LIMITED LIABILITY COMPANY
“COFFEE ADDRESS HOLDING”

(UNIFIED REGISTRATION NUMBER 40203047754)

CONSOLIDATED ANNUAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2020

(4th financial year)

PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

TOGETHER WITH INDEPENDENT AUDITORS’ REPORT*

Riga, 2021

*This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

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General information

Name of the Parent company	Coffee Address Holding
Legal status of the Parent company	Limited Liability Company
Unified registration number, place and date of registration of the Parent company	40203047754 Riga, 02.02.2017
Legal address of the Parent company	Jaunmoku street 34, Riga, Latvia, LV-1046
Shareholder of the Parent Company	BaltCap Private Equity Fund II SCSp (80.46664%) BaltCap Private Equity Fund II Co-Investment SCSp (19.53336%)
Board members of the Parent company	Viktorija Meikšāne, board member from 07.03.2017
Companies in the Group	COFFEE ADDRESS SIA, acquired on 14 March 2017 COFFEE ADDRESS UAB, acquired on 14 March 2017 COFFEE ADDRESS OU, acquired on 14 March 2017 PAYMENT SYSTEMS SIA, established on 21 May 2018 KAFE SERVISS SIA, acquired on 17 November 2020, merged into Coffee Address SIA on 1 June 2021 AUTOMATIK AGE, acquired on 17 November 2020, merged into Coffee Address SIA on 1 June 2021 GFM, SIA acquired on 17 November 2020, merged into Coffee Address SIA on 1 June 2021 BALTIC PAYMENT SYSTEMS SIA, liquidated on 17 December 2020
Financial period	January 1 – December 31, 2020
Auditors	Diāna Krišjāne Certifed auditor Certificate No. 124 SIA „Ernst & Young Baltic” Muitas street 1A, Riga Latvia, LV – 1010

Management report

General information

Coffee Address Group consists of parent company SIA Coffee Address Holding and its subsidiaries. Limited liability company Coffee Address Holding was established on 2 February 2017 by BaltCap Private Equity Fund II SCSp. with the primary aim to acquire three Baltic subsidiaries of Selecta AG, the European market leader in convenience self-service solutions.

The main companies in the Group are Coffee Address UAB based in Lithuania, Coffee Address OU based in Estonia and Coffee Address SIA based in Latvia. On 29 June 2020, the the Coffee Address Group acquired 100% of 7 Kohvipoissi OU in Estonia. Company specializing in vending and servicing of coffee machines and sale of related goods.
In November 2020, the Coffee Address Group acquired 100% of Kafe Serviss SIA. Company based in Latvia and specializing in vending and servicing of coffee machines and sale of related goods.

Coffee Address Group has 300 employees covering 100% of the Baltic countries geographically with offices in Tallinn, Tartu, Vilnius, Riga, Liepāja, Daugavpils, Vilnius, Kaunas and Klaipeda. There are more than 12 000 coffee machines in the market, and we are proud to serve over 250,000 cups of coffee a day. The Company thrives on superior client service with the largest service team that knows each and every client by name.

~300	12000+	250 000+	6 000+	3 Countries
Employees	Coffee machines in the market	Cups of coffee per day	Satisfied customers	Number 1 market position in all Baltic States

Strategy

Coffee Address is leading pan-Baltic self-service coffee, convenience food and beverages company, at the workplace and on the go.

Strategies by Coffee Address:

- Engaged, motivated employees that are coffee experts,
- Innovation and digitalisation in customer service and internal processes,
- Operational excellence through use of data and standartisation of procedures,
- Simplicity as ultimate form of sophistication.

Operational environment

Coffee suppliers
The particular attention was paid to select a variety of great tasting coffees from around the world that to be represented under our own brand Coffee Address and the premium line of Atlas by Coffee Address. In addition, we have continued cooperation with Pelican Rouge.

Equipment suppliers
Supply contracts with equipment, ingredient and coffee providers were negotiated to enable us to deliver the best coffee experience to our clients. We are proud to represent such premium coffee equipment brands as Franke and Jura as official distributors in the Baltics.

IT infrastructure
During 2020 the main emphasis was on continuing to develop IT systems and business intelligence solutions to collect, analyze and convert data into understandable reports that can provide businesses with valuable insights, which in turn drives corporate profits.

Management report (continued)

Financing

Coffee Address Group is financed primarily though subordinate shareholder loans and variety of bank financing instruments – long terms loans, leasing and overdrafts. Coffee Address Holding has well-balanced and optimal financing structure to achieve its long term and short terms goals. There are no other public reports prepared in addition to these financial statements.

Viktorija Meikšāne
Chairperson of the Board

16 July 2021

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Consolidated Financial Statements

Consolidated Statement of comprehensive income

	Notes	2020 EUR	2019 EUR
Revenue from contracts with customers	6	26 512 164	25 808 913
Cost of sales		(13 719 474)	(11 796 959)
Gross profit		**12 792 690**	**14 011 954**
Personnel costs	7	(5 048 058)	(5 624 399)
Other operating costs	8	(2 438 779)	(2 599 291)
Gains from disposal of fixed assets, net		(136 839)	(198 739)
Depreciation and amortization	11,13	(4 693 237)	(4 343 036)
Operating profit		**475 777**	**1 246 489**
Finance costs	9	(1 370 118)	(1 451 609)
Pofit/ (loss) before tax from continuing operations		**(894 341)**	**(205 120)**
Income tax expense	10	55 263	(407 922)
Income from changes in deferred tax assets and deferred tax liabilities	10	22 640	26 485
Profit/ (loss) for the year		**(816 437)**	**(586 557)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Total comprehensive profit/ (loss) for the year, net of tax		**(816 437)**	**(586 557)**
Profit /(loss) attributable to			
Equity holders of the parent		(816 437)	(586 557)
Comprehensive profit/ (loss) attributable to			
Equity holders of the parent		(816 437)	(586 557)

The accompanying notes form an integral part of these financial statements.

Viktorija Meikšāne
Chairman of the Board

Anda Priedīte
Group Chief Financial Officer

16 July 2021

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Consolidated Statement of financial position

ASSETS

ASSETS	Notes	31.12.2020 EUR	31.12.2019 EUR
Non-current assets			
Property, plant and equipment	13	14 321 032	11 100 198
Intangible assets	11	25 042 886	18 889 209
Non-current financial assets		9 716	19 386
Deferred tax assets	10	121 102	100 637
TOTAL		**39 494 736**	**30 109 430**
Current assets			
Inventories	15	3 170 246	3 648 064
Trade receivables	16	1 278 295	1 402 020
Prepayments and other receivables	17	718 428	948 651
Cash	18	2 279 217	561 567
TOTAL		**7 446 186**	**6 560 302**
TOTAL ASSETS		**46 940 922**	**36 669 732**

EQUITY AND LIABILITIES

	Notes	31.12.2020 EUR	31.12.2019 EUR
Equity			
Issued capital	19	5 672 903	3 002 800
Share premium	19	8 781 897	-
Retained earnings		(670 769)	(84 212)
Comprehensive income/ (loss) for the year		(816 437)	(586 557)
TOTAL Equity attributable to equity holders of the parent		**12 967 594**	**2 332 031**
Non-current liabilities			
Interest-bearing loans and borrowings	20	13 029 078	8 464 245
Shareholders loan	20	4 628 740	12 882 974
Other non-current financial liabilities	21	4 266 168	2 062 650
Deffered tax liability	10	-	7 515
Provisions	22	10 289	11 243
TOTAL		**21 934 275**	**23 428 627**
Current liabilities			
Trade payables	23	1 832 820	3 548 480
Interest-bearing loans and borrowings	20	6 169 826	3 874 920
Other current financial liabilties	21	1 191 484	1 114 397
Income tax payable		73 479	291 015
Other current liabilties	24	2 771 444	2 080 262
TOTAL		**12 039 053**	**10 909 074**
TOTAL LIABILITIES		**33 973 328**	**34 337 701**
TOTAL EQUITY AND LIABILITIES		**46 940 922**	**36 669 732**

The accompanying notes form an integral part of these financial statements.

Viktorija Meikšāne
Chairman of the Board

Anda Priedīte
Group Chief Financial Officer

16 July 2021

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Consolidated Statement of cash flows

	Notes	2020 EUR	2019 EUR
Operating activities			
Profit /(loss) before tax		(894 340)	(205 120)
Adjustments to reconcile profit before tax to net cash flows:			
• depreciation and impairment of property, plant and equipment	13	4 373 555	4 034 196
• amortization and impairment of intangible assets	11	319 682	308 841
• net foreign exchange differences	9	(5 069)	648
• gains from disposal of property, plant and equipment		(136 839)	(198 735)
• finance costs	9	1 370 118	1 451 609
• provisions for bad debtors		954	9 959
• movement in other provisions		(1 388)	(35 170)
Working capital adjustments:			
• (increase) or decrease in trade and other receivables and prepayments		636 105	9 160
• (increase) or decrease in inventories		1 247 188	(1 460 351)
• increase or (decrease) in trade and other payables		(903 027)	1 620 523
		6 006 939	***5 535 560***
Interest paid		(959 852)	(493 197)
Net cash flows from operating activities		**5 047 086**	**5 042 363**
Investing activities			
Purchase of property, plant and equipment	11.13	(2 056 485)	(1 842 955)
Acquisition of a subsidiaries, net of cash acquired	5	(8 390 038)	(272 362)
Net cash flows used in investing activities		**(10 446 523)**	**(2 115 317)**
Financing activities			
Receipt of shareholder investment	19	2 787 500	-
Payment of finance lease liabilities		(365 263)	(1 541 248)
Payment of lessee's right		(520 249)	-
Government grant received		293 233	-
Proceeds from borrowings		6 241 400	-
Repayment of borrowings		(1 324 604)	(2 096 260)
Net cash flows from financing activities		**7 112 017**	**(3 637 508)**
Net foreign exchange difference		5 069	(648)
Net increase in cash		1 717 650	(711 110)
Cash at the beginning of the year		561 567	1 272 677
Cash at the end of the year		**2 279 217**	**561 567**

The accompanying notes form an integral part of these financial statements.

Viktorija Meikšāne
Chairperson of the Board

Anda Priedīte
Group Chief Financial Officer

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Consolidated statement of changes in equity

	Attributable to equity holders of the parent			
	Issued capital	Share premium	Retained earnings	**Total**
Balance as at 31 December 2018	**3 002 800**	**-**	**(84 212)**	**2 918 588**
Increase in share capital				-
Profit or loss for the reporting period	-		(586 557)	(586 557)
Total comprehensive income	-	-	(586 557)	(586 557)
Balance as at 31 December 2019	**3 002 800**	**-**	**(670 769)**	**2 332 031**
Increase in share capital	2 670 103	8 781 897	-	11 452 000
Profit or loss for the reporting period	-		(816 437)	(816 437)
Total comprehensive income	-	-	(659 850)	(816 437)
Balance as at 31 December 2020	**5 672 903**	**8 781 897**	**(1 487 206)**	**12 967 594**

The accompanying notes form an integral part of these financial statements.

Viktorija Meikšāne
Chairperson of the Board

Anda Priedīte
Group Chief Financial Officer

16 July 2021

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Notes to the consolidated financial statements

1. Corporate information

SIA Coffee Address Holding (hereinafter – the Company or the parent) was registered with the Republic of Latvia Enterprise Register on 2 February 2017. The registered office of the Company is at Jaunmoku iela 34, Riga. Shareholders of the Company is BaltCap Private Equity Fund II SCSp and BaltCap Private Equity Fund II Co-Investment SCSp.

The consolidated financial statements of SIA Coffee Address Holding (and its subsidiaries (collectively, The Group) for the financial year ended 31 December 2020 where authorized for issue in accordance with a resolution of the Council.

The Group is principally engaged in renting and servicing of coffee machines, sale of related goods and provision of vending services. Information on the Group's structure is provided in Note 4 and summary of other related party transactions are disclosed in Note 25.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements are prepared on a historical cost basis. Consolidated financial statements are prepared in functional currency which is the euro (EUR) and all values are rounded to the nearest EUR, except when otherwise indicated. The financial statements cover the period 1 January 2020 through 31 December 2020.

The consolidated statement of comprehensive income has been presented according to the nature of expenses. The consolidated statement of cash flows has been prepared under the indirect method.

Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Company and its subsidiaries as at 31 December 2020. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Going concern

In March 2020, the Republic of Lithuania, Latvia, Estonia and many other countries enforced restrictions related to the spread of coronavirus COVID-19. The restrictions significantly reduced economic development in all countries and in the world. The management of the Group continuously assesses the situation and based last available financial results see positive developments.

Due to restriction actions applied in the Republic of Lithuania, Latvia and Estonia the Group's revenues from standard activities has dropped significantly. As at 31 December 2020 the Group's current liabilities exceed current assets by 4 592 867 EUR and the Group's losses for the financial year ended 31 December 2020 are 816 437 EUR.

In order to go through lower revenue period and in order to be able to continue operations, the Group management have taken the following actions:

1) agreed with the bank a grace periods for lease and loan repayments;

2) use of government support such as sick leaves for parents of children until 12, stand-by support for employees, deferring tax payments;

2. Summary of significant accounting policies (*continued)*

Going concern (*continued)*

3) closely monitors the cash balance and aligns expenses with income

Taking all mentioned above into account, the Group‘s management believes that despite the decrease in sales, the Group‘s financial position remains stable and it is capable to continue its activities for at least one year period after the issue of these financial statements. The ultimate shareholders have issued a letter of support to the Group, yet no such support has been currently requested as of issuance of these consolidated financial statements.

Therefore, the consolidated financial statements are prepared on the basis that the Group will continue as going concern

Estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities, including assessment of fair value of assets and liabilities acquired through business combination. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are goodwill, future commitments for acquisition contributions, sales and repurchase agreement, post-employment benefit provisions. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The assumptions and sensitivity of main assumptions are disclosed:

- Business combinations – Note 5;
- Goodwill – Note 12;
- Sales and repurchase agreement – Note 21
- Future payments for share acquisition – Note 21
- Pension benefits – Note 22
- Recoverability of deferred tax assets – Note 10.
- Management judgement related to the term of the lease and discount rate – Note 2 Adoption of new and revised standards and interpretations

A) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2020:

- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

2. Summary of significant accounting policies (*continued)*

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. The management has evaluated the impact of this standard and believes that these amendments will not have any significant impact on the Group's financial statements.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. The management has evaluated the impact of this standard and believes that these amendments will not have any significant impact on the Group's financial statements.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**
  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The management has evaluated the impact of this standard and believes that these amendments will not have any significant impact on the Group's financial statements.

B) Standards issued but not yet effective and not early adopted

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The management has evaluated the impact of this standard and believes that this amendment will not have any significant impact on the Group's financial statements.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the COVID-19 pandemic, the IASB has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. The management has evaluated the impact of this standard and believes that these amendments will not have any significant impact on the Group's financial statements.

2. Summary of significant accounting policies (*continued)*

Standards issued but not yet effective and not early adopted (continued)

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

  The amendments have not yet been endorsed by the EU. The management has evaluated the impact of this standard and believes that these amendments will not have any significant impact on the Group's financial statements.

- **IFRS 16 Leases – COVID-19-Related Rent Concessions (Amendment)**
  The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

  In February 2021 the IASB issued a proposal to extend the relief period by another year, i.e. to apply the practical expedient on rent concessions to a change in lease payments originally due on or before 30 June 2022 from 30 June 2021. The amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment has not yet been endorsed by the EU. The management has evaluated the impact of this standard and believes that these amendments will not have any significant impact on the Group's financial statements.

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**
  In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The management has evaluated the impact of this standard and believes that these amendments will not have any significant impact on the Group's financial statements.

2. Summary of significant accounting policies (*continued)*

Standards issued but not yet effective and not early adopted (continued)

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):**
  The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. The management has evaluated the impact of this standard and believes that these amendments will not have any significant impact on the Group's financial statements.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):**
  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU. The management has evaluated the impact of this standard and believes that these amendments will not have any significant impact on the Group's financial statements.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 and IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IAS 39 and IFRS 9. Other contingent consideration that is not within the scope of IAS 39 and IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2. Summary of significant accounting policies (*continued)*

Non-current assets held for sale and discontinued operations

Non-currents assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.
Such assets, or disposals groups, are generally measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held-for-sale are recognized in profit or loss.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Once classified as held – for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is also the parent company's and all subsidiaries functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Fair value measurement

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

For disclosures 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

2. Summary of significant accounting policies (*continued)*

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair-value related disclosures for financial instruments and non-financial assets where fair values are disclosed, are summarized in the note 28.

Revenue from Contracts with Customers

Sale of goods and service

Sales of services are recognized in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. Based on the Group's contractual terms, customer business practices and identified promised goods and services Group has identified separate performance obligations:

- Sale of goods purchased - the Group recognizes revenues from sale of goods at point in time when goods transferred to the customer.
- Sale of equipment purchased - the Group recognizes revenues from sale of equipment (coffee machines) are recognized at point in time when equipment transferred to the customer.
- Rent of equipment and maintenance service- the Group provides installation and maintenance services that are bundled together with the rent of equipment to a customer. Contract of bundled rent of equipment, installation and maintenance services is one performance obligation because the Group is not offering these services separately. The Group recognizes revenues from rent or equipment and maintenance services over time.
- Standing vending machines - the Group recognizes revenues from sale of goods in vending machines at point in time when goods are transferred to the customer.

Group's revenues are recognized based identified performance obligations.

Significant financing component

Generally, the Group receives short-term advances from its customers (from contracts with 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 good or service to the customer and when the customer pays for that good or service will be one year or less.

Where this period exceeds one year, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

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 recognized for the earned consideration.

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). Such receivables are recognized in the Group's statement of financial position as trade receivables.

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 recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized

as revenue when the Group performs under the contract. Such contract liabilities are recognized in the Group's statement of financial position as prepayments for services (included with the Other current liabilities position in the statement of financial position).

2. Summary of significant accounting policies (*continued)*

Investments
Revenue from investments (dividends) is recognized when the right of payment has been established.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The Group has chosen to present grants deducting from the related expense.

Financial Instruments

Financial liabilities are classified as follows:
a) financial liabilities measured at amortized cost; and
b) financial liabilities at fair value through profit or loss.

Financial assets at amortized cost

Financial assets (with the exception of trade receivables) are measured at amortized cost if both of the following conditions are met and assets are not classified as financial assets at fair value through profit or loss:

a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

These assets are recognized initially at fair value plus transaction costs that are directly attributable to their acquisition. Assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is decreased by an impairment loss. Foreign exchange revaluation, impairment and interest income are recognized in the statement of profit or loss. Any gains or losses on derecognition of financial assets are taken to the statement of profit or loss.

Equity instruments at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they:

(a) meet the definition of equity instruments under IAS 32 *Financial Instruments: Disclosure and Presentation*, and

(b) are not held for trading.

The classification is determined on an instrument-by-instrument basis. These instruments are recognized initially at fair value plus transaction costs that are directly attributable to their acquisition. Subsequent to initial recognition, they are measured at fair value. Dividends are recognized in the statement of profit or loss. Other net gains and losses are taken to comprehensive income and are never recycled to profit or loss.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost if they are not held for trading and are not designated upon initial recognition as held for trading. These financial liabilities are recognized initially at fair value net of directly attributable transaction costs. These financial liabilities are subsequently measured at amortized cost using the effective interest method.

Initial recognition of assets

In accordance with the new approach, financial assets are classified as measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss. Financial assets are measured at amortized cost if both of the following conditions are met:

(1) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

(2) 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.

The Group classifies all financial liabilities as measured at amortized cost, except for certain financial liabilities that are classified as at fair value through profit or loss.

Initial recognition of liabilities

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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2. Summary of significant accounting policies (*continued)*

Shareholder's and interest-bearing loans and borrowings
There are no changes in the classification and measurement of the Group's financial liabilities.

Trade receivables from contracts with customers
Trade receivables are measured at the transaction price determined under IFRS 15.

Corporate income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When 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
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss. The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Taxation in Latvia

Corporate income tax is calculated according to the Corporate Income Tax Law of the Republic of Latvia, which has been in force as of 1 January 2018. Legal entities have not been required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax is paid on distributed profits and deemed profit distributions. Both distributed profits and deemed profit distributions are subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the statement of profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.
No provision is recognized for income tax payable on a dividend distribution before dividends are declared.

2. Summary of significant accounting policies (*continued)*

Corporate income tax (continued)

Taxation in Estonia

According to the current Corporate income tax law, profit that is distributed as dividends is applied the tax rate of 20/80 of the sum paid out as net dividends. The company income tax calculated on dividends is reported as income tax cost in the income statement of the period the dividends are declared regardless for which period they are declared or when the dividends will be paid out. Income tax liability and cost calculated on dividends that have not been paid out as at the balance sheet date are adjusted in accordance with the current income tax rate. No defer tax assets and deferred tax liabilities are recognized for companies registered in Estonia.

Taxation in Lithuania

Income tax expenses consist of the current year tax on profit and deferred tax expenses. The tax currently payable is based on taxable profit for the year. Taxable profit for the year differs from net profit as reported in the statement of profit and (loss) because it adjusted by non-deductible (non-taxable) expenses (income). The Company's liability for current tax is calculated using tax rates applicable at the balance sheet date, which on reporting period and previous period was 15%. Tax losses, if incurred, can be carried forward for an indefinite period. Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences that will subsequently increase the taxable profit and deferred tax assets are recognized only to the part that it is likely to reduce taxable profits in the future.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Useful economic life of customer contracts corresponds to their contractual terms, and of other intangible assets – 3 to 5 years. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

2. Summary of significant accounting policies continued

Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Equipment and machinery	5-8 years
Office and warehouse equipment	3-5 years
IT Hardware	3-5 Years

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of property, plant and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and

equipment is the higher of an asset's net selling price and its value in use. In assessing the 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of profit or loss in the cost of sales caption.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year the item is derecognized.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted on a first-in, first-out (FIFO) basis.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value is disclosed at the purchase (production) cost less allowances made.

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 recognized 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 and loans and borrowings including bank overdrafts.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 21.

2. Summary of significant accounting policies continued

Financial liabilities (continued)

Shareholders loan

Shareholders loan is treated as a financial liability as it does include contractual obligation to deliver cash and it cannot be settled in the own equity instruments. It does not have an equity component. As shareholders loan is a financial liability, it is treated in the same way as other loans and borrowings.

Derecognition

A financial liability is derecognized 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 recognized in the statement of profit or loss.

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 recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Goodwill and intangible assets with indefinite lives Note 12

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of four years. A long-term growth rate is calculated and applied to project future cash flows after the fourth year. Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

IFRS 16: Leases

In January 2016, the IASB published the accounting standard IFRS 16 "Leases", which was implemented into European law on November 9, 2017.The standard replaces the existing guidance on leases, including IAS 17, "Leases",, IFRIC 4 "Determining whether and Arrangement contains a Lease", SIC-15 "Operating Leases – incentives" and SIC-27 "Assessing the substance of transactions in the legal form of leases".

IFRS 16 provides that in general, all leases and the associated contractual rights and duties must be reflected in the lessee's balance sheet, unless the term does not exceed 12 months or it constitutes a low-value asset. This classification required under IAS 17 into operating or finance leases therefore does not apply to the lessee. As for leases, the lessee recognizes a liability for lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which in principle is equivalent to the present value of the future lease payments plus directly attributable costs and is amortized over the useful life.

2. Summary of significant accounting policies (*continued)*

IFRS 16: Leases (continued)

A lease liability is first measured as the present value of all future lease payments to be made under the agreement, discounted at the interest rate implicit in the lease (or at a similar borrowing rate). The lease liability is recognized just like any other liability. The right-of-use asset is recognized under property, plant and equipment or as a separate item under non-current assets.

The right-of-use asset is depreciated and tested for impairment like any other non-current asset owned by the entity. Interest costs arising from discounting are recognized for the lease liability.

IFRS 16 is required to be applied for the first time for financial years commending on or after January 1, 2019. The Group has exercised the option of early adoption of the standard and has applied IFRS 16 for the first time as of January 1, 2018, using the modified retrospective approach. First-time application within the Group to date has affected leases that previously had been classified as operating leases.

For leases previously classified as operating leases by applying IAS 17, the Group:

1) Recognizes a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Group measures that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate the date of initial application;
2) Recognizes a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. On a lease-by –lease basis the Group measures that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application; and
3) The Group applies the practical expedient permitted by IFRS 16 and relies on its assessment of whether leases are onerous applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Group thus adjusts the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognized in the statement of financial position immediately before the date of initial application.

A Group choose to apply these practical expedients on a lease-by-lease basis:

1. The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

2. The Group excludes initial direct costs of leases previously classified as operating leases from the measurement of the right-of-use asset at the date of initial application.

3. The Group uses hindsight, such as in determining the lease term if the contract contains to extend or terminate the lease. Consistently with IAS 8, usage of hindsight is applied only to matters of judgement and estimated and, therefore, is not applied to matters of fact such as changes to an index of rate.

Group as a lessor

With the exception of subleases, a lessor is not required to make any adjustments on transition for leases in which it is a lessor and accounts for those leases applying IFRS 16 from the date of initial application.

Sale and repurchase agreements

In a sale and repurchase agreement for an asset other than a financial asset, the terms of the agreement need to be analysed to ascertain whether, in substance, the seller has transferred the control of the products to the buyer and hence revenue is recognised. When the seller has retained control of asset the transaction is a financing arrangement (e.g. a lease arrangement) and revenues are recognized "over time".

2. Summary of significant accounting policies (*continued)*

Changes in accounting policy disclosures and presentation (continued)

The Group's lease portfolio:
Real estate leases
The Group's real estate leases include buildings for its offices and warehouses. The lease terms and the remining lease terms at the date of initial application, vary. The lease for buildings typically run for period of 5 years. Some leases include an option to renew the lease for an additional period or cancel before the end of contract term.
Few of the Group's lease contract don't have lease term, these agreements Group has evaluated separately. Therefore, Group has applied individual judgment to determine an appropriate leases term. Based on general plans of the business Group determined that these agreements will be terminated within 5 years. The Group estimated the fair value of right-of-use assets using the discount rate which equals the interest rate on financial lease liabilities (in current year 2.75%).

Leases of vehicles
The Group leases vehicles that it uses mainly to visit customers to provide maintenance services. Vehicle with lease terms of 3 to 5 years. For the purpose of applying the modified retrospective approach these leases, the Group elects to:

- Measure the right-of-use asset at an amount equal to lease liability at the date of initial application and using discount rate which equals the interest rate on financial lease liabilities
- Apply the practical expedient to exclude initial direct costs from the right-off-use asset discount rate which equals the interest rate on financial lease liabilities

The Group estimated the fair value of right-of-use assets using the discount rate which equals the interest rate on financial lease liabilities (in current year 2%).

Lease of IT equipment
The Group leases IT equipment such as computers, printing and photocopying machines with contract terms of 1 to 3 years. The leases are short term and/ or leases of low value items. The Group has elected no to recognize right of use assets for these leases.

Sale and repurchase agreements

In a sale and repurchase agreement for an asset other than a financial asset, the terms of the agreement need to be analyzed to ascertain whether, in substance, the seller has transferred the control of the products to the buyer and hence revenue is recognized. When the seller has retained control of asset the transaction is a financing arrangement (e.g. a lease arrangement) and revenues are recognized "over time".

Cash

Cash comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

Cash in vending machines

Cash in vending machines is cash, which is in the cash tubes and should stay within vending machines as exchange money. This cash is collected only if the vending machine is removed. Therefore, the cash is restricted for use and is not recognized under cash or cash equivalents, but under Prepayments and other receivables.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions

Provisions are recognized when the Group 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2. Summary of significant accounting policies continued

Provisions (continued)

Defined benefit pension plan

The Group operates a state-defined benefit pension plan in Lithuania. To determine the net defined benefit liability actuarial valuation method is applied. The determination of the defined benefit liability is carried out with sufficient regularity such that the amounts recognized in the consolidated financial statements do not differ materially from those that would be determined at end of the reporting period.

The present value of an entity's defined benefit obligations is determined using the projected unit credit method which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately in building up the final obligation. Benefit is attributed to periods of service using the plan's benefit formula.

Actuarial assumptions used in measurement

The overall actuarial assumptions used are unbiased and mutually compatible and represent the best estimate of the variables determining the ultimate post-employment benefit cost.

- Financial assumptions (discount rate, expected growth rate of salaries etc.) are based on market expectations at the end of reporting period;
- Mortality assumptions are determined by reference to the best estimate of mortality;
- Employee turnover is determined based on the best estimate of employee turnover.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods

Related parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group are shareholders who have control or significant influence over the Parent company in accepting operating business decisions, key management personnel of the Parent company including members of Supervisory body - family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or apply for additional investment in capital. The Group monitors capital using an equity-to-assets ratio, which is total equity divided by total assets. The Group includes within equity subordinate loan from shareholders.

	31.12.2020
Total assets	46 940 922
Subordinate shareholder's loan	4 628 740
Equity	12 967 594
Total capital	**17 596 335**
Equity ratio	**37%**

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2020.

4. Group information

Information on holding

The holding company of the Group is Coffee Address Holding SIA which is based in Latvia. Its fully owned by BaltCap Private Equity Fund II SCSp and BaltCap Private Equity Fund II Co-Investment SCSp registered in Luxemburg.

Information on subsidiaries

The consolidated financial statements of the Group include:

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	% EQUITY INTEREST, 31.12.2020
COFFEE ADDRESS SIA	Rent of coffee machines, sale of related products, vending	Latvia	100%
COFFEE ADDRESS UAB	Rent of coffee machines, sale of related products, vending	Lithuania	100%
COFFEE ADDRESS OU	Rent of coffee machines, sale of related products, vending	Estonia	100%
KAFE SERVISS SIA, MERGED INTO COFFEE ADDRESS SIA ON 1 JUNE 2021	Rent of coffee machines, sale of related products, vending	Latvia	100%
AUTOMATIK AGE SIA, MERGED INTO COFFEE ADDRESS SIA ON 1 JUNE 2021	Rent of coffee machines	Latvia	100%
GFM SIA, MERGED INTO COFFEE ADDRESS SIA ON 1 JUNE 2021	Rent of coffee machines	Latvia	100%
PAYMENT SYSTEMS SIA	Payment systems	Latvia	100%

5. Business combinations

Acquisitions in 2020

Acquisition of Kafe Serviss SIA

On 17 November 2020, the Group acquired 100% of Kafe Serviss SIA, a company based in Latvia and specializing in vending and servicing of coffee machines and sale of related goods.

Kafe Serviss SIA and it's subsidiaries was merged with Coffee Address SIA. Merger was completed June 2021. This event does not have impact on Group's financial position for the reporting period.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Kafe Serviss SIA at the date of acquisition were:

	PURCHASE PRICE ALLOCATION
Assets	
Intangible assets	24 371
Property, plant and equipment	3 934 337
Inventories	554 279
Trade and other receivable	227 169
Cash	1 102 465
	5 842 621
Liabilities	
Long term borrowings	912 726
Other long term liabilities	671 018
Short term borrowings	831 054
Trade payable	554 794
Other current liabilities	381 737
	3 351 329
Total identifiable net assets at fair value	**2 491 292**
Goodwill arising on acquisition	**6 193 708**
Purchase consideration transferred	**8 685 000**

Fair value of property, plant is evaluated to be not significantly different from net book value. Fair value of equipment is evaluated to be not significantly different from net book value as the most part of the assets are coffee machines which do not have second level market and at the end of useful life are scrapped. Inventory fair value is estimated to be same as net book value as the turnover of the inventory items is between 1-2 month. The goodwill of EUR 6 193 708 comprises the value of expected synergies arising from the acquisition. Customer contracts were not valuated separately due their contractual terms and uncertainty of future cash flows. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition of 7 Kohvipoissi OÜ

On 29 June 2020, the Group acquired 100% of 7 Kohvipoissi OÜ, a company based in Estonia and specializing in vending and servicing of coffee machines and sale of related goods.
On 1 September 2020 7 Kohvipoissi OÜ was merged with Coffee Address OÜ This event does not have impact on Group's financial position for the reporting period.

5. Business combinations *(continued)*

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of 7 Kohvipoissi OÜ at the date of acquisition were:

	PURCHASE PRICE ALLOCATION
Assets	
Intangible assets	1 426
Property, plant and equipment	679 036
Inventories	215 091
Trade and other receivable	52 300
Cash	17 497
	965 350
Liabilities	
Long term borrowings	8 780
Short term borrowings	32 281
Trade payable	172 276
	213 337
Total identifiable net assets at fair value	**752 013**
Goodwill arising on acquisition	**72 987**
Purchase consideration transferred	**825 000**

Fair value of property, plant is evaluated to be not significantly different from net book value. Fair value of equipment is evaluated to be not significantly different from net book value as the most part of the assets are coffee machines which do not have second level market and at the end of useful life are scrapped. Inventory fair value is estimated to be same as net book value as the turnover of the inventory items is between 1-2 month. The goodwill of EUR 72 987 comprises the value of expected synergies arising from the acquisition. Customer contracts were not valuated separately due their contractual terms and uncertainty of future cash flows. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38. None of the goodwill recognized is expected to be deductible for income tax purposes.

6. Revenue from contracts with customers

	2020	2019
Sale of ingredients	7 068 194	10 078 209
Sale of drinks and snacks	11 984 723	11 526 436
Rent of coffee machines and maintenance	2 942 296	3 697 597
Sale of equipment	4 516 951	506 671
TOTAL:	**26 512 164**	**25 808 913**

7. Personnel costs

	2020	2019
Wages and salaries	4 855 673	4 927 885
Social security costs	533 314	447 299
Government grant	(293 233)	-
Healthcare	18 211	20 517
Vacation reserve changes	(98 755)	119 525
Employee benefits	13 418	15 576
Other personnel expenses	19 430	93 597
TOTAL:	**5 048 058**	**5 624 399**

8. Other operating costs

	2020	2019
Transportation and logistics	718 488	841 829
Acquisition-related transaction costs	175 155	256 602
Marketing and representation	125 185	254 133
IT services and communication	207 744	218 541
Office costs	311 355	313 973
Re-branding costs	-	10 760
Travel and representation	16 639	66 175
Bad debtors	(1 035)	(19 904)
Expenses related to early termination of agreement	61 940	-
Other costs	823 308	657 182
TOTAL:	**2 438 779**	**2 599 291**

9. Finance costs

	2020	2019
Interest on subordinate shareholder loan	410 266	959 060
Interest on debts and borrowings to credit institutions	658 758	395 285
Finance charges payable under finance leases	23 370	83 372
Interest expenses on lease liability	27 440	14 539
Foreign exchange loss	5 069	(647)
Other finance costs	245 215	-
TOTAL:	**1 370 118**	**1 451 609**

10. Current and deferred corporate income tax

	2020	2019
Current corporate income tax charge for the reporting year	55 263	(407 922)
Deferred corporate income tax due to changes in temporary differences	22 640	26 485
Corporate income tax charged to the statement of profit or loss:	**77 903**	**(381 437)**

At the beginning of 2020 Coffee Address UAB had tax inspection regarding CIT for the period from 1st of October 2016 to 31st of December 2018, which ended with mutual agreement with Tax authority after which the Company had to pay additionally EUR 59.4 thousand of taxes. Part of the accrual made for tax payment was reversed. Due to reversal of provision corporate income tax charge for the reporting year is positive.

	Consolidated statement of financial position		**Consolidated statement of profit or loss**	
	31.12.2020	**31.12.2019**	**2020**	**2019**
Deferred corporate income tax liability				
Release of deferred tax liability	(111 560)	(101 746)	94 880	(382 545)
Depreciation of intangible assets	-	(7 515)	-	(7 515)
Acquired deferred tax liability from business combination	-	-	-	-
Deferred corporate income tax assets				
Acquired deferred tax asset from business combination	-	-	-	-
Other accrued expenses	(36 467)	(36 466)	(43 902)	(36 467)
Vacation pay reserve	26 925	45 090	26 925	45 090
Net deferred corporate income tax (assets)	**(121 102)**	**(100 637)**	**77 903**	**(381 437)**

The Company's management believes that the above liabilities will be offset against the respective tax assets during the next years when the deferred tax liabilities realize.

Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:

	2020	2019
Accounting profit before income tax	(894 341)	(205 120)
Tax at the applicable tax rate of 25% of parent company	-	(2 305)
Income tax effect from profit taxable with 0% rate	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions		
Permanent differences:		
Non-operating expense	-	-
Effective income tax rate :	**-6%**	**50%**
Income tax expense reported in the statement of profit or loss:	**55 263**	**(407 922)**

Corporate income tax in the Group is recognized proportionally to the period when the Group had control over the subsidiaries.

Deferred tax is recognized only for operations in Lithuania due to fact that in Estonia and Latvia the corporate income tax is paid only when dividends are paid and it is not planned to distribute profits following years.

11. Intangible assets

	Goodwill	Customer agreements	Other intangible assets	TOTAL
Year ended 31 December 2018				
Carrying amount as at 1 January	18 360 624	476 156	78 338	18 915 118
Additions	-	-	282 932	282 932
Amortization charge	-	(262 035)	(46 806)	(308 841)
Carrying amount as at 31 December	18 360 624	214 121	314 464	18 889 209
As at 31 December 2019				
Cost	18 360 624	893 731	370 862	19 625 217
Accumulated amortization and impairment	-	(679 610)	(56 398)	(736 008)
Carrying amount as at 31 December	**18 360 624**	**214 121**	**314 464**	**18 889 209**
Year ended 31 December 2020				
Carrying amount as at 1 January	18 360 624	214 121	314 464	18 889 209
Acquired in business comibation	6 266 695	-	25 797	6 292 492
Accumulated amortization from acquisition	-	-	-	-
Additions	-	-	181 625	181 625
Disposals	-	-	(758)	(758)
Amortization charge	-	(163 580)	(156 102)	(319 682)
Carrying amount as at 31 December	24 627 319	50 541	365 026	25 042 886
As at 31 December 2020				
Cost	24 627 319	893 731	577 526	26 098 576
Accumulated amortization and impairment	-	(843 190)	(212 500)	(1 055 690)
Carrying amount as at 31 December	**24 627 319**	**50 541**	**365 026**	**25 042 886**

* Goodwill and customer agreements include intangible assets acquired through business combinations. The valuation of these intangible assets is described in detail in Note 5.

12. Goodwill

For impairment testing goodwill acquired through business combinations are allocated to each company acquired. Carrying amount of goodwill allocated to each company is (EUR):

Coffee Address SIA	Coffee Address UAB	Coffee Address OU
7 548 373	13 596 258	3 482 688

The Group performed its annual impairment test in December 2020. The recoverable amount of all CGUs has been determined based on a value in use calculation using individual cash flow projections from budgets approved by management and shareholders covering a four-year period. The after-tax discount rate applied to cash flow projections is 12% and cash flows beyond the four-year period are extrapolated using a 2% growth rate. Growth rate projected during the three year period varies between entities and is based on projected market conditions in each country, expansion potential for each entity and historical growth of each entity. As a result of the analysis, management did not identify an impairment for any of CGUs.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for all CGUs is most sensitive to the following assumptions – sales growth, gross margins, discount rates.

Sales growth – Sales growth is estimated based on historical growth rates (including pre-acquisition sales) as well as expected increase in sales due to strengthening of sales team and improving product quality.

Gross margins - Gross margins are based on average historical gross margin values and trends in raw material price dynamics. The Group keeps gross margins constant over the time.

Discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

13. Property, plant and equipment

	Land and buildings	Equipment and machinery	Other assets	Right -of - use assets - cars	Right -of -use assets - premises	TOTAL
As at 31 December 2019						
Cost	-	18 310 510	293 821	741 007	1 213 523	20 558 861
Accumulated depreciation and impairment	-	(8 391 529)	(209 595)	(179 251)	(163 107)	(8 943 482)
Carrying amount as at 31 December	-	**9 918 981**	**84 226**	**561 756**	**1 050 416**	**11 615 379**
Acquired in business combination			-	-		-
Additions	-	3 100 477	62 155	439 235	53 660	3 655 527
Cost of disposals	-	(736 093)	(14 535)	-	-	(750 628)
Accumulated depreciation of disposals	-	605 111	9 005	-	-	614 116
Depreciation charge	-	(3 391 269)	(48 795)	(303 528)	(290 603)	(4 034 195)
Carrying amount as at 31 December	-	(421 774)	7 830	135 707	(236 943)	(515 180)
As at 31 December 2019						
Cost	-	20 674 894	341 441	1 180 242	1 267 183	23 463 759
Accumulated depreciation and impairment	-	(11 177 687)	(249 385)	(482 779)	(453 710)	(12 363 561)
Carrying amount as at 31 December	-	**9 497 207**	**92 056**	**697 463**	**813 473**	**11 100 198**
Carrying amount as at 1 January		-	-	-	-	-
Acquired in business combination	455 154	8 650 455	46 896	-	-	9 152 505
Accumulated depreciation from acquisition	(219 154)	(4 319 558)	(624)	-	-	(4 539 336)
Additions	-	2 557 411	193 844	181 402	283 248	3 215 905
Cost of disposals	-	(1 528 204)	-	(337 059)	(577 310)	(2 442 573)
Accumulated depreciation of disposals	-	1 608 041	-	215 142	384 705	2 207 888
Depreciation charge	(1 709)	(3 812 805)	(75 211)	(207 674)	(276 156)	(4 373 555)
Carrying amount as at 31 December	234 291	12 652 547	256 961	549 274	627 960	14 321 032
As at 31 December 2020						
Cost	455 154	30 354 556	582 181	1 024 585	973 121	33 389 596
Accumulated depreciation and impairment	(220 863)	(17 702 009)	(325 220)	(475 311)	(345 161)	(19 068 564)
Carrying amount as at 31 December	**234 291**	**12 652 547**	**256 961**	**549 274**	**627 960**	**14 321 032**

There are equipment items that are fully depreciated but are still in use, but as the Group renews its equipment and expects to write-off these items soon, their fair value is estimated to be 10 723 161 EUR.

Refer to Note 21 on information about pledges on assets.

Leases

The carrying value of equipment and machinery held under leases contracts at 31 December 2020 was EUR 683 495. Additions during the year include EUR 503 909. Leased assets are pledged as security for the related lease.

14. Right-of-use assets and lease liabilities

The Group early adopted IFRS 16 with an initial application date 1 January 2018. The entity applied the modified retrospective transition method.The entity provided quantitative disclosures in its consolidated financial statements in a tabular format based on the nature of the disclosure item.

Right-of-use assets and other liabilities for rights to use assets are shown as follows in the consolidated financial position and statement of comprehensive income:

	31.12.2020	31.12.2019
Assets		
Non-current assets		
Right-of-use assets (premises)	627 961	813 473
Right-of-use assets (vehicles)	549 274	697 462
TOTAL:	**1 177 235**	**1 510 935**

14. Right-of-use assets and lease liabilities (continued)

	31.12.2020	31.12.2019
Equity and liabilities		

Non-current liabilities (Lease liabilities for right-of-use assets)	770 076	988 765
Current liabilities (Lease liabilities for right-of-use assets)	428 651	522 170
TOTAL:	**1 198 727**	**1 510 935**

Leases in the statement of comprehensive income	2020	2019
Financial costs		
Finance costs for right-of-use assets (premises)	11 518	5 956
Finance costs for right-of-use assets (vehicles)	15 921	8 583
Depreciation		
Depreciation for right-of-use assets (premises)	287 674	290 604
Depreciation for right-of-use assets (vehicles)	223 596	303 528
TOTAL:	**538 709**	**608 671**

15. Inventories

	31.12.2020	31.12.2019
Goods for sale	1 807 769	1 769 158
Equipment inventory	709 702	1 283 061
Spare parts	658 074	622 303
Allowances for obsolete inventories	(5 299)	(26 458)
TOTAL:	**3 170 246**	**3 648 064**

16. Trade and other receivables

	31.12.2020	31.12.2019
Trade receivables	1 332 465	1 454 802
Allowances for doubtful receivables	(54 170)	(52 782)
TOTAL:	**1 278 295**	**1 402 020**

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. As at 31 December, the ageing analysis of trade receivables is as follows:

	TOTAL	**Not past due**	***<30***	***31-60***	***61 - 90***	***>90***
Expected credit losses		0%	20%	13%	8%	59%
	1 278 297	1 103 575	156 942	11 825	1 164	4 787
Balance as at 31 December 2020	**1 278 297**	1 103 575	167 777	18 675	22 050	69 220
Impairment	**(54 170)**	(-)	(10 835)	(6 848)	(4 401)	(32 086)

See Note 26 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

17. Prepayments and other receivables

	31.12.2020	31.12.2019

Deposits	236 277	309 696
Accrued income	39 278	214 102
Prepaid expenses	151 241	180 020
Cash in vending machines	102 198	114 948
Advances to suppliers	120 816	36 166
Other receivables	68 618	93 719
TOTAL:	**718 428**	**948 651**

18. Cash

	31.12.2020	31.12.2019
Cash at bank	1 881 981	145 644
Cash on hand	141 705	26 921
Cash in transit	255 531	389 002
TOTAL:	**2 279 217**	**561 567**

Cash at banks does not earn interest. For the purpose of the statement of cash flows, cash comprise cash at bank, in transit and on hands.

19. Issued capital

The share capital of the Company is EUR 5 672 903 (2019: EUR 3 002 800) and consists of 5 672 903 shares (2019: 3 002 800). The value of each share is EUR 1. A share premium is provided for the new emission Shares. Total Share premium is EUR 8 781 897. All the shares and share premium are fully paid. The share capital was increased according to Section 197 (1), subsection 1 of the Commercial law – by existing and new shareholder's contribution in kind – by converting shareholders claim rights towards the Group in respective value into the SIA Coffee Address Holding's share capital in exchange for respective amount of new shares. Value of the claim rights has been confirmed in the certified expert's opinion.

Ordinary shares issued and fully

	Shares
At 1 January 2019 and 31 December 2019	**3 002 800**
Issued on 30 September 2020	2 670 103
At 31 December 2020	**5 672 903**

Share premium

	EUR
At 1 January 2019 and 31 December 2019	**-**
Issuance of share premium on 30 September 2020	8 781 897
At 31 December 2020	**8 781 897**

20. Financial liabilities

	Interest rate, %	Maturity	31.12.2020	31.12.2019
Current interest-bearing loans and borrowings				
Obligations under finance leases	1.4% - 4% + 3m-12m Euribor	3 years	422 262	1 093 580
Swedbank loan	2% + 6m Euribor	30.11.2020	-	152 500
Luminor Bank loan	4.25% + 3m Euribor	3-5 years	3 633 226	2 628 840
ALTUM Covid-19 support loan	2.90%	10.03.2023	196 000	-
Other loans	*5.00%*	23.12.2022	1 574 438	-
Overdraft	*2.99% + 3m Euribor*	*28.02.2022*	343 900	-
Total current part of long term interest-bearing loans			**6 169 826**	**3 874 920**
Non-current interest-bearing loans and borrowings				
Obligation under finance leases	1.4% - 4% + 3m-12m Euribor	3 years	261 232	1 488 236
Swedbank loan	2% + 6m Euribor	30.11.2020		-
Luminor Bank loan	4.25% + 3m Euribor	3-5 years	10 708 846	6 976 009
*Shareholder loan**	8%	31.12.2025	4 628 740	12 882 974
ALTUM Covid-19 support loan	2.90%	10.03.2023	504 000	-
Other loans	5.00%	23.12.2022	1 555 000	-
Total non-current part of long term interest-bearing loans			**17 657 818**	**21 347 219**
Total interest-bearing loans and borrowings			**23 827 644**	**25 222 139**

*On 13 March 2021 the share capital and share premium was was increased by 2 787 500 according to Section 197 (1), subsection 1 of the Commercial law – by existing shareholder's - BaltCap Private Equity Fund II Co-Investment SCSp.

Bank loan

In February 2020 the Company refinanced SEB loan and obligations under SEB finance lease to AS Luminor Bank. Loan is provided for 5 years with 4.25% interest rate. Luminor loan is secured with a pledge on shares of the Group's companies and entire assets of the Group on the date of pledge as well as future components of the Group.

Bank loan balance includes principal amount of EUR 14 342 071 and accrued interest for EUR 25 517.

Bank loan and overdraft		31.12.2020	31.12.2019
Maturing in less than one year		3 633 226	2 628 840
Maturing between one and five years		10 708 846	6 976 009
	TOTAL:	**14 342 072**	**9 604 849**

Subordinate loan from shareholders

As at 31 December 2020 there were accrued interest of EUR 1 706 385 and shareholders' investment of EUR 2 787 500. On 12 March 2021 share capital was increased by EUR 413 312 and total share premium increased by EUR 2 374 188.

The Group can repay accrued interest of EUR 1 706 385 in full at 31 December 2025 therefore it is fully accounted as non-current liability.

Shareholders' investment of EUR 2 787 500 and accrued interest is accounted as part of equity for equity ratio calculation for the bank covenants.

Other loans

In November 2020 SIA Taco Shell and SIA EspressoBlue issued loan to Group to purchase SIA Kafe serviss shares. Group Loan is provided for 2 years with 5% interest rate. The Group can repay the loan in full at 31 December 2022.

20. Financial liabilities (continued)

Finance lease liabilities
Finance lease agreements are concluded to finance purchase of coffee machines which are rented out to clients or placed in vending locations. Leasing is provided for 3 years term with various interest rates as per table above. Assets which are bought under finance lease agreements are pledged in favor or leasing provider.

Finance lease liabilities		31.12.2020	31.12.2019
Maturing in less than one year		422 263	1 093 580
Maturing between one and five years		261 232	1 488 236
	TOTAL:	**683 495**	**2 581 816**

21. Other financial liabilities

		31.12.2020	31.12.2019
Finance liability for coffee machines sales and repurchase transaction*		1 495 475	1 065 042
Finance liability for other equipment		525 195	601 069
Finance liability for car leasing		562 298	697 463
Finance liability for rent of premises		636 428	813 473
Long term tax loans		2 238 255	-
	TOTAL:	**5 457 651**	**3 177 047**

		31.12.2020	31.12.2019
Maturing in less than one year		1 191 484	1 114 397
Maturing between one and five years		4 266 168	2 062 650
	TOTAL:	**5 457 651**	**3 177 047**

*During 2016, before acquisition, companies had sold in 2016 coffee machines for EUR 3.1 million to the major client with an option for the Buyer to sell the machines back to them in the future for the price stated in the contract; the corresponding notice shall be sent to the buyer at least 30 days before the service agreement expires. This liability remains valid after the Group acquired these companies. The option includes possibility to sell the machines back to the Group after four years or after five years. The management of the Group have estimated that there is a higher possibility that the option will be used by the major customer after four years. The amounts received from the sale of these coffee machines are considered as prepayment for lease income and therefore the liability will be offset with recognition of revenue in subsequent years.

22. Pension benefits

As at 31 December 2020 the pension accrual amounts to EUR 10 289 (2019: EUR11 243). The following assumptions were taking into account while calculating the amount of the accrual: turnover of employees, life expectancy, future salary increases and discount rate. Since the majority of the accrual is accounted for employees that already reached their pension age, the change in assumptions will not give material effect to the number of accrual and therefore detailed sensitivity analysis is not prepared.

23. Trade payables

		31.12.2020	31.12.2019
Trade payables		1 832 820	3 548 480
	TOTAL:	**1 832 820**	**3 548 480**

Trade payables are non-interest bearing and are normally settled on 30-60 day terms. For explanations of the Group’s liquidity risk management processes, refer to Note 26.

24. Other current liabilities

	31.12.2020	31.12.2019
VAT payable	1 020 129	737 198
Vacation reserve	391 199	353 122
Accruals for discounts and marketing support	404 899	303 342
CIT payable	73 479	291 015
Social tax payable	253 383	127 784
Other accruals related to payroll	194 365	96 763
Prepayments from customers	75 946	60 484
Other current liabilities	431 523	401 569
TOTAL:	**2 844 923**	**2 371 277**

25. Related party disclosures

Note 4 provides information about the Group's structure, including details of the subsidiaries and the holding company.

Loans from related parties

	Interest expenses 2020	**Amounts owed to related parties on 31.12.2020**	**Interest expenses 2019**	**Amounts owed to related parties on 31.12.2019**
BaltCap Private Equity Fund II SCSp	328 922	2 430 809	762 900	10 230 456
BaltCap Private Equity Fund II Co-Investment SCSp	81 344	2 197 931	196 160	2 652 519

During financial year there was a payment to council member for travel cost compensation and remuneration of council activities in amount of EUR 46 018 (2019: EUR 75 386) which are recognized as part of other operating expenses.

26. Risk management

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is ensuring that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. Management of each risk is summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as commodity risk. Financial instruments affected by market risk include loans and borrowings.

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. Interest rate management is limited due to its external nature. Management observes market environment and if the interest rate volatility increases, takes it into account in the cash flow projections.

26 .Risk management (continued)

Interest rate sensitivity

Change in interest rate of leasings would not have substantial effect on the Groups consolidated financial statements.

The following table shows the effect on sensitivity test for changes in interest rates:

Interest rate on interest bearing loans	Change in average interest rate	Effect on profit before tax, EUR	Effect on equity, EUR
2020	+0.5%	(53 523)	(53 523)
	-0.3%	32 114	32 114
2019	+0.5%	(52 257)	(52 257)
	-0.3%	31 354	31 354

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). As amount of operations in foreign currency is insignificant, the Group's exposure to foreign currency changes is immaterial.

Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the continuous supply of coffee. To limit Group's exposure of commodity price risk in 2020 Group has entered into fixed price agreement with its coffee supplier.

Commodity price sensitivity

The following table shows the effect on sensitivity test for changes in coffee prices:

Coffee	Change in average price	Effect on profit before tax, EUR	Effect on equity, EUR
2020	+15%	(560 798)	(621 989)
	-15%	560 661	621 854
2019	+15%	(473 696)	(428 664)
	-15%	475 006	519 884

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables).

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. At 31 December 2020, the Group had 15 (22 as at 31 December 2019) customers that owed it more than €10,000 each and accounted for approximately 51% (43% as at 31 December 2019) of all the receivables outstanding. There were 5 (4 as at 31 December 2019) customers with balances greater than €50,000 accounting for just over 37% (26% as at 31 December 2019) of the total amounts receivable. An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 16. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

26 .Risk management (continued)

Liquidity risk

The Group monitors its risk of a shortage of funds by performing regular cash flow projections. The Group's objective is to balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases. Approximately 32% of the Group's debt will mature in less than one year at 31 December 2020 (16% as at 31 December 2019) based on carrying value of loans and borrowings reflected in the consolidated financial statements. The Group has access to a variety of sources of funding (bank overdraft, leasing, additional funding from shareholders) and debt maturing within 12 months can be re-funded with those sources.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. As Group's counterparties are operating in different regions and different industries, the Group considers risk of excessive concentration as relatively low.

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

31.12.2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans and borrowings	-	1 542 457	4 627 370	13 029 078	-	**19 198 905**
Right of use asset lease liabilities	-	130 858	392 573	692 835	-	**1 216 266**
Convertible loan*		-	-	-	1 706 385	**1 706 385**
Other financial liabilities	-	190 708	572 125	3 496 091	-	**4 258 924**
Trade and other payables	-	1 832 820	-	-	-	**1 832 820**
	-	**3 696 843**	**5 592 068**	**17 218 004**	**1 706 385**	**28 213 230**

**Only accrued interest are inluded. Remaining amount of EUR 2 787 500 converted to equity.*

31.12.2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans and borrowings	-	1 186 482	3 559 447	9 909 128	-	**14 655 057**
Right of use asset lease liabilities	-	147 255	441 765	1 107 904	-	**1 696 925**
Convertible loan	-	-	-	-	16 826 745	**16 826 745**
Other financial liabilities	-	148 057	835 798	2 062 650	-	**3 046 505**
Trade and other payables	-	3 548 480	-	-	-	**3 548 480**
	-	**5 030 274**	**4 837 010**	**13 079 683**	**16 826 745**	**39 773 711**

27. Commitments and contingencies

Lease commitments – Group as a lessee

The Group has finance leases for various items of equipment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments on 31 December 2020 are, as follows:

	31.12.2020		31.12.2019	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
Within one year	433 875	422 263	1 123 653	1 093 580
After one year but not more than five years	261 424	254 428	1 489 331	1 449 471
More than five years	-	-	-	-
Total minimum lease payments	695 299	676 690	2 612 984	2 543 050
Less amounts representing finance charges	(11 804)	(11 489)	(31 169)	(30 335)
Present Value of minimum lease payments	**683 495**	**665 202**	**2 581 816**	**2 512 716**

28. Fair values

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying amount	**Fair value**
Financial liabilities		
Interest-bearing loans and borrowings		
Obligations under finance leases	683 495	676 690
Bank loan	14 685 972	14 087 263
Other loans	3 829 438	3 660 690
Subordinate loan from shareholders	1 841 240	1 704 852
Finance liability for car leasing	562 298	562 298
Finance liability for rent of premises	636 428	636 428
Total	**22 238 871**	**21 328 221**

The management assessed that the fair values of cash, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the Group's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2020 was assessed to be insignificant. The fair value of contingent consideration liabilities and deferred revenue related with coffee machine lease-back transaction is determined by using DCF method using discount rate that reflects the Group's interest-bearing loan borrowing rate at the end of the reporting period.

28. Fair values (continued)

Fair value measurement hierarchy for liabilities as at 31 December 2020:

		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
Finance liability from sales and re-purchase	31 December 2020	1 495 475	-	-	1 495 475
Finance liability for car leasing	31 December 2020	562 298	-	-	562 298
Finance liability for rent of premises	31 December 2020	636 428			636 428
Liabilities for which far values are disclosed:					
Interest bearing loans and borrowings:					
Obligations under finance leases	31 December 2020	676 690	-	-	676 690
Bank loan	31 December 2020	14 087 263	-	-	14 087 263
Other loans	31 December 2020	3 660 690	-	-	3 660 690
Subordinate loan	31 December 2020	1 704 852	-	-	1 704 852

Fair value measurement hierarchy for liabilities as at 31 December 2019:

		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
Finance liability from sales and re-purchase	31 December 2019	1 065 042	-	-	1 065 042
Finance liability for car leasing	31 December 2019	697 463	-	-	697 463
Finance liability for rent of premises	31 December 2019	813 473			813 473
Liabilities for which far values are disclosed:					
Interest bearing loans and borrowings:					
Obligations under finance leases	31 December 2019	2 543 050	-	2 543 050	-
Bank loan	31 December 2019	9 600 485	-	9 600 485	-
Subordinate loan	31 December 2019	11 928 680	-	11 928 680	-

There were no transfers between Level 1 and Level 2 during 2019.

29. Events after balance sheet date

On 13 March 2021 the share capital and share premium was was increased by 2 787 500 according to Section 197 (1), subsection 1 of the Commercial law – by existing shareholder's - BaltCap Private Equity Fund II Co-Investment SCSp.

Merger of Coffee Address SIA and Kafe Serviss SIA , Automatik Age SIA and GFM SIA was initiated in December 2020 and completed on 1 June 2021.

The full impact of the COVID-19 pandemic on economic activity is still unknown and the situation is still developing. The Company's management believes that COVID-19 will not have material impact on the business operations after the reporting date. However, this assumption is based on the information available at the time of signing these financial statements and the impact of future events on the Company's ability to continue as a going concern may differ from the management's assessment.

There were no other significant subsequent events that could have a material impact on the consolidated financial statements of the Group.

Viktorija Meikšāne
Chairperson of the Board

Anda Priedīte
Group Chief Financial Officer

16 July 2021

Document has been signed electronically and contains a time stamp