LIMITED LIABILITY COMPANY
“COFFEE ADDRESS HOLDING”

(UNIFIED REGISTRATION NUMBER 40203047754)

CONSOLIDATED ANNUAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2021

(4th financial year)

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

TOGETHER WITH INDEPENDENT AUDITORS’ REPORT*

Riga, 2022

*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.

CONTENTS

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, 2021
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. Coffee Address is market leader in the Baltics providing self-service premium coffee and convenience food 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.

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 13 000 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	13 000+	250 000+	5 000+	3 Countries
Employees	Coffee machines in the market	Cups of coffee per day	Satisfied customers	Number 1 market position in all Baltic States

Overview of the Group's status and results of operation

COVID-19 related restrictions, that in Baltic countries and many other countries have started in March 2020, and due to this reduced economic development in the Baltic countries and in the world had negative effect on the Groups financial performance. Despite of the Covid-19 impact during this financial year Group reached sales of EUR 32 630 thousand which is in the same level if compared consolidated financial performance like-for-like bases to previous financial period but still is below to pre Covid levels. Net cash flows from operating activities is showing strong financial performance of Group and only due aggressive depreciation policy and finance cost the Group's losses for the financial year ended 31 December 2021 are EUR 1 836 thousand EUR.

Despite of consequences Covid-19 outbreak, Group's management made a strategic decision to treat any pandemic related effects as temporal and decided that the envisaged development of the Group should be continued even during turbulent times.

Respective initiatives of Group were focused on

- keeping the know-how and machine park largely unchanged including all important vending locations to ensure a full upside participation in an expected immediate rebound once the situation would stabilize;
- a shift of the investment focus away from the machine park expansion towards an improving of the operational efficiency by investing in the digitalization and automation of the machine park and machine park network management
- seeking for Government provided support in order to mitigate negative effects on the overall business.

Since most of the COVID related restrictions were eased throughout March in Baltic countries, Group is feeling immediate positive effect on financial performance.

Management report (continued)

Activities and prospects

Coffee Address is market leader in the Baltics providing self-service premium coffee and convenience food solutions.

Coffee Address key success factors:

- Strategic network of best locations
- Attractive solutions and concepts for customers
- Lean and digitalized internal processes
- “One Company” in three countries
- Engaged and motivated employees

Group’s strategic priorities will drive further profitable growth.

The main types of risks

Coffee Address Group faces the following key risks:

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.

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 2021 Group has entered into fixed price agreement with its coffee supplier.

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. The Group tries to balance debts’ payment terms of customers and suppliers.

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.

Management report (continued)

Events after the reporting period

On 24 February 2022, the Russian Federation has launched an invasion of the Republic of Ukraine. Shortly after the invasion, the EU and rest of the world, including global bodies, imposed wide-ranging set of restrictive measures against Russia, which is updated and expanded on a regular basis. This non-adjusting subsequent event was not reflected in the significant estimates and assumptions as at 31 December 2021. Until the date of authorisation of these financial statements, the restrictive measures imposed had no significant impact on the Group's performance, no operations had been suspended and no significant direct losses related to the restrictive measures had been incurred at the date of the financial statements.

Other subsequent events that could have a material impact on the financial statements are disclosed in the explanatory notes.

Viktorija Meikšāne
Chairperson of the Board

20 June 2022

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Consolidated Financial Statements

Consolidated Statement of comprehensive income

	Notes	2021 EUR	2020 EUR
Revenue from contracts with customers	6	32 630 460	26 512 164
Cost of materials		(17 374 565)	(13 719 474)
Personnel costs	7	(7 284 721)	(5 048 058)
Other operating costs	8	(3 151 577)	(2 438 779)
Loss from disposal of fixed assets, net		(98 105)	(136 839)
Depreciation and amortization	11,13	(5 670 332)	(4 693 237)
Operating profit		**(948 840)**	**475 777**
Finance costs	9	(969 764)	(1 370 118)
Loss before tax from continuing operations		**(1 918 604)**	**(894 341)**
Income tax expense	10	82 746	77 904
Loss for the year		**(1 835 858)**	**(816 437)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Total comprehensive loss for the year, net of tax		**(1 835 858)**	**(816 437)**

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

Viktorija Meikšāne
Chairman of the Board

Anda Priedīte
Group Chief Financial Officer

20 June 2022

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Consolidated Statement of financial position

ASSETS

ASSETS	Notes	31.12.2021 EUR	31.12.2020 EUR
Non-current assets			
Property, plant and equipment	13	15 746 363	14 321 032
Intangible assets	11	25 163 786	25 042 886
Non-current financial assets		34 763	9 716
Deferred tax assets	10	462 137	121 102
TOTAL		**41 407 049**	**39 494 736**
Current assets			
Inventories	15	3 736 360	3 170 246
Trade receivables	16	1 769 970	1 278 295
Prepayments and other receivables	17	800 834	718 428
Cash	18	1 729 327	2 279 217
TOTAL		**8 036 492**	**7 446 186**
TOTAL ASSETS		**49 443 541**	**46 940 922**

EQUITY AND LIABILITIES

	Notes	31.12.2021 EUR	31.12.2020 EUR
Equity			
Issued capital	19	6 086 215	5 672 903
Share premium	19	11 156 085	8 781 897
Retained earnings		(1 487 206)	(670 769)
Loss for the year		(1 835 858)	(816 437)
TOTAL Equity attributable to equity holders of the parent		**13 919 236**	**12 967 594**
Non-current liabilities			
Interest-bearing loans and borrowings	20	8 748 736	13 029 078
Loan from shareholders	20	3 704 875	4 628 740
Other non-current financial liabilities	21	3 423 024	4 266 168
Defered tax liability	10	319 511	-
Provisions	22	22 739	10 289
TOTAL		**16 218 885**	**21 934 275**
Current liabilities			
Trade payables	23	3 348 850	1 832 820
Interest-bearing loans and borrowings	20	7 553 646	6 169 826
Other current financial liabilties	21	5 548 417	1 191 484
Income tax payable	24	-	73 479
Other current liabilties	24	2 854 507	2 771 444
TOTAL		**19 305 420**	**12 039 053**
TOTAL LIABILITIES		**35 524 305**	**33 973 328**
TOTAL EQUITY AND LIABILITIES		**49 443 541**	**46 940 922**

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

Viktorija Meikšāne
Chairman of the Board

Anda Priedīte
Group Chief Financial Officer

20 June 2022

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Consolidated Statement of cash flows

	Notes	2021 EUR	2020 EUR
Operating activities			
Profit /(loss) before tax		(1 918 604)	(894 340)
Adjustments to reconcile profit before tax to net cash flows:			
• depreciation and impairment of property, plant and equipment	13	5 400 657	4 373 555
• amortization and impairment of intangible assets	11	269 675	319 682
• net foreign exchange differences	9	(27 442)	(5 069)
• gains from disposal of property, plant and equipment		(98 105)	(136 839)
• finance costs	9	969 764	1 370 118
• provisions for bad debtors		(15 982)	954
• movement in other provisions		(12 450)	(1 388)
Working capital adjustments:			
• (increase) or decrease in trade and other receivables and prepayments		(583 146)	636 105
• (increase) or decrease in inventories		(566 115)	1 247 188
• increase or (decrease) in trade payables and other liabilities		4 166 735	(903 027)
		7 584 987	***6 006 939***
Interest paid		(956 130)	(959 852)
Net cash flows from operating activities		**6 628 857**	**5 047 086**
Investing activities			
Purchase of property, plant and equipment	11.13	(5 988 204)	(2 056 485)
Acquisition of a subsidiaries, net of cash acquired	5	-	(8 390 038)
Net cash flows used in investing activities		**(5 988 204)**	**(10 446 523)**
Financing activities			
Receipt of shareholder investment	20	1 850 000	2 787 500
Payment of finance lease liabilities		(460 787)	(365 263)
Payment of principal portion of lease liabilities	14	(668 496)	(520 249)
Government grant received		508 605	293 233
Proceeds from borrowings		1 988 900	6 241 400
Repayment of borrowings		(4 436 207)	(1 324 604)
Net cash flows from financing activities		**(1 217 985)**	**7 112 017**
Net foreign exchange difference		27 442	5 069
Net increase in cash		(549 891)	1 717 650
Cash at the beginning of the year		2 279 217	561 567
Cash at the end of the year		**1 729 326**	**2 279 217**

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

Viktorija Meikšāne
Chairperson of the Board

Anda Priedīte
Group Chief Financial Officer

20 June 2022

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Consolidated statement of changes in equity

	Notes	Attributable to equity holders of the parent			
		Issued capital	Share premium	Retained earnings	**Total**
Balance as at 31 December 2019		**3 002 800**	**-**	**(670 769)**	**2 332 031**
Increase in share capital	19	2 670 103	8 781 897	-	11 452 000
Profit or loss for the reporting period		-	-	(816 437)	(816 437)
Total comprehensive income		-	-	(816 437)	(816 437)
Balance as at 31 December 2020		**5 672 903**	**8 781 897**	**(1 487 206)**	**12 967 594**
Increase in share capital	19	413 312	2 374 188	-	2 787 500
Profit or loss for the reporting period		-	-	(1 835 858)	(1 835 858)
Total comprehensive income		-	-	(1 835 858)	(1 835 858)
Balance as at 31 December 2021		**6 086 215**	**11 156 085**	**(3 323 064)**	**13 919 236**

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

Viktorija Meikšāne
Chairperson of the Board

Anda Priedīte
Group Chief Financial Officer

20 June 2022

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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, registered in Luxembourg, registration No. B184094, and BaltCap Private Equity Fund II Co-Investment SCSp, registered in Luxembourg, registration No. B206629.

The consolidated financial statements of SIA Coffee Address Holding (and its subsidiaries (collectively, The Group) for the financial year ended 31 December 2021 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 2021 through 31 December 2021.

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 2021. 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 in 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

The consolidated financial statements are prepared on the basis that the Group will continue as going concern. Due to Covid-19 restriction actions applied in all three Baltic countries the revenues dropped significantly however Group's net cash flows from operating activities is showing strong financial performance and only due to amortization, depreciation and finance cost the Group's losses for the financial year ended 31 December 2021 are EUR 1 836 thousand EUR.

As at 31 December 2021 the Group's current liabilities exceed current assets by 11.2 million EUR. Current liabilities include finance liabilities for coffee machine sales and repurchase transaction of 0.8 million EUR. If this amount is excluded, current liabilities exceed current assets by 10.4 million 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 to cover liquidity gap:

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

Going concern (*continued)*

(1) During year 2022 Group is expecting to reach the profitability level close to pre-Covid financial period in 2019.
(2) On 14 March 2022, Coffee Address UAB signed an agreement to issue ordinary, non-registered bonds. The number of bonds is 300 million., the value of one is 0.01 EUR (total amount EUR 3 million). All bonds were purchased by KŪB „Pagalbos verslui fondas". The maturity date of the bonds is 15 March 2028. Interest is 7% and is increasing by 0.5% every year.
(3) (On 31 May 2022 Coffee Address Holding SIA signed amendments to senior bank agreement with Luminor. According to these amendments EUR 1.6 million principal payment is re-scheduled for 2023-2024 and available overdraft is prolonged and limit increased for 1.3 million EUR. Overdraft is available by 30 April 2023.
(4) Other loan repayment of 1.6 million EUR planned in December 2022 according to existing bank loan agreements will be financed by additional bank and additional shareholder loan.
(5) On 18 March 2022 shareholders issued loans to Group of 0.5 million EUR.
(6) Benefited from government support, such as state aid for tax payment extension. Group is following to agreed payment schedules and in parallel has received additional support from tax authorities for payment extension and that may result in 0.7 million EUR current liabilities decrease compared to current liabilities as at 31 December 2021.
(7) Management currently is exploring various additional financing options to refinance current liabilities to extend their maturity profile.

As of issuance of these financial statements, gathering restrictions imposed in March 2020, for most part, have been lifted in all three Baltic countries and thus Group's business is rapidly recovering. Sales and cashflows are returning to volumes which ensure ability to cover operational expenses, short term liabilities and payments deferred during lower revenue period.

Taking all mentioned above into account, the Group's management believes that 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 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

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 2021.The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective:

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

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. 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. 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.

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.

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)*

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.

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.

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

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 (ingredients, drinks and snacks and etc.) - 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. The Company do not provide any warranties beyond legally required assurance-type warranties and thus do not have a separate performance obligation in respect of warranties for revenue recognition. Warranties are compensated by the suppliers of equipment.
- 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 at the pre-agreed fixed price and discounts, if any, for the goods delivered or services provided. Returns of refunds are not very common and due to specifics of products sold or services provided are applied only in very exceptional cases. The Company had no liabilities for returns and refunds accounted as at 31 December 2021 and 31 December 2020 as the amounts considered as insignificant.

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.

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. The Group had no such assets as at 31 December 2021 and 31 December 2020.

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. Trade receivables are measured at the transaction price determined under IFRS 15 and standard due term is 14-30 days after the fulfillment of performance obligation.

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)*

Deferred sales commissions expenses

The Company pays sales commissions to its sales managers for the contracts signed with new customers. Sales commissions are recognized as personnel expenses in the profit or loss during the period of average contract length with new customer. Long-term part of sales commissions is recognized under Other non-current assets account and short-term part is recognized under Prepayments and other receivables account in balance sheet statement.

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

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.

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- •The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Derecognition of financial assets (continued)

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Allowance for expected credit losses

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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.

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.

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

Corporate income tax (continued)

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.

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.

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

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 straight-line bases 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 measured at using cost model whereby, after initial recognition the assets was carried at cost less accumulated depreciation and accumulated impairment loss. 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.

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 andthe 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.

2. Summary of significant accounting policies (continued)

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 effective interest (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 20.

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.

2. Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

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

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.

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.

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".

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%).

2. Summary of significant accounting policies (continued)

IFRS 16: Leases (continued)

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.

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.

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

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.

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 were initially 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 Board 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.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required.

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

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments) (continued)**

  The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. 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 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 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.

Standards issued but not yet effective and not early adopted

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**
  The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. 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 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.

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

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

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
  The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. 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.

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.

	31.12.2021	31.12.2020
Total assets	49 443 541	46 940 922
Subordinate shareholder's loan	3 704 875	4 628 740
Equity	13 919 236	12 967 594
Total capital	**17 624 111**	**17 596 334**
Equity ratio	**36%**	**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 2021.

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, 31.12.2021
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 was acquired to enlarge Group's market share in Latvia.

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. 7 Kohvipoissi OÜ was acquired to enlarge Group's market share in Estonia.

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

	2021	2020
Sale of ingredients	9 607 551	7 068 194
Sale of drinks and snacks	15 277 957-	11 984 723
Rent of coffee machines and maintenance	4 521 200	2 942 296
Sale of equipment	3 223 752	4 516 951
TOTAL:	**32 630 460**	**26 512 164**

7. Personnel costs

	2021	2020
Wages and salaries	6 873 538	4 928 984
Social security costs	929 050	533 314
Capitalized personnel costs [1]	(111 712)	(73 311)
Government grant [2]	(508 605)	(293 233)
Healthcare	28 633	18 211
Vacation reserve changes	(19 994)	(98 755)
Employee benefits	49 416	13 418
Other personnel expenses	44 395	19 430
TOTAL:	**7 284 721**	**5 048 058**

[1] Capitalized payroll related to renovation works performed.
[2] Covid-19 grants received includes State provided grant for the Group in relation to mitigation of Covid-19 impact on the business. State aid was necessary for uninterrupted business operations and alternatively could have resulted in personnel layoffs or personnel payroll cuts.

8. Other operating costs

	2021	2020
Transportation and logistics	1 024 504	718 488
IT services and communication	456 464	207 744
Office costs	327 547	311 355
Acquisition-related transaction costs	198 518	175 155
Marketing and representation	148 767	125 185
Travel and representation	26 533	16 639
Expenses related to early termination of agreement	17 473	61 940
Bad debtors	7 445	(1 035)
Other costs[1]	944 326	823 308
TOTAL:	**3 151 577**	**2 438 779**

[1] Other costs related to legal and other consulting services, insurance, training and other administrative services

9. Finance costs

	2021	2020
Interest on debts and borrowings	906 923	682 128
Foreign exchange loss	27 442	5 069
Interest expenses on lease liability	20 541	27 440
Interest on subordinate shareholder loan	13 634	410 266
Other finance costs	1 224	245 215

TOTAL:	**969 764**	**1 370 118**

10. Current and deferred corporate income tax

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

	2021	2020
Current corporate income tax charge for the reporting year	(12 591)	55 264
Deferred corporate income tax due to changes in temporary differences	95 337	22 640
Corporate income tax charged to the statement of profit or loss:	**82 746**	**77 904**

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 previous reporting year is positive.

	2021	2020
Accounting profit before income tax	**(1 835 858)**	**(816 437)**
At Lithuanian income tax rate of 15 %	264 124	112 822
Income tax correction for the previous periods	(12 591)	201 951
Effect of permanent differences:		
Representation	(3 214)	(2 661)
Fines and penalties	(47)	(1 225)
Differences from previous period transactions	(30 015)	(24 009)
Interest expenses	(148 301)	(142 274)
Other non-deductible expenses	(18 335)	(15 795)
Sponsorship	-	3 707
Other permanent differences	31 126	(54 612)
Total effect of permanent differences	**(168 786)**	**(236 869)**
At the effective income tax rate	**82 746**	**77 904**

	Consolidated statement of financial position		**Consolidated statement of profit or loss**	
	31.12.2021	**31.12.2020**	**2021**	**2020**
Deferred tax assets:				
Other accrued expenses	117 251	52 960	64 291	6 317
Vacation reserve	29 420	26 925	2 495	(18 165)
Different recognition of sale of fixed assets	43 357	11 768	31 589	6 285
Tax loss carry forward	169 957	24 333	145 626	24 333
Impairment allowance for trade debtors	2 071	2 778	(707)	(2 504)
Convertible loan	96 400			
Other components	3 681	2 338	(3 446)	(3 317)
Deferred tax assets, total	462 137	121 102	341 035	12 949
Less: valuation allowance	-	-	-	-
Assets of the deferred tax, net	**462 137**	**121 102**	**239 849**	**12 949**
Deferred tax liability				
Goodwill	(319 511)	-	(144 149)	2 175
Long-term contracts with customers	-	-	-	7 516
Deferred tax liability, total	**(319 511)**	**-**	**(144 149)**	**9 691**
Deferred tax, net	**142 626**	**121 102**	**95 337**	**22 640**

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[1]	Customer agreements	Other intangible assets	TOTAL
Acquisition cost				
1 January 2020	**18 360 624**	**893 731**	**370 862**	**19 625 217**
Additions	-	-	181 625	181 625
Acquired in business combination	6 266 695		25 797	6 292 492
Disposals and write-offs	-	-	(758)	(758)
31 December 2020	**24 627 319**	**893 731**	**577 526**	**26 098 576**
Additions	-	-	390 574	390 574
Disposals and write-offs	-	-	-	-
31 December 2021	**24 627 319**	**893 731**	**968 100**	**26 489 150**
Accumulated amortisation and impairment				
1 January 2020	**-**	**(679 610)**	**(56 398)**	**(736 008)**
Amortisation	-	(163 580)	(156 102)	(319 682)
Disposals and write-offs	-	-	-	-
31 December 2020	**-**	**(843 190)**	**(212 500)**	**(1 055 690)**
Amortisation	-	(50 541)	(219 134)	(269 675)
Disposals and write-offs	-	-	-	-
31 December 2021	**-**	**(893 731)**	**(431 634)**	**(1 325 365)**
Net book value				
31 December 2020	**24 627 319**	**50 541**	**365 026**	**25 042 886**
31 December 2021	**24 627 319**	**-**	**536 466**	**25 163 785**

[1] Goodwill 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):

	31.12.2021	31.12.2020
Coffee Address SIA	7 548 373	7 548 373
Coffee Address UAB	13 596 258	13 596 258
Coffee Address OU	3 482 688	3 482 688
TOTAL:	**24 627 319**	**24 627 319**

The Group performed its annual impairment test in December 2021 and 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% (2020: 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, historical growth of each entity and assumption that no major Covid-19 related lockdowns are expected. As a result of the analysis, management did not identify an impairment for any of Cash Generating Unit (hereinafter – CGU).

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 – overall 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.
By 22% lower sales than budgeted for the next and all following years would result in impairment for Coffee Address SIA goodwill.
By 20% lower sales than budgeted for the next and all following years would result in impairment for Coffee Address UAB goodwill.
By 32% lower sales than budgeted for the next and all following years would result in impairment for Coffee Address OU goodwill.

Gross margins - Gross margins are based on average historical gross margin values and trends in raw material price dynamics.
A decrease in the gross margin by ~11% for the next and all following years would result in impairment for Coffee Address SIA goodwill.
A decrease in the gross margin by ~8% for the next and all following years would result in impairment for Coffee Address UAB goodwill.
A decrease in the gross margin by ~17 % for the next and all following years would result in impairment for Coffee Address OU goodwill.
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. The discount rate calculation considers the specific circumstances of the Group and its businesses using the weighted average cost of capital (WACC). The weighted average cost of capital considers both debt and equity.
A rise in the pre-tax discount rate to 22.9% (i.e., +10.9%) would result in impairment for Coffee Address UAB goodwill.
A rise in the pre-tax discount rate to 28% (i.e., +16%) would result in impairment for Coffee Address SIA goodwill
A rise in the pre-tax discount rate to 56% (i.e., +44%) would result in impairment for Coffee Address OU goodwill

13. Property, plant and equipment

	Land and buildings	Equipment and machinery	Right -of - use assets - cars	Right -of - use assets - premises	TOTAL
Acquisition cost					
1 January 2020	**-**	**21 016 335**	**1 180 242**	**1 267 183**	**23 463 760**
Purchases	-	2 751 255	181 402	283 248	**3 215 905**
Acquired in business combination	455 154	8 697 351	-	-	**9 152 505**
Sales and write-offs	-	(1 528 204)	(337 059)	(577 310)	**(2 442 573)**
31 December 2020	**455 154**	**30 936 737**	**1 456 691**	**1 781 477**	**38 958 915**
Purchases	-	5 597 630	431 833	866 059	**6 895 522**
Sales and write-offs	-	(1 268 744)	-	(57 703)	**(1 326 447)**
31 December 2021	**455 154**	**35 265 593**	**1 456 691**	**1 781 477**	**38 958 915**
Accumulated depreciation					
1 January 2020	**-**	**(11 427 072)**	**(482 779)**	**(453 710)**	**(12 363 561)**
Depreciation	(1 709)	(5 142 738)	(207 674)	(276 156)	**(2 442 573)**
Acquired in business combination	(219 154)	(4 320 182)	-	-	**(4 539 336)**
Sales and write-offs	-	(1 528 204)	(337 059)	(577 310)	**(2 442 573)**
31 December 2020	**(220 863)**	**(18 027 229)**	**(475 311)**	**(345 161)**	**(19 068 564)**
Depreciation	(9 580)	(5 142 738)	(271 827)	(328 484)	**(5 400 657)**
Sales and write-offs		1 198 967	-	57 703	**1 256 670**
31 December 2021	**(234 291)**	**(21 619 029)**	**(747 138)**	**(615 942)**	**(23 212 552)**
Net book value					
31 December 2020	**0**	**12 909 508**	**549 274**	**627 960**	**14 321 032**
31 December 2021	**224 711**	**13 646 564**	**709 553**	**1 165 535**	**15 746 363**

Due to aggressive accounting policy there are equipment items that are fully depreciated but are still in use, their fair value is estimated to be 14.2 million EUR. Management in planning to review accounting depreciation rates taking into account high quality equipment used and well maintained machine park.

Refer to Note 20 on information about pledges on assets.

14. Right-of-use assets and lease liabilities

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:

Assets		31.12.2021	31.12.2020
Non-current assets			
Right-of-use assets (premises)		1 165 536	627 961
Right-of-use assets (vehicles)		709 553	549 274
	TOTAL:	**1 875 089**	**1 177 235**

Equity and liabilities		31.12.2021	31.12.2020
Non-current liabilities (Lease liabilities for right-of-use assets)		1 155 411	770 076
Current liabilities (Lease liabilities for right-of-use assets)		737 392	428 651
	TOTAL:	**1 892 803**	**1 198 727**

Leases in the statement of comprehensive income		2020	2019
Financial costs			
Finance costs for right-of-use assets (premises)		20 604	11 518
Finance costs for right-of-use assets (vehicles)		26 998	15 921
Depreciation			
Depreciation for right-of-use assets (premises)		275 850	287 674
Depreciation for right-of-use assets (vehicles)		344 198	223 596
	TOTAL:	**684 291**	**538 709**

Set out below are the carrying amounts of lease liabilities (included under financial liabilities) and the movements during the period:

	2021	**2020**
As at 1 January	**1 198 727**	**1 510 935**
Additions	1 297 892	464 650
Terminated	17 078	(284 048)
Interests	47 602	27 439
Payments	(668 496)	(520 249)
As at 31 December:	**1 892 803**	**1 198 727**

15. Inventories

	31.12.2021	31.12.2020
Goods for sale	2 415 087	1 807 769
Equipment inventory	611 590	709 702
Spare parts	736 183	658 074
Allowances for obsolete inventories	(26 500)	(5 299)
TOTAL:	**3 736 360**	**3 170 246**

16. Trade and other receivables

	31.12.2021	31.12.2020
Trade receivables	1 808 158	1 332 465
Allowances for doubtful receivables	(38 188)	(54 170)
TOTAL:	**1 769 970**	**1 278 295**

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:

Trade receivables	**TOTAL**	**Not past due**	**<30**	**31-60**	**61 - 90**	**>90**
Balance as at 31 December 2021	1 808 158	1 583 957	169 927	19 356	9 067	25 851
Allowances for expected credit losses as at 31 December 2021	(38 188)	-	(7 624)	(3 870)	(3 593)	(23 101)
Balance as at 31 December 2020	1 332 465	1 103 575	167 777	18 675	5 566	36 872
Allowances for expected credit losses as at 31 December 2020	(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

	31.12.2021	31.12.2020
Deposits	232 552	236 277
Accrued income	86 396	39 278
Prepaid expenses	119 809	151 241
Cash in vending machines	167 344	102 198
Advances to suppliers	111 974	120 816
Other receivables	82 759	68 618
TOTAL:	**800 834**	**718 428**

18. Cash

	31.12.2021	31.12.2020
Cash at bank	973 680	1 881 981
Cash on hand	54 430	141 705
Cash in transit	701 217	255 531
TOTAL:	**1 729 327**	**2 279 217**

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 6 086 215 (2020: EUR 5 672 903) and consists of 6 086 215 shares (2020: 5 672 903). The value of each share is EUR 1. A share premium is provided for the new emission Shares. Total Share premium is EUR 11 156 085. 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 shareholders cash contributions.

Ordinary shares issued and fully

	Shares
At 1 January 2019 and 31 December 2020	**5 672 903**
Issued on 12 March 2021	413 312
At 31 December 2021	**6 086 215**

Share premium

	EUR
At 1 January 2019 and 31 December 2020	**8 781 897**
Issuance of share premium on 12 March 2021	2 374 188
At 31 December 2021	**11 156 085**

20. Interest-bearing loans and borrowings

	Interest rate, %	**Maturity**	**31.12.2021**	**31.12.2020**
Non-current interest-bearing loans and borrowings				
Obligation under finance leases	1.4% - 4% + 3m-12m Euribor	3 years	98 205	261 232
Luminor Bank loan	4.25% + 3m Euribor	3-5 years	8 509 057	10 708 846
Shareholder loan	8%	31.12.2025	3 704 875	4 628 740
ALTUM Covid-19 support loan	2.90%	10.03.2023	141 474	504 000
Other loans	5.00%	23.12.2022	-	1 555 000
Total non-current part of long term interest-bearing loans			**12 453 611**	**17 657 818**
Current interest-bearing loans and borrowings				
Obligations under finance leases	1.4% - 4% + 3m-12m Euribor	3 years	120 898	422 262
Luminor Bank loan	4.25% + 3m Euribor	3-5 years	4 810 851	3 633 226
ALTUM Covid-19 support loan	2.90%	10.03.2023	424 421	196 000
Other loans	*5.00%*	23.12.2022	1 557 130	1 574 438
Overdraft	*2.99% + 3m Euribor*	*28.02.2022*	640 346	343 900
Total current part of long term interest-bearing loans			**7 553 646**	**6 169 826**
Total interest-bearing loans and borrowings			**20 007 257**	**23 827 644**

20. Interest-bearing loans and borrowings (continued)

Bank loan

Luminor loan is secured with a pledge on shares and assets of Coffee Address SIA, Coffee Address UAB, Coffee Address OU and Coffee Address Holding SIA on the date of pledge as well as future components of the Group. A commercial pledge on the Groups' assets as an aggregate property at the time of pledging and shares including any future parts thereof, was registered in favor of AS Luminor Bank based Credit Agreements No 11K/20 and No 17K/20 and Credit Line Agreement No 12KL/20, dated 10 February 2020, and Credit Agreement No 250K/20, dated 29 October 2020, between SIA Coffee Address Holding and AS Luminor Bank. Loan is provided for 5 years with 4.25% interest rate.

Bank loan balance includes principal amount of EUR 13 960 253.

Bank loan and overdraft		31.12.2021	31.12.2020
Maturing in less than one year		5 451 197	3 633 226
Maturing between one and five years		8 509 057	10 708 846
	TOTAL:	**13 960 254**	**14 342 072**

On 31 May 2022 Coffee Address Holding SIA signed amendments to senior bank agreement with Luminor, refer to Note 29 Events after balance sheet date.

In November and December 2021 shareholders issued loans to Group of 1 850 000 EUR. Loans are provided for 1 year with 8% interest rate.

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.

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		31.12.2021	31.12.2020
Maturing in less than one year		120 898	422 263
Maturing between one and five years		98 205	261 232
	TOTAL:	**219 103**	**683 495**

21. Other financial liabilities

	31.12.2021	**31.12.2020**
Non- Current financial liabilities		
Tax loans non-current	1 060 245	2 238 255
Finance liability for coffee machines sales and repurchase transaction	1 160 849	969 625
Finance liability for other equipment	46 520	288 211
Finance liability for rent of premises	745 815	445 907
Finance liability for car leasing	409 595	324 170
Total non-current financial liabilities	**3 423 024**	**4 266 168**
Current financial liabilities		
Current tax loans	3 715 137	-
Finance liability for coffee machines sales and repurchase transaction	830 383	525 849
Finance liability for other equipment	265 505	236 984
Finance liability for rent of premises	434 158	190 522
Finance liability for car leasing	303 234	238 128
Total current financial liabilities	**5 548 417**	**1 191 483**
TOTAL:	**8 971 441**	**4 457 651**

21. Other financial liabilities (continued)

During 2016-2021, the Company sold coffee machines to the major client with a possibility to sell the property back to the Company in the future. The transaction was accounted as financing transaction. Agreed buy-back term and together the end of finance transaction was set in the year 2020-2024 and discount rate used to calculate financing costs vary from 3.1% to 4.25%.

22. Pension benefits

As at 31 December 2021 the pension accrual amounts to EUR 22 739 (2020: EUR 10 289). 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

	31.12.2021	31.12.2020
Trade payables	3 348 850	1 832 820
TOTAL:	**3 348 850**	**1 832 820**

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. Current liabilities

	31.12.2021	31.12.2020
VAT payable	290 470	1 020 129
Vacation reserve	401 857	391 199
Accruals for discounts and marketing support	529 702	404 899
CIT payable	-	73 479
Social tax payable	206 397	253 383
Other accruals related to payroll	190 683	194 365
Prepayments from customers	477 117	75 946
Other current liabilities	758 281	431 523
TOTAL:	**2 854 507**	**2 844 923**

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 2021	**Amounts owed to related parties on 31.12.2021**	**Interest expenses 2020**	**Amounts owed to related parties on 31.12.2020**
BaltCap Private Equity Fund II SCSp	8 180	2 492 985	328 922	2 430 809
BaltCap Private Equity Fund II Co-Investment SCSp	5 453	1 211 891	81 344	2 197 931

During financial year there was a payment to council member for travel cost compensation and remuneration of council activities in amount of EUR 61 408 (2020: EUR 46 018) 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.

Interest rate sensitivity

Change in interest rate of leasing 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
2021	+0.5%	(68 785)	(68 785
	-0.3%	41 271	41 271
2020	+0.5%	(53 523)	(53 523)
	-0.3%	32 114	32 114

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 2021 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
2021	+15%	(628 959)	(684 332)
	-15%	628 959	684 332
2020	+15%	(560 798)	(621 989)
	-15%	560 661	621 854

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). The credit risk of receivables is controlled by the Group and the Group's parent company by regularly monitoring level of overdue debtors, sending reminders and setting individual credit limits for debtors. By summing the risk amounts of all receivables, the total credit risk of the receivable portfolio is determined.

26. Risk management (continued)

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 2021, the Group had 16 (15 as at 31 December 2020) customers that owed it more than €10,000 each and accounted for approximately 58% (51% as at 31 December 2020) of all the receivables outstanding. There were 4 (5 as at 31 December 2020) customers with balances greater than €50,000 accounting for just over 45% (37% as at 31 December 2020) 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.

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 38% of the Group's debt will mature in less than one year at 31 December 2021 (32% as at 31 December 2020) 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:

31.12.2021	**Within one year**	**1 to 5 years**	**> 5 years**	**Total**
Interest bearing loans and borrowings	7 553 645	8 748 736	-	**16 302 381**
Lease liabilities	737 392	1 155 411	-	**1 892 803**
Shareholder loan	-	3 704 875	-	**3 704 875**
Other financial liabilities	5 548 417	3 423 024	-	**8 971 441**
Trade and other payables	3 348 850	-	-	**3 348 850**
	17 188 304	**17 032 046**	**-**	**34 220 350**

31.12.2020	**Within one year**	**1 to 5 years**	**> 5 years**	**Total**
Interest bearing loans and borrowings	6 169 827	13 029 078	-	**19 198 905**
Lease liabilities	523 431	692 835	-	**1 216 266**
Shareholder loan*	-	-	1 706 385	**1 706 385**
Other financial liabilities	762 833	3 496 091	-	**4 258 924**
Trade and other payables	1 832 820	-	-	**1 832 820**
	9 288 911	**17 218 004**	**1 706 385**	**28 213 300**

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

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 2021 are, as follows:

	31.12.2021		31.12.2020	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
Within one year	124 223	120 898	433 875	422 263
After one year but not more than five years	98 277	95 647	261 424	254 428
More than five years	-	-	-	-
Total minimum lease payments	222 500	216 545	695 299	676 691
Less amounts representing finance charges	(3 397)	(3 306)	(11 804)	(11 489)
Present Value of minimum lease payments	**219 103**	**213 239**	**683 495**	**665 202**

28. Fair values

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values as at 31 December 2021:

Financial liabilities	**Carrying amount**	**Fair value**
Interest bearing loans and borrowings:		
Obligations under finance leases	219 103	213 239
Bank loan	13 960 253	13 391 130
Other loans	2 123 025	2 021 929
Subordinate loan from shareholders	3 704 875	3 430 440
Finance liability for car leasing	712 830	712 830
Finance liability for rent of premises	1 179 974	1 179 974
TOTAL	**21 900 060**	**20 949 542**

As at 31 December 2020:

Financial liabilities	**Carrying amount**	**Fair value**
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 2021 was assessed to be insignificant. The fair value of financial 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 2021:

	Date of valuation	Fair value measurement using			
		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 2021	1 991 231	-	-	1 991 231
Finance liability for car leasing	31 December 2021	712 830	-	-	712 830
Finance liability for rent of premises	31 December 2021	1 179 974			1 179 974
Liabilities for which far values are disclosed:					
Interest bearing loans and borrowings:					
Obligations under finance leases	31 December 2021	219 103	-	-	219 103
Bank loan	31 December 2021	13 960 253	-	-	13 960 253
Other loans	31 December 2021	2 123 025	-	-	2 123 025
Subordinate loan	31 December 2021	3 704 875	-	-	3 704 875

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

	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

There were no transfers between Level 1 and Level 2 during 2020 and 2021.

29. Events after balance sheet date

On 24 February 2022, the Russian Federation has launched an invasion of the Republic of Ukraine. Shortly after the invasion, the EU and rest of the world, including global bodies, imposed wide-ranging set of restrictive measures against Russia, which is updated and expanded on a regular basis. This non-adjusting subsequent event was not reflected in the significant estimates and assumptions as at 31 December 2021. Until the date of authorisation of these financial statements, the restrictive measures imposed had no significant impact on the Group's performance, no operations had been suspended and no significant direct losses related to the restrictive measures had been incurred at the date of the financial statements.

On 14 March 2022, Coffee Address UAB signed an agreement to issue ordinary, non-registered bonds. The number of bonds is 300 million., the value of one is 0.01 EUR (total amount EUR 3 million). All bonds were purchased by KŪB „Pagalbos verslui fondas". The maturity date of the bonds is 15 March 2028. Interest is 7% and is increasing by 0.5% every year.

On 18 March 2022 shareholder of the Group provided loan for amount of 0.5m EUR. The loan is repayable in full by November 5,2022 with interest rate of 8% per annum.

On 5 May 2022 the 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.

On 31 May 2022 Coffee Address Holding SIA signed amendments to senior bank agreement with Luminor. According to these amendments it is prolonged long term loan term and available overdraft limit increased to 3.0 million EUR. Overdraft available by 30 April 2023. Taking into account signed amendment to Luminor loan agreement current liabilities to bank decreased by 3.4 million EUR compered to current liabilities as at 31 December 2021.

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

20 June 2022

Document has been signed electronically and contains a time stamp