounting policy note 2 '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

	2021 €'000	2020 €'000
Current Payables		
Trade payables	42,828	49,530
Accrued expenses and other payables	27,616	22,693
Payables for factored receivables with recourse	483	13
Total Current Payables	**70,927**	**72,236**

Trade and other payables are usually settled within 30 to 60 days after the invoice date with some being on demand and some being 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
2020			
Interest bearing borrowings	-	927,408	927,408
Interest rate swap - derivative financial instruments	368	-	368
Lease liabilities	-	25,340	25,340
Accounts payable and accruals (excluding contract liabilities)	-	72,236	72,236
	368	**1,024,984**	**1,025,352**

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

	Financial liabilities measured at fair value €'000	Financial liabilities measured at amortised cost €'000	Total €'000
2021			
Interest bearing borrowings	-	392,243	392,243
Lease liabilities	-	21,528	21,528
Accounts payable and accruals (excluding contract liabilities)	-	70,444	70,444
	-	484,215	484,215

During the 2018 year the Group entered into an interest rate swap to hedge interest rate risk, this was classified as a derivative and categorised as at fair value through profit and loss as hedge accounting had 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 swapped the floating rate (1 month LIBOR rate) in exchange for a fixed rate (2.6725%). The interest rate swap matured 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:
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

2021

	Financial assets at fair value through OCI €'000	Financial assets at amortised cost €'000	Total €'000
Accounts receivable (excluding prepayments and other receivables)	722	25,656	26,378
Cash and cash equivalents	-	40,995	40,995
	722	66,651	67,373

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

Fair value measurement
At year end there were no open interest rate swaps, during the year there was one (which closed) which was 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 prior year the Group entered in to a new factoring facility with Factofrance. As part of this 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 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**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2021:

	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	-	-	722	**722**

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. EURIBOR / USD 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 prior year the RCF was drawn down in 2020 (refer to note 16) to ensure that the 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. At year end the RCF was not fully drawn down. Subsequent to year end the €80 million RCF has been extended until September 4, 2024.

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
2020						
Term loans	-	-	-	318,740	-	318,740
Term loans - interest payable	-	3,219	9,715	37,378	-	50,312
Shareholder loan	-	-	-	-	376,839	376,839
Shareholder loan - interest payabl	-	-	-	-	793,566	793,566
Fixed coupon preference shares	-	-	-	-	6,618	6,618
Preference share coupons	-	-	-	-	13,097	13,097
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
	-	**8,861**	**14,875**	**446,375**	**1,199,835**	**1,669,946**

	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
2021						
Term loan	-	-	-	321,116	-	321,116
Term loans - interest payable	-	3,321	10,007	25,336	-	38,664
Shareholder loan	-	-	-	-	376,839	376,839
Shareholder loan - interest payabl	-	-	-	-	793,566	793,566
Fixed coupon preference shares	-	-	-	-	6,618	6,618
Preference share coupons	-	-	-	-	13,097	13,097
RCF loan	-	-	-	71,015	-	71,015
RCF loan - interest payable	-	604	1,845	4,166	-	6,615
Lease liabilities	-	1,386	4,147	13,698	7,539	26,769
US loan	-	10	46	101	-	157
US loan - interest payable	-	4	9	3	-	16
CNY term loan	-	-	-	-	312	312
CNY term loan - interest payable	-	4	11	59	72	146
	-	**5,329**	**16,065**	**435,494**	**1,198,043**	**1,654,930**

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

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.

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	Aa3
JP Morgan Chase Bank	Aa1
Wells Fargo Bank, NA	Aa1
DNB Bank ASA	Aa2
HSBC Continental Europe	Aa3
First National Bank	Ba1
Industrial & Commercial Bank of China Ltd	A1

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 2021 €'000	Carrying amount 2020 €'000
Trade receivables	26,378	41,954
Cash and cash equivalents	40,995	42,747
	67,373	84,701

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.

	2021 €'000	2020 €'000
Americas	6,369	3,242
EMEA (Europe, Middle East & Africa)	-	-
Total	6,369	3,242

Expected credit loss assessment for trade receivables as at 31 December 2021

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.

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

Expected credit loss assessment for trade receivables as at 31 December 2021 (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 2021.

Not specifically impaired and are not credit insured - 2021

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount after loss allowance
		€'000	€'000	€'000
Not past due	4.67%	10,659	(498)	10,161
Past due 1 to 30 days	1.49%	606	(9)	597
Past due 31–90 days	5.17%	1,121	(58)	1,063
Past due over 90 days	10.45%	2,775	(290)	2,485
Total		15,161	(855)	14,306

Not specifically impaired and are credit insured - 2021

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount after loss allowance
		€'000	€'000	€'000
Not past due	0.86%	10,465	(90)	10,375
Past due 1 to 30 days	0.79%	1,902	(15)	1,887
Past due 31–90 days	0.98%	2,658	(26)	2,632
Past due over 90 days	3.46%	3,269	(113)	3,156
Total		18,294	(244)	18,050

Specifically impaired - 2021

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount after loss allowance
		€'000	€'000	€'000
Not past due	100.00%	10	(10)	-
Past due 1 to 30 days		-	-	-
Past due 31–90 days		-	-	-
Past due over 90 days	92.06%	4,927	(4,536)	391
Total		4,937	(4,546)	391

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

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

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

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

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 including any exposures emerging due to the global expansion of business activities, 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 in the past years. 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.

Cash and bank split per currency:	**2021** **€'000**	**2020** **€'000**
EURO	24,301	36,420
GBP	772	210
USD	10,916	2,517
ZAR	2,109	1,418
PLN	430	515
CNY	948	-
Other	1,519	1,667
Total	**40,995**	**42,747**

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 was classified as a derivative and categorised as at fair value through profit and loss as hedge accounting was not adopted but was, 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 swapped our floating rate (1 month LIBOR rate) for a fixed rate (2.6725%) so that we paid a fixed rate on this debt. The interest rate swap matured in June 2021 and was not rolled over. Group Treasury monitors interest rates environment and underlying exposures and based on the evaluations will enter in to interest rate hedging to mitigate the risk.

At year end long-term borrowings of €321m (2020: €319m) (capital excluding accrued interest) with a third party bank were at a variable rate. Of these €31m (2020: €29m) were USD denominated and €290m (2020: €290m) were Euro denominated. These loans mature on 3 October 2024, 7 years from the date issued. During the prior year (and matured in the current year), an interest rate swap was entered into on the €31m USD loan to fix the interest, at year end this is at a variable rate.

In addition at year end there are also €74m (2020: €74m) worth of borrowings at a variable rate (see note 16). This was drawn down in the prior year and 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 2021, if interest rates on the variable debt had been 0.50% (2020: 0.25%) higher (which is management's assessment of the most probable movement as at 31 December 2021) with all other variables held constant, finance charges would have been €1.6m (2020: €0.9m) higher and pre-tax profit for the year would have been €1.6m (2020: €0.9m) 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
2020				
CEP IV Investments 15 S.a.r.l - immediate shareholder	-	56,725	-	(529,432)
CIM Global LLC (a part of 'The Carlyle Group' the ultimate shareholder)	-	590	-	(837)
Trident Union Partners (Pty) Ltd - Non controlling interest	-	-	2,147	-
Preference Shares - directors and management	-	1,012	-	(9,449)
Total	-	58,327	2,147	(539,718)
2021				
CEP IV Investments 15 S.a.r.l - immediate shareholder	-	63,532	-	(592,964)
CIM Global LLC (a part of 'The Carlyle Group' the ultimate shareholder)	-	500	-	(1,396)
Trident Union Partners (Pty) Ltd - Non controlling interest	-	-	2,137	-
Preference Shares - directors and management	-	1,134	-	(10,583)
Suzhou Dihang Defense Facilities Co., Ltd - Non controlling interest	(14)	5,991	425	(1,705)
Total	(14)	71,157	2,562	(606,648)

Compensation of key management personnel of the Group	2021 €'000	2020 €'000
Short-term employee benefits	4,246	2,826
Post-employment benefits	78	29
Equity-settled share-based payments	14	197

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 Erpe Topco 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 transactions with CEP IV Investments 15 S.a.r.l relate to a shareholder loan provided to the Group, the expenses relate to interest on the loan and the amount owing is the loan balance outstanding (refer note 16). The preference shares are held by various directors and management of the of the group and subsidiaries (refer note 16).

The loan with Trident Union Partners (Pty) Ltd relates to a loan outstanding relating to the purchase of shares in the prior year (refer to note 26), the purchase price, interest rate and loan terms are all at fair value and market related.

The loan and transactions with Suzhou Dihang Defense Facilities Co., Ltd relate to;
(a) the set up of the subsidiary Praesidiad Dihang (Suzhou) (Security & Fencing Technology) Co Ltd and the set up of their factory for manufacturing. Suzhou Dihang Defense Facilities Co., Ltd hold 49% of the companies shares.
(b) a Group company has historically and in the current year purchased products from Suzhou Dihang Defense Facilities Co., Ltd, however with the set up of Praesidiad Dihang (Suzhou) (Security & Fencing Technology) Co Ltd this company has now become a related party (although Erpe Topco Limited companies do not hold shares in and are otherwise unrelated to Suzhou Dihang Defense Facilities Co., Ltd as this relationship is on an arms length basis).

Included in the compensation of key management personnel is an amount of €20 (2020: €174) (€'000) to compensate for the loss of office.

During the current and prior year a new (for 2020) class of growth shares were issued to certain key management (refer to note 27).

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, 01530, 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 de la Renaissance 5, box A, 92160, Antony	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, 2° D, 09004, 09240 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 and corporate services	100%
Betafence Ltd	York House, 221 Pentonville Road, London	Perimeter security manufacturing	100%
Hesco Bastion Ltd	York House, 221 Pentonville Road, London	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	49 rue Ahmed Barakat rez-de-chaussée numéro 3 Maarif, 20000 Casablanca	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% [1]
Praesidiad Switzerland Sarl (prev Betafence Schweiz GmbH)	Hardstrasse 59, Neuenhof	Perimeter security sales & distribution	100%
Betafence Yapi Sanayi Ve Ticaret A.S.	Sancaktepe Mahallesi Millet Caddesi No: 30 34570 Silivri Istanbul	Perimeter security manufacturing	100%
Praesidiad Inc (previously Erpe Bidco Inc)	C/o The Corporation Trust, Compan, 1209 Orange Street, Wilmington, Wilmington	Holding Company	100%
Guardiar Corporation, Inc	PO Box 17, Ennis, TX 75120	Holding Company	100%
Guardiar USA LLC	PO Box 17, Ennis, TX 75120	Perimeter security manufacturing & services	100%
Guardiar Solutions, Inc.	PO Box 17, Ennis, TX 75120	Perimeter security manufacturing & services	100%
Hesco Holdings Inc	2210 Port Industrial Road, Ste B Aberdeen, WA 98520	Holding Company	100%
Hesco Armor Inc.	2210 Port Industrial Road, Suite B, Aberdeen	Security products manufacturing	84%
Hesco Bastion Inc	2245C Ashley Crossing Drive Charleston, SC 29414	Perimeter security manufacturing	100%
Praesidiad Germany GmbH	Hennes-Weisweiler Allee 8, 41179, Mönchengladbach, Germany	Holding Company	100%
Praesidiad Holdings HK Ltd	3802-06, 38/F One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	Holding Company and APAC services	100%
Praesidiad Security Solutions	York House, Pentonville Road, London, England, N1 9UZ.	Holding Company	100%
Praesidiad Dihang (Suzhou) (Security & Fencing Technology) Co Ltd	No. 70, Sunshine Avenue, Changfu Street, Changshu City, People's Republic of China.	Perimeter security manufacturing	51%
Erpe Finco Limited	York House, 221 Pentonville Road, London	Holding Company	100%
Praesidiad Group Ltd	York House, 221 Pentonville Road, London	Holding Company	100%

The Group's parent is CEP IV Investment 15 S.a r.l. (incorporated in Luxembourg). CEP IV Investment 15 S.a r.l. is ultimately owned and controlled by The Carlyle Group L.P. (incorporated in the U.S.). The smallest and largest group preparing consolidated financial statements that incorporate the financial statements of the Group is Erpe Topco Limited (i.e. these consolidated financial statements), a company incorporated in England and Wales.

[1] During the prior year 26% of non-controlling interest ownership was disposed (refer to note 26)

24. BUSINESS COMBINATIONS

Acquisitions during 2021

There were no business combinations in 2021 or 2020, refer to note 26 for details about the disposal of NCI in the prior year.

Although not a business combination during the year the Group set up a new subsidiary in China. This involved setting up a manufacturing plant , which was largely completed during 2021 and has become fully operational after the year end. The Group owns 51% of the shares and controls this company (refer note 1.3(a)). As a part of this set up the minority shareholder contributed €2,060 (€'000) in share capital which has been recognised as non-controlling interest on set up. Refer to note 23 for details about subsidiaries.

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.

The Group adopted IFRS 16 from 1 January 2019, therefore at this point 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.

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.

Amounts recognised in the balance sheet

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

Right of use assets	**2021**	**2020**
	€'000	**€'000**
Land and Buildings	18,507	18,630
Plant, machinery, equipment & vehicles	1,082	1,564
	19,589	20,194

Lease liabilities	**2021**	**2020**
	€'000	**€'000**
Current	(4,251)	(7,075)
Non-current	(17,277)	(18,265)
	(21,528)	(25,340)

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

	2021	**2020**
	€'000	**€'000**
Less than one year	5,530	8,442
One to two years	4,636	3,975
Two to three years	3,541	3,568
Three to four years	2,858	3,227
Four to five years	2,633	2,528
More than five years	7,571	9,715
Total	26,769	31,455

Amounts recognised in the statement of profit or loss

	2021	**2020**
Depreciation charge of right-of-use assets	**€'000**	**€'000**
Land and Buildings	(3,819)	(1,578)
Plant, machinery, equipment & vehicles	(630)	(745)
	(4,449)	(2,323)
Interest expense (included in finance cost)	1,500	2,032
Expense relating to short-term leases (included in cost of goods sold and General & administrative expenses)	327	796
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)	270	306

The total cash outflow for leases in 2021 was €5,688 (2020: €7,274) (€'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.

During 2021, the Group recognised interest income on lease receivables of €11 (2020: €15) (€'000).

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

	2021 €'000	2020 €'000
Less than one year	85	75
One to two years	43	79
Two to three years	-	41
Three to four years	-	-
Four to five years	-	-
Total	**128**	**195**
Less Unearned finance income	(6)	(16)
Total Net Investment in Lease	**122**	**179**

26. 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)**

27. SHARE-BASED PAYMENT ARRANGEMENTS

During the current and prior 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.

27. 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 220,000 (2020: 1,055,000) shares in Erpe Topco Limited were subscribed for and issued to management in the Group for €73 (2020: €352) (€'000) (i.e. the amount paid for by management). This resulted in a €41 (2020: €197) (€'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;

	2021	**2020**
Weighted Average Cost of Capital	11.5%	11.5%
Discount period at issue date	3.8 years	3.8 years
Discount for Lack of Marketability	12.5%	12.5%
Discount for Lack of Control	25.0%	25.0%
Discount for Lack of Voting Rights	2.5%	2.5%
Expected Asset Volatility	20.0%	20.0%
Company-specific cost of equity	33.4%	33.4%

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

28. 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.

29. GUARANTEES

At 31 December 2021 there were guarantees issued by the Group for €10,422 (2020: €12,850) (€'000). At year end there was an amount of €4,827 (2020: €7,990) (€'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.

30. 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.

- (A) COVID-19-Related Rent Concessions beyond 30 June 2021 (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.
- (B) Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) - The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply
for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group is currently not aware of any material contracts that would be affected by the change, however with the increased raw material prices after year end due to the Ukraine invasion the Group will implement a programme to assess this in more detail during the year and at the next year end.
- (C) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) - The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented The Group will assess the implications of this change during the upcoming financial year.

30. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Cont.)

- (D) Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

– Annual Improvements to IFRS Standards 2018–2020.
– Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
– Reference to Conceptual Framework (Amendments to IFRS 3).
– Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
– IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
– Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
– Definition of Accounting Estimates (Amendments to IAS 8).

31. 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 direct adverse impacts arising from the COVID-19 pandemic after the reporting period to date other than the continued impact on the global economic recovery which has affected regions differently. However, due to successful vaccine programmes in many regions and the mildness of recent virus strains, many of the regions we operate in have eased rules after year end and markets have opened up with disruptions reducing (albeit with some remaining effects of e.g. higher inflation and shipping constraints affecting regions differently). There is still uncertainty (e.g. around vaccination timetables globally, subsequent COVID-19 'waves' and future unknown COVID-19 mutations/strains etc.) so although the effect has greatly reduced the Group cannot give accurate or reliable estimates on the ultimate potential quantitative impacts currently. Refer to note 1.1 of the Group accounts for further details.

As noted above, although this is a non-adjusting event after the reporting period, following the Russian invasion into Ukraine in February 2022, the Board has considered the impact on the Group's operations and continues to monitor the developing situation. Whilst the Group does not have operations in Ukraine, Russia or Belarus and has no exposure in terms of revenue in Russia or Belarus (and an insignificant amount of revenue from Ukraine) the Group is affected by market conditions that this creates. This has caused energy and steel prices to increase which are negative for the company, however, this is partially offset as the Hesco business has received orders for additional sales over and above those forecast and many ongoing enquiries as a result. The board continues to monitor any wider impacts on high inflation, increased cost and limitations on supply of steel, increased uncertainty of these and other costs in the manufacture and delivery of products (energy, steel prices and transport costs being the primary ones). There is uncertainty regarding the length and outcomes of the conflict and the resulting impacts on the markets. The Group cannot give accurate or reliable estimates on the ultimate potential quantitative impacts currently. Refer to note 1.1 of the Group accounts for further details.

During February 2022 the Group has extended the RCF and drawn ancillary facility from 2023 to 4 September 2024 to be in line with the other external debt (term loans). This provides the Group with extra certainty regarding liquidity projections. Refer to note 16 of the Group accounts for further details.

The Group has extended the guaranatee for the TWIL pension fund to 31 December 2028 on materially the same terms as before (refer to note 18 for further details).

In July 2022 the Group paid an upfront premium to enter in to interest rate caps on €194m of Euro and $20m of the USD external 'Term loan' borrowings to limit potential increased future interest payments due to increasing interest rates in the markets. This results in the Euro debt capping EURIBOR at 2.5% and for the USD debt capping USD Libor at 3.25% The interest rate caps mature in September 2024 (refer to notes 16 and 21 for further info around the term loans).

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

32. ULTIMATE GROUP UNDERTAKING

The Group's parent is CEP IV Investment 15 S.a r.l. (incorporated in Luxembourg). CEP IV Investment 15 S.a r.l. is ultimately owned and controlled by CEP IV Participations S.a.r.l., SICAR (incorporated in Luxembourg). The smallest and largest group preparing consolidated financial statements that incorporate the financial statements of the Group is Erpe Topco Limited (i.e. these consolidated financial statements), a company incorporated in England and Wales.

ERPE TOPCO LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

		2021 €'000	2020 €'000
ASSETS			
Non-current assets		**19,410**	**18,337**
Investment in subsidiaries	5	9,806	9,765
Loans receivable from related parties		9,604	8,572
Current assets		**1,040**	**979**
Other receivables from related parties		1,040	979
Total assets		**20,450**	**19,316**
EQUITY			
Capital and Reserves			
Equity attributable to equity holders of the parent			
Share capital	6	113	111
Share premium	6	9,217	9,146
Retained earnings		537	610
Total Equity		**9,867**	**9,867**
LIABILITIES			
Non-current liabilities		**10,583**	**9,449**
Preference shares	7	10,583	9,449
Current liabilities		-	-
Total liabilities		**10,583**	**9,449**
Total equity and liabilities		**20,450**	**19,316**

The Company reported a loss for year ended 31 December 2021 of €114 (2020: €116) (€'000).

These financial statements were approved by the directors and signed on their behalf on 10 August 2022 by:

Akhil Chokra
Director

Registered Company number: 10847053.

The notes on pages 69 to 74 are an integral part of these company financial statements.

	Share capital	Share premium	Retained earnings	Total
	€'000	€'000	€'000	€'000
Balance as at 1 January 2020	**131**	**9,187**	**108**	**9,425**
Transaction with owners of the Company				
Issue of shares	19	352	-	371
Buy back of shares	(39)	(393)	421	(11)
Equity settled share based payment	-	-	197	197
Loss for the period	-	-	(116)	(116)
Balance as at 31 December 2020	***111***	***9,146***	***610***	***9,867***
Transaction with owners of the Company				
Issue of shares	2	71	-	73
Equity settled share based payment	-	-	41	41
Loss for the period	-	-	(114)	(114)
Balance as at 31 December 2021	**113**	**9,217**	**537**	**9,867**

1. BASIS OF PREPARATION

The separate financial statements of Erpe Topco Limited have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. In accordance with Section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the Company has not been presented.

Erpe Topco Limited ('the Company') is a private Company domiciled and registered in England and Wales. The registered number is 10846633 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 for at least 12 months from the approval of these financial statements. These forecasts show that the Company has sufficient resources to meet its obligations as they fall due during this period

Although this assessment has been made, the unprecedented market conditions driven by the impact of the ongoing COVID-19 pandemic and the military conflict in Ukraine increase the uncertainty that the Group, of which the Company is part, may breach a financial covenant. These conditions indicate that a material uncertainty exists that may cast significant doubt over the Company'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. 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 Financial Statements. The Company financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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.)

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 Company 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.

Preference shares
A financial instrument is classified as a liability if it contains a contractual obligation for the Company to deliver either cash or another financial asset to the holder or to exchange financial assets or financial liabilities with the holder

In order for preference shares to be classified as equity the following is necessary (otherwise the shares are classified as a liability):
- The payment of the preference dividend must not be mandatory, i.e. the Company should not have a contractual obligation to make any payment.
- There must not be a mandatory redemption feature at a future date and/or the redemption must not be at the discretion of the holder.

The preference shares recognised by the Company are mandatorily redeemable at a future date and are therefore classified as liabilities and measured initially at fair value and subsequently are measured at amortised cost using the effective interest rate method.

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 2021 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 2021 is €Nil (2020: €12) (€'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 10 August 2022. The profit attributable to the Company is disclosed as a footnote to the Company's balance sheet. No other comprehensive income was recorded by the Company during the year (2020: nil).

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 IN SUBSIDARIES

	2021	2020
Carrying amount	**€'000**	**€'000**
At 1 January	9,765	9,591
Increase during the year (refer note 8)	41	174
At 31 December	**9,806**	**9,765**

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, 01530, 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 de la Renaissance 5, box A, 92160, Antony	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, 2° D, 09004, 09240 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	York House, 221 Pentonville Road, London	Perimeter security manufacturing	100%
Hesco Bastion Ltd	York House, 221 Pentonville Road, London	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	49 rue Ahmed Barakat rez-de-chaussée numéro 3 Maarif, 20000	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% [1]
Praesidiad Switzerland Sarl (prev Betafence Schweiz GmbH)	Hardstrasse 59, Neuenhof	Perimeter security sales & distribution	100%
Betafence Yapi Sanayi Ve Ticaret A.S.	Sancaktepe Mahallesi Millet Caddesi No: 30 34570 Silivri Istanbul	Perimeter security manufacturing	100%
Praesidiad Inc (previously Erpe Bidco Inc)	C/o The Corporation Trust, Compan, 1209 Orange Street, Wilmington, Wilmington	Holding Company	100%
Guardiar Corporation, Inc	PO Box 17, Ennis, TX 75120	Holding Company	100%
Guardiar USA LLC	PO Box 17, Ennis, TX 75120	Perimeter security manufacturing & services	100%
Guardiar Solutions, Inc.	PO Box 17, Ennis, TX 75120	Perimeter security manufacturing & services	100%
Hesco Holdings Inc	2210 Port Industrial Road, Ste B Aberdeen, WA 98520	Holding Company	100%
Hesco Armor Inc.	2210 Port Industrial Road, Suite B, Aberdeen	Security products manufacturing	84%
Hesco Bastion Inc	2245C Ashley Crossing Drive Charleston, SC 29414	Perimeter security manufacturing	100%
Praesidiad Germany GmbH	Hennes-Weisweiler Allee 8, 41179, Mönchengladbach, Germany	Holding Company	100%
Praesidiad Holdings HK Ltd	3802-06, 38/F One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	Holding Company and APAC services	100%
Praesidiad Security Solutions	York House, Pentonville Road, London, England, N1 9UZ.	Holding Company	100%
Praesidiad Dihang (Suzhou) (Security & Fencing Technology) Co Ltd	No. 70, Sunshine Avenue, Changfu Street, Changshu City, People's Republic of China.	Perimeter security manufacturing	51%
Erpe Finco Limited	York House, 221 Pentonville Road, London	Holding Company	100%
Praesidiad Group Ltd	York House, 221 Pentonville Road, London	Holding Company	100%

Erpe Topco Limited directly holds 100% of the equity of Erpe Finco Limited. All other investments are held indirectly.

[1] During the prior year 26% of non-controlling interest ownership was disposed.

6. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares			
Issued - A Ordinary shares	**No.**	**€**	**€'000**
A Shares in issue at 1 January 2020, 31 December 2020 and 31 December 2021	**8,356,736**	**83,567**	**84**
Issued - B Ordinary shares			
In issue at 31 December 2020 and 31 December 2021	**151,002**	**1,510**	**2**
Issued - C Ordinary shares			
In issue at 1 January 2020	**705,000**	**7,050**	**7**
Issue of 97,500 C shares at par value €0.01 - 25 June 2020	97,500	975	1
Issue of 697,500 C shares at par value of €0.01 per share - 28 August 2020	697,500	6,975	7
In issue at 31 December 2020 and 31 December 2021	**1,500,000**	**15,000**	**15**
Issued - D Ordinary shares			
In issue at 1 January 2020	**333,750**	**26,700**	**27**
Buy back of 213,750 D shares at par value of €0.08 per share - 10 June 2020	(213,750)	(17,100)	(17)
Buy back of 120,000 D shares at par value of €0.08 per share - 10 June 2020	(120,000)	(9,600)	(10)
In issue at 31 December 2020 and 31 December 2021	-	-	-
Issued - F Ordinary shares			
In issue at 1 January 2020	**97,500**	**11,700**	**12**
Buy back of F shares par value €0.12 - 25 June 2020	(97,500)	(11,700)	(12)
In issue at 31 December 2020 and 31 December 2021	-	-	-
Issued - G Ordinary shares			
In issue at 1 January 2020	-	-	-
Issue of 1,055,000 G shares at par value of €0.01 per share - 28 August 2020	1,055,000	10,550	11
In issue at 31 December 2020	**1,055,000**	**10,550**	**11**
Issue of 220,000 G shares at par value of €0.01 per share - 19 February 2021	220,000	2,200	2
In issue at 31 December 2021	**1,275,000**	**12,750**	**13**
Total Ordinary shares - 31 December 2020	**11,062,738**	**110,627**	**111**
Total Ordinary shares - 31 December 2021	**11,282,738**	**112,827**	**113**

Share Premium	**€**	**€'000**
Shares premium at 1 January 2020	**9,186,761**	**9,187**
Buy back of 213,750 D shares at par value of €0.08 per share - 10 June 2020	(196,650)	(197)
Buy back of 120,000 D shares at par value of €0.08 per share - 10 June 2020	(110,400)	(110)
Issue of 1,055,000 G shares at par value of €0.01 per share at 0.323 premium per share - 28 August 2020	341,117	341
Buy back of F shares par value €0.12 at €1 per share - 25 June 2020	(85,800)	(86)
Issue of 97,500 C shares at par value €0.01 for €0.11 per share - 25 June 2020	10,725	11
Shares premium at 31 December 2020	**9,145,752**	**9,146**
Issue of 220,000 G shares at par value of €0.01 per share at 0.323 premium per share - 19 February 2021	71,134	71
Share premium at 31 December 2021	**9,216,886**	**9,217**
Total Ordinary Share Capital and Share Premium 31 December 2020	**9,256,380**	**9,257**
Total Ordinary Share Capital and Share Premium 31 December 2021	**9,329,714**	**9,330**

All issued share have been fully paid. There were no share issues in 2021 or 2020.

6. SHARE CAPITAL AND SHARE PREMIUM (Cont.)

Each class of Ordinary shares ranks equally in respect of receipt of dividends and returns of capital on a liquidation, sale or otherwise, and such amounts will be paid pari passu as if all classes of Ordinary shares constituted one class of share. The Preference shares rank ahead of all Ordinary shares in both respects, and have a fixed cumulative preferential dividend at an annual rate of 12 per cent of the issue price (refer note 7).

Ordinary B shares, Ordinary C shares, Ordinary G shares and Preference shares carry no voting rights. Each Ordinary A share carries the right to one vote. Ordinary D shares, Ordinary E shares and Ordinary F shares (currently none in issue) entitle the holder to such number of votes as would be required to exercise 5 per cent of the voting rights attaching to the total number of Ordinary shares (inclusive of the voting rights attaching to any other class of Ordinary shares held by such holder).

2020
During the year 333,750 D shares were bought back at a total aggregate value of €2. This resulted in a gain of €334 (€'000). During the year 97,500 F shares were bought back for a value of €12 (€'000) resulting in a gain of €86 (€'000). Both of these gains were recognised directly in equity.

2021
There were no share buy backs in the 2021 year.

7. PREFERENCE SHARES

	No.	€	€'000
Par value			
In issue at 1 January 2020	6,617,785	66	-
In issue at 31 December 2020	6,617,785	66	-
In issue at 31 December 2021	6,617,785	66	-
Share Premium			
In issue at 1 January 2020		6,617,719	6,618
In issue at 31 December 2020		6,617,719	6,618
In issue at 31 December 2021		6,617,719	6,618
Total Preference shares at 31 December 2020		6,617,785	6,618
Total Preference shares at 31 December 2021		6,617,785	6,618

The preference shares have a fixed coupon (preference share dividend) of 12% which accrues annually. The accrued interest at year end was €3,966 (2020: €2,832) (€'000). The preference shares are mandatory redeemable at the earlier of 2027 (10 years from issue), the occurrence of a default event, or written notice from the company with the investor's consent. As a result of being mandatory redeemable the preference shares have been classified as a liability. The preference shares are held by various directors and management of the of the Company and subsidiaries. Refer note 6 for rights.

8. SHARE BASED PAYMENTS

During the current and prior year certain key management personnel in the Group were invited to participate in a new (new in 2020) class of growth shares in Erpe Topco Limited.

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.

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 220,000 (2020: 1,055,000) shares in Erpe Topco Limited were subscribed for and issued to management (see note 15) in the Group for €73 (2020: €352) (€'000) (i.e. the amount paid for by management). This resulted in a €41 (2020: €197) (€'000) fair value IFRS 2 equity settled share based payment charge being the difference between the fair value and the price received for the shares. The profit and loss charge in the Company was Nil (2020: €23) (€'000) relating to directors of the Company as no directors in the Company received shares in 2021. The (remaining) charge of €41 (2020: €174) (€'000) relates to non-Company directors (i.e. to directors and staff at subsidiary companies) and is accordingly recognised as an increase in the Investment in subsidiaries (refer to note 5).

8. SHARE BASED PAYMENTS (Cont.)

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%

9. 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 direct adverse impacts arising from the COVID-19 pandemic after the reporting period to date other than the continued impact on the global economic recovery which has affected regions differently. However, due to successful vaccine programmes in many regions and the mildness of recent virus strains, many of the regions we operate in have eased rules after year end and markets have opened up with disruptions reducing (albeit with some remaining effects of e.g. higher inflation and shipping constraints affecting regions differently). There is still uncertainty (e.g. around vaccination timetables globally, subsequent COVID-19 'waves' and future unknown COVID-19 mutations/strains etc.) so although the effect has greatly reduced the Group cannot give accurate or reliable estimates on the ultimate potential quantitative impacts currently. Refer to note 1.1 of the Group accounts for further details.

As noted above, although this is a non-adjusting event after the reporting period, following the Russian invasion into Ukraine in February 2022, the Board has considered the impact on the Group's operations and continues to monitor the developing situation. Whilst the Group does not have operations in Ukraine, Russia or Belarus and has no exposure in terms of revenue in Russia or Belarus (and an insignificant amount of revenue from Ukraine) the Group is affected by market conditions that this creates. This has caused energy and steel prices to increase which are negative for the company, however, this is partially offset as the Hesco business has received orders for additional sales over and above those forecast and many ongoing enquiries as a result. The board continues to monitor any wider impacts on high inflation, increased cost and limitations on supply of steel, increased uncertainty of these and other costs in the manufacture and delivery of products (energy, steel prices and transport costs being the primary ones). There is uncertainty regarding the length and outcomes of the conflict and the resulting impacts on the markets. The Group cannot give accurate or reliable estimates on the ultimate potential quantitative impacts currently. Refer to note 1.1 of the Group accounts for further details.

During February 2022 the Group has extended the RCF and drawn ancillary facility from 2023 to 4 September 2024 to be in line with the other external debt (term loans). This provides the Group with extra certainty regarding liquidity projections. Refer to note 16 of the Group accounts for further details.

The Group has extended the guaranatee for the TWIL pension fund to 31 December 2028 on materially the same terms as before (refer to note 18 for further details).

In July 2022 the Group paid an upfront premium to enter in to interest rate caps on €194m of Euro and $20m of the USD external 'Term loan' borrowings to limit potential increased future interest payments due to increasing interest rates in the markets. This results in the Euro debt capping EURIBOR at 2.5% and for the USD debt capping USD Libor at 3.25%. The interest rate caps mature in September 2024 (refer to notes 16 and 21 for further info around the term loans).

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

10. PARENT AND ULTIMATE CONTROLLING PARTY

The Group's parent is CEP IV Investment 15 S.a r.l. (incorporated in Luxembourg). CEP IV Investment 15 S.a r.l. is ultimately owned and controlled by CEP IV Participations S.a.r.l., SICAR (incorporated in Luxembourg). The smallest and largest group preparing consolidated financial statements that incorporate the financial statements of the Group is Erpe Topco Limited (i.e. the preceding consolidated financial statements), a company incorporated in England and Wales.

Subsidiary company audit exemption

Please note that Hesco Bastion Limited (registered address; York House, Pentonville Road, London, England, N1 9UZ. Registration number 02600319), a subsidiary of Erpe Topco Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006. This is because Erpe Topco Limited has given a guarantee under section 479C in respect of the year ending 31 December 2021 in virtue of this section to not have their individual accounts audited as they are included in the preceding set of consolidated accounts.