

Limited Liability Company  
**“Coffee Address Holding”**

(UNIFIED REGISTRATION NUMBER 40203047754)



**COFFEE  
ADDRESS**

# CONSOLIDATED ANNUAL REPORT

**for the period ended 31 December 2022**  
(4th financial year)

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

TOGETHER WITH INDEPENDENT AUDITORS' REPORT\*

**Riga, 2023**

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

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# GENERAL INFORMATION

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<b>Name of the Parent company</b>	Coffee Address Holding	
<b>Legal status of the Parent company</b>	Limited Liability Company	
<b>Unified registration number, place and date of registration of the Parent company</b>	40203047754 Riga, 02.02.2017	
<b>Legal address of the Parent company</b>	Jaunmoku street 34, Riga, Latvia, LV-1046	
<b>Shareholder of the Parent Company</b>	BaltCap Private Equity Fund II SCSp (80.46664%) BaltCap Private Equity Fund II Co-Investment SCSp (19.53336%)	
<b>Board members of the Parent company</b>	Viktorija Meikšāne, board member from 07.03.2017	
<b>Companies in the Group</b>	<p>COFFEE ADDRESS SIA, acquired on 14 March 2017</p> <p>COFFEE ADDRESS UAB, acquired on 14 March 2017</p> <p>COFFEE ADDRESS OU, acquired on 14 March 2017</p> <p>PAYMENT SYSTEMS SIA, established on 21 May 2018</p> <p>KAFE SERVISS SIA, acquired on 17 November 2020, merged into Coffee Address SIA on 1 June 2021</p>	
<b>Financial period</b>	January 1 – December 31, 2022	
<b>Auditors</b>	<p>Elīna Sedliņa</p> <p>LR Certified Auditor</p> <p>Certificate Nr. 179</p>	<p>SIA „Deloitte Audits Latvia”</p> <p>Republikas laukums 2A, Rīga</p> <p>Latvija, LV – 1010</p> <p>Licence Nr.43</p>

# 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, 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.



**~300**

Employees



**13 000 +**

Coffee machines in the market



**250 000 +**

Cups of coffee per day



**5 000 +**

Satisfied customers



**3 Countries**

Number 1 market position in all Baltic states

## OVERVIEW OF THE GROUP'S STATUS AND RESULTS OF OPERATION

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

In 2022, the Group demonstrated solid financial performance with sales reaching 39 mln. EUR, which is 20% increase compared to 2021 and profit reaching 518 thous. EUR.

The key success factors that are driving the profitable growth are as follows:

- o Strategic network of best locations;
- o Attractive solutions and concepts for customers;

- o Lean and digitalized internal processes;
- o “One Company” in three countries;
- o Engaged and motivated employees

Coffee Address Group has a well-balanced financing structure to achieve its goals. Its financing portfolio consists of shareholder equity and loans, variety of bank financing instruments – long terms loans, overdrafts, state support financing, and publicly quoted bonds.

# MANAGEMENT REPORT (CONTINUED)

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## 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 part of 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 and chocolate. To limit the Group's exposure of commodity price risk, to the extent possible, the Group has entered into fixed price agreements with its ingredient suppliers.

### Liquidity risk

The Group monitors its risk of a shortage of funds by performing regular cash flow projections. The Group's objective is to ensure continuity of funding and flexibility using a variety of financing instruments.

The Group balances debts' payment terms of customers and suppliers. As at 31 December 2022 the Group's current liabilities exceed current assets. In April 2023, the Group has received a binding offer from the alternative Bank to extend duration of its liabilities.

## EVENTS AFTER THE REPORTING PERIOD

On 15 February 2023, the bonds issued by Coffee Address Holding have been admitted to trading on the Nasdaq Baltic First North market.

On 6 April 2023, Coffee Address Holding has received a binding offer from the alternative Bank that will extend durations of its liabilities.

There are no other subsequent events that could have a material impact on the financial statements.

Viktorija Meikšāne  
Member of the Board

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# STATEMENT OF MANAGAMENT RESPONSIBILTIES

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The management of Coffee Address Holding SIA confirms that the consolidated financial statements have been prepared in accordance with the applicable legislation requirements and present a true and fair view of the financial position as at 31 December 2022 and its financial performance and cash flows for the year then ended.

The management report contain a clear summary of Coffee Address Holding SIA and its subsidiaries business development and financial performance. The financial statements have been prepared according to the International Financial Reporting Standards as adopted by the European Union. During the preparation of the consolidated financial statements the management:

- used and consequently applied appropriate accounting policies;
- provided reasonable and prudent judgments and estimates;
- applied a going concern principle unless the application of the principle wouldn't be justifiable.

The board of the Parent Company is also responsible for maintaining appropriate accounting records that would provide a true and fair presentation of the financial position at a particular date and financial performance and cash flows and enable the management to prepare the financial statements according to the International Financial Reporting Standards as adopted by the European Union.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2022 EUR	2021 EUR
Revenue	5	39 101 194	32 630 460
Materials and consumables		(20 247 004)	(17 374 565)
Personnel costs	6	(8 637 975)	(7 284 721)
Other operating costs	7	(3 425 347)	(3 151 577)
Loss from disposal of fixed assets, net		(97 333)	(98 105)
Depreciation and amortization	10, 12	(4 532 953)	(5 670 332)
<b>OPERATING PROFIT/ (LOSS)</b>		<b>2 160 582</b>	<b>(948 840)</b>
Finance costs	8	(1 430 856)	(969 764)
<b>PROFIT/ (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>729 726</b>	<b>(1 918 604)</b>
Income tax expense	9	(212 082)	82 746
<b>PROFIT/ (LOSS) FOR THE YEAR</b>		<b>517 644</b>	<b>(1 835 858)</b>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR, NET OF TAX</b>		<b>517 644</b>	<b>(1 835 858)</b>

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

Viktorija Meikšāne  
Member of the  
Board

Anda Priedīte  
Group Chief Financial Officer

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2022 EUR	2021 EUR
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	16 406 860	15 746 363
Intangible assets	10	25 287 750	25 163 786
Non-current financial assets		140 211	34 764
Deferred tax assets	9	363 234	462 137
<b>TOTAL</b>		<b>42 198 055</b>	<b>41 407 050</b>
<b>CURRENT ASSETS</b>			
Inventories	14	5 071 117	3 736 360
Trade receivables	15	2 385 581	1 769 970
Prepayments and other receivables	16	1 165 946	800 834
Cash	17	1 725 237	1 729 327
<b>TOTAL</b>		<b>10 347 881</b>	<b>8 036 491</b>
<b>TOTAL ASSETS</b>		<b>52 545 936</b>	<b>49 443 541</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Issued capital	18	6 086 215	6 086 215
Share premium	18	11 156 085	11 156 085
Accumulated loss		(3 323 064)	(1 487 206)
Profit/ (Loss) for the year		517 644	(1 835 858)
<b>TOTAL Equity attributable to equity holders of the parent</b>		<b>14 436 880</b>	<b>13 919 236</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	19	6 241 184	8 748 736
Issued bonds	24	8 000 000	-
Loan from shareholders	19	4 377 294	3 704 875
Other non-current financial liabilities	20	2 035 271	2 617 488
Deferred income non-current	20	1 565 548	805 536
Deferred tax liability	9	398 482	319 511
Provisions	21	40 354	22 739
<b>TOTAL</b>		<b>22 658 133</b>	<b>16 218 885</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	22	3 169 701	3 348 850
Interest-bearing loans and borrowings	19	5 522 940	7 553 646
Other current financial liabilities	20	2 228 261	5 007 197
Deferred income current	20	640 815	541 220
Income tax payable		33 400	-
Other current liabilities	23	3 855 806	2 854 507
<b>TOTAL</b>		<b>15 450 923</b>	<b>19 305 420</b>
<b>TOTAL LIABILITIES</b>		<b>38 109 056</b>	<b>35 524 305</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>52 545 936</b>	<b>49 443 541</b>

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

Viktorija Meikšāne  
Member of the Board

Anda Priedīte  
Group Chief Financial

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# CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2022 EUR	2021 EUR
<b>OPERATING ACTIVITIES</b>			
<b>Profit / (loss) before tax</b>		<b>729 726</b>	<b>(1 918 604)</b>
Adjustments to reconcile profit before tax to net cash flows:			
o depreciation and impairment of property, plant and equipment	12	4 345 737	5 400 657
o amortization and impairment of intangible assets	10	187 216	269 675
o net foreign exchange differences	8	6 103	(27 442)
o loss from disposal of property, plant and equipment		97 333	98 105
o finance costs	8	1 424 753	969 764
o movement in other provisions		17 615	(12 450)
Working capital adjustments:			
o (increase) in trade and other receivables and prepayments		(1 098 226)	(599 128)
o (increase) in inventories		(1 334 756)	(566 115)
o increase in trade payables and other liabilities		207 406	1 433 398
		<b>4 582 907</b>	<b>5 047 860</b>
Interest paid		(1 252 333)	(956 130)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>3 330 574</b>	<b>4 091 730</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		271 971	-
Purchase of property, plant and equipment, net	10, 12	(3 089 805)	(5 988 204)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(2 817 834)</b>	<b>(5 988 204)</b>
<b>FINANCING ACTIVITIES</b>			
Shareholder loans		500 000	1 850 000
Bonds issued		8 000 000	-
Payment of lease liabilities		(1 358 933)	(1 129 283)
Government grant received		-	508 605
Government support: tax loan increase or (decrease)		(3 234 292)	2 537 127
Proceeds from borrowings		1 468 000	1 988 900
Repayment of borrowings		(5 885 502)	(4 436 207)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(510 727)</b>	<b>1 319 142</b>
<b>Net foreign exchange difference</b>		<b>(6 103)</b>	<b>27 442</b>
<b>Net decrease in cash</b>		<b>(4 090)</b>	<b>(549 890)</b>
<b>Cash at the beginning of the year</b>		<b>1 729 327</b>	<b>2 279 217</b>
<b>CASH AT THE END OF THE YEAR</b>		<b>1 725 237</b>	<b>1 729 327</b>

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

Viktorija Meikšāne  
Member of the Board

Anda Priedīte  
Group Chief Financial

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

	Notes	Issued capital	Share premium	Retained earnings	Total
<b>BALANCE AS AT 31 DECEMBER 2020</b>		<b>5 672 903</b>	<b>8 781 897</b>	<b>(1 487 206)</b>	<b>12 967 594</b>
Increase in share capital	18	413 312	2 374 188	-	2 787 500
Loss for the reporting period		-	-	(1 835 858)	(1 835 858)
Total comprehensive income		-	-	(1 835 858)	(1 835 858)
<b>BALANCE AS AT 31 DECEMBER 2021</b>		<b>6 086 215</b>	<b>11 156 085</b>	<b>(3 323 064)</b>	<b>13 919 236</b>
Profit for the reporting period		-	-	517 644	517 644
Total comprehensive income		-	-	517 644	517 644
<b>BALANCE AS AT 31 DECEMBER 2022</b>		<b>6 086 215</b>	<b>11 156 085</b>	<b>(2 805 420)</b>	<b>14 436 880</b>

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

Viktorija Meikšāne  
Member of the Board

Anda Priedīte  
Group Chief Financial Officer

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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 2022 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 2022 through 31 December 2022.

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 2022. 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. Group's net cash flows from operating activities is showing strong financial performance. Group's profit for the financial year ended 31 December 2022 are EUR 518 thousand EUR.

As at 31 December 2022 the Group's current liabilities exceed current assets by 5 050 thousand EUR. Current liabilities include deferred income for repurchase transaction of 641 thousand EUR which is non-cash position. If this amount is excluded, current liabilities exceed current assets by 4 409 thousand EUR

The Group management have taken the following actions to cover liquidity gap:

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Going concern (continued)

- (1) On 6 April 2023, Coffee Address Holding has received a binding offer from the alternative Bank that will extend durations of its liabilities.
- (2) Coffee Address Holding SIA is the process of signing amendments to credit line agreement with bank to prolong the overdraft term.

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:

- o Goodwill – Note 11;
- o Sales and repurchase agreement – Note 20
- o Recoverability of deferred tax assets – Note 9.
- o Management judgement related to the term of the lease and discount rate – Note 2 IFRS 16 Leases

### 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 as of 1 January 2022:

- **Amendments to IAS 16 “Property, Plant and Equipment”** – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 “Business Combinations”** – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 –2020)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying

wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

All these amendments do not affect the Group's financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Standards issued but not yet effective and not early adopted**

- **Amendments to IAS 1 “Presentation of Financial Statements”** – Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 “Income Taxes”** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

### **New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 15 March 2023 (the effective dates stated below is for IFRS as issued by IASB):

- **Amendments to IAS 1 “Presentation of Financial Statements”** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements”** – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 16 “Leases”** – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to 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 and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Groups’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: “Financial Instruments: Recognition and Measurement”** would not significantly impact the financial statements, if applied as at the balance sheet date.

### **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 recognized 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 recognized 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 recognized 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Business combinations and goodwill (continued)**

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.

### **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:

- o Expected to be realized or intended to be sold or consumed in the normal operating cycle
- o Held primarily for the purpose of trading
- o Expected to be realized within twelve months after the reporting period Or
- o 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:

- o It is expected to be settled in the normal operating cycle
- o It is held primarily for the purpose of trading
- o It is due to be settled within twelve months after the reporting period Or
- o 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:

- o In the principal market for the asset or liability Or
- o In the absence of a principal market, in the most advantageous market for the asset or liability where the principal or the most advantageous market must be accessible by the Group.

For disclosures the fair value of an asset or a liability is measured

using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Fair value measurement (continued)**

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

- o Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- o Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- o 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 26.

### **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:

- o 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.
- o 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 Group 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.
- o 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.
- o 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 Group had no liabilities for returns and refunds accounted as at 31 December 2022 and 31 December 2021 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue from Contracts with Customers (continued)

#### 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 2022 and 31 December 2021.

#### 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).

#### Deferred sales commissions expenses

The Group 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.

### 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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Financial Instruments (continued)**

#### **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.

#### **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:

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

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

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, it is also recognized an associated liability. The

transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 could be required to repay.

#### **Allowance for expected credit losses**

The Group 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 expected cash flows, 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the 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.

Trade receivables from contracts with customers

Trade receivables are measured at the transaction price determined under IFRS 15.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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:

- o 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
- o In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- o 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
- o 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Corporate income tax (continued)

#### Taxation in Lithuania

Income tax expenses consist of the current year tax on profit and deferred tax expenses. The tax currently payable is based on taxable profit for the year. Taxable profit for the year differs from net profit as reported in the statement of profit and (loss) because it adjusted by non-deductible (non-taxable) expenses (income). The Company's liability for current tax is calculated using tax rates applicable at the balance sheet date, which on reporting period and previous period was 15%. Tax losses, if incurred, can be carried forward for an indefinite period.

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences that will subsequently increase the taxable profit and deferred tax assets are recognized only to the part that it is likely to reduce taxable profits in the future.

#### Sales tax

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

- o 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
- o 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Property, plant and equipment (continued)**

The Group from 2022 changed the useful lives of assets (machinery and equipment). The actual useful lives of assets were calculated and the depreciation period was changed prospectively. As a result the depreciation costs for the reporting period were decreased by 1 280 thousand EUR than in the case the depreciation rates had not been revised. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows: Expected useful lives of assets by group are the following.

Property, plant and equipment groups	Expected useful lives (years) from 2022	Expected useful lives (years) until 2022
Equipment and machinery	5-10	5-8
Office and warehouse equipment	3-5	3-5
IT Hardware	3-5	3-5

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 Group depreciates separately some parts of property, plant and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

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

equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of profit or loss in the cost of sales caption. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year the item is derecognized.

### **Inventories**

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

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

Net realizable value is the estimated selling price in the ordinary

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **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 19.

#### **Impairment of non-financial assets**

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

- o Goodwill and intangible assets with indefinite lives Note 11

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

#### **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.

money and the risks specific to the asset. In determining fair value less costs of disposal,

recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

#### **IFRS 16: Leases**

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. As for leases, the lessee recognizes a liability for

lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which in principle is equivalent to the present value of the future lease payments plus directly attributable costs and is amortized over the useful life.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **IFRS 16: Leases (continued)**

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

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

#### **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 remaining 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 2022 – 4,25% + Euribor 6M, in 2021— 2,75%).

#### Leases of vehicles

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

- Measure the right-of-use asset at an amount equal to lease liability at the date of initial application and using discount rate which equals the interest rate on financial lease liabilities
- Apply the practical expedient to exclude initial direct costs from the right-of-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 2022 – 4,25% + Euribor 6M, in 2021—2,75%).

#### 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.

#### Vending machine space rent

The Group leases space for vending machines. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

#### 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.

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

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

### Related parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group are shareholders who have control or significant influence over the Parent company in accepting

operating business decisions, key management personnel of the Parent company including members of Supervisory body – family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

### Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end

events that are not adjusting events are disclosed in the notes when material.

### 3. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or

adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or apply for additional investment in capital. The Group monitors capital using an equity-to-assets ratio, which is total equity divided by total assets. The Group includes within equity subordinate loan from shareholders.

	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>TOTAL ASSETS</b>	<b>52 545 936</b>	<b>49 443 541</b>
Subordinate shareholder's loan	4 377 294	3 704 875
Equity	14 436 880	13 919 236
<b>TOTAL CAPITAL</b>	<b>18 814 174</b>	<b>17 624 111</b>
<b>EQUITY RATIO</b>	<b>36%</b>	<b>36%</b>

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 2022.

### 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 Luxembourg.

Information on subsidiaries

The consolidated financial statements of the Group include:

<b>NAME</b>	<b>PRINCIPAL ACTIVITIES</b>	<b>COUNTRY OF INCORPORATION</b>	<b>% EQUITY INTEREST, 31.12.2022</b>
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%
PAYMENT SYSTEMS SIA	Payment systems	Latvia	100%



## 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022	2021
Sale of ingredients	14 087 069	9 607 551
Sale of drinks and snacks	20 436 160	15 277 957
Rent of coffee machines and maintenance	3 218 545	4 521 200
Sale of equipment	1 359 420	3 223 752
<b>TOTAL:</b>	<b>39 101 194</b>	<b>32 630 460</b>

## 6. PERSONNEL COSTS

	2022	2021
Wages and salaries	7 481 968	6 873 538
Social security costs	999 547	929 050
Capitalized personnel costs <sup>1</sup>	(82 412)	(111 712)
Government grant <sup>2</sup>	-	(508 605)
Healthcare	48 126	28 633
Vacation reserve changes	73 282	(19 994)
Employee benefits	53 195	49 416
Other personnel expenses	64 269	44 395
<b>TOTAL:</b>	<b>8 637 975</b>	<b>7 284 721</b>

<sup>1</sup>Capitalized payroll related to renovation works performed.

<sup>2</sup>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.

## 7. OTHER OPERATING COSTS

	2022	2021
Transportation and logistics	1 493 632	1 024 504
IT services and communication	528 516	456 464
Office costs	382 254	327 547
Acquisition-related transaction costs	-	198 518
Marketing and representation	174 871	148 767
Travel and representation	36 292	26 533
Expenses related to early termination of agreement	6 990	17 473
Bad debtors	9 910	7 445
Other professional services	211 125	212 561
Other costs <sup>1</sup>	581 757	731 765
<b>TOTAL:</b>	<b>3 425 347</b>	<b>3 151 577</b>

<sup>1</sup>Other costs related to legal and other consulting services, insurance, training and other administrative services

## 8. FINANCE COSTS

	2022	2021
Interest on debts and borrowings	1 210 273	906 923
Foreign exchange loss	6 103	27 442
Interest expenses on lease liability	21 643	20 541
Interest on subordinate shareholder loan	172 420	13 634
Other finance costs	20 417	1 224
<b>TOTAL:</b>	<b>1 430 856</b>	<b>969 764</b>

## 9. CURRENT AND DEFERRED CORPORATE INCOME TAX

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	2022	2021
Current corporate income tax charge for the reporting year	(34 208)	(12 591)
Deferred corporate income tax due to changes in temporary differences	(177 874)	95 338
<b>CORPORATE INCOME TAX CHARGED TO THE STATEMENT OF PROFIT OR LOSS:</b>	<b>(212 082)</b>	<b>82 747</b>

According to laws in effect, the Tax Authorities may at any time during 3 successive years (5 years in certain cases) after the end of the reporting tax year carry out an inspection of the accounting records and impose additional taxes and penalties.

From 2022 amortization costs of goodwill (recognized in 2016) are recognized as non-deductible costs for tax purposes.

	2022	2021
<b>ACCOUNTING PROFIT/ (LOSS) BEFORE INCOME TAX</b>	<b>598 120</b>	<b>(1835 858)</b>
Income tax rate	(90 997)	264 124
Income tax correction for the previous periods	-	(12 591)
<b>EFFECT OF PERMANENT DIFFERENCES:</b>		
Representation	(3 529)	(3 214)
Fines and penalties	(198)	(47)
Other non-deductible expenses	(2 867)	(18 335)
Interest expenses	(161 489)	(148 301)
Differences from previous period transactions	(25 483)	(30 015)
Other permanent differences	(34 704)	31 126
<b>TOTAL EFFECT OF PERMANENT DIFFERENCES</b>	<b>(228 270)</b>	<b>82 747</b>
Effect of tax loss carry forward	107 185	-
<b>AT THE EFFECTIVE INCOME TAX RATE</b>	<b>(212 082)</b>	<b>82 747</b>

**Consolidated statement of  
financial position**
**Consolidated statement of  
profit or loss**

	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>2022</b>	<b>2021</b>
<b>DEFERRED TAX ASSETS:</b>				
Other accrued expenses	151 041	117 251	(22 031)	64 291
Vacation reserve	33 282	29 420	3 862	2 495
Different recognition of sale of fixed assets	36 571	43 357	(6 787)	31 589
Tax loss carry forward	62 773	169 957	(51 353)	145 626
Impairment allowance for trade debtors	839	2 071	(1 233)	(707)
Convertible loan	72 160	96 400	(24 240)	-
Other components	6 568	3 681	2 889	(3 446)
<b>DEFERRED TAX ASSETS, TOTAL</b>	<b>363 234</b>	<b>462 137</b>	<b>(98 893)</b>	<b>239 848</b>
Less: valuation allowance	-	-	-	-
<b>ASSETS OF THE DEFERRED TAX, NET</b>	<b>363 234</b>	<b>462 137</b>	<b>(98 893)</b>	<b>239 848</b>
<b>DEFERRED TAX LIABILITY</b>				
Goodwill	(304 153)	(319 511)	15 358	(144 510)
Long-term contracts with customers	(94 328)	-	(94 328)	-
<b>DEFERRED TAX LIABILITY, TOTAL</b>	<b>(398 482)</b>	<b>(319 511)</b>	<b>(78 970)</b>	<b>(144 510)</b>
<b>DEFERRED TAX, NET</b>	<b>(35 248)</b>	<b>142 626</b>	<b>(177 863)</b>	<b>95 338</b>

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. The income tax liability on potential dividends in Estonia on the maximum possible distributable profit is 443 thousand EUR but it is not planned to distribute profits in following years.

## 10. INTANGIBLE ASSETS

	Goodwill <sup>1</sup>	Customer agreements	Other intangible assets	TOTAL
<b>ACQUISITION COST</b>				
<b>1 January 2021</b>	24 627 319	893 731	577 526	<b>26 098 576</b>
Additions			390 574	390 574
<b>31 December 2021</b>	24 627 319	893 731	968 100	<b>26 489 150</b>
Additions	-	-	316 388	316 388
<b>31 December 2021</b>	<b>24 627 319</b>	<b>893 731</b>	<b>1 284 488</b>	<b>26 805 538</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>				
<b>1 January 2021</b>	-	(843 190)	(212 500)	<b>(1 055 690)</b>
Amortisation	-	(50 541)	(219 134)	(269 675)
<b>31 December 2021</b>	-	(893 731)	(431 634)	<b>(1 325 365)</b>
Amortisation	-	-	(192 423)	(192 423)
<b>31 December 2022</b>	-	(893 731)	(624 057)	<b>(1 517 788)</b>
<b>NET BOOK VALUE</b>				
<b>31 December 2021</b>	24 627 319	-	536 466	<b>25 163 785</b>
<b>31 December 2022</b>	24 627 319	-	660 431	<b>25 287 750</b>

<sup>1</sup> Goodwill include intangible assets acquired through business combinations. The valuation of these intangible assets is described in detail in Note 11.

## 11. 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):

	31.12.2022	31.12.2021
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
<b>TOTAL:</b>	<b>24 627 319</b>	<b>24 627 319</b>

The Group performed its annual impairment test in December 2022 and December 2021. 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% (2021: 12%) and cash flows beyond the four-year period are

extrapolated using a 2% growth rate. Growth rate projected during the three year period varies between entities and is based on projected market conditions in each country, expansion potential for each entity and historical growth of each entity. As a result of the analysis, management did not identify an impairment for any of 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, improving product quality and reallocating resources and investing into more profitable segments.

By 11% lower sales than budgeted for the next and all following years would result in impairment for Coffee Address SIA goodwill.

By 12% lower sales than budgeted for the next and all following years would result in impairment for Coffee Address UAB goodwill.

By 11% 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 ~2% for the next and all following years would result in impairment for Coffee Address SIA goodwill.

A decrease in the gross margin by ~5% for the next and all following years would result in impairment for Coffee Address UAB goodwill.

A decrease in the gross margin by ~5% 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 18.5% (i.e., +6.5%) would result in impairment for Coffee Address SIA goodwill

A rise in the pre-tax discount rate to 19.5% (i.e., +7.5%) would result in impairment for Coffee Address UAB goodwill.

A rise in the pre-tax discount rate to 18.5% (i.e., +6.5%) would result in impairment for Coffee Address OU goodwill

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Equipment and machinery	Machinery (buy-back)	Right -of -use assets - cars	Right -of -use assets - premises	TOTAL
<b>ACQUISITION COST</b>						
<b>1 January 2021</b>	<b>455 154</b>	<b>27 625 458</b>	<b>3 311 249</b>	<b>1 024 858</b>	<b>973 121</b>	<b>33 389 840</b>
Purchases	-	4 758 230	839 400	431 833	866 059	6 895 522
Sales and write-offs	-	(514 843)	(753 901)		(57 703)	(1 326 447)
<b>31 December 2021</b>	<b>455 154</b>	<b>31 868 845</b>	<b>3 396 748</b>	<b>1 456 691</b>	<b>1 781 477</b>	<b>38 958 915</b>
Purchases	-	3 006 024	1 325 995	907 033	216 037	5 455 089
Reclass		504 205	(504 205)			-
Sales and write-offs	(455 154)	(968 855)	(34 419)	(361 146)	(148 639)	(1 968 213)
<b>31 December 2022</b>	<b>-</b>	<b>34 410 219</b>	<b>4 184 119</b>	<b>2 002 578</b>	<b>1 848 875</b>	<b>42 445 791</b>
<b>ACCUMULATED DEPRECIATION</b>						
<b>1 January 2021</b>	<b>(220 863)</b>	<b>(15 825 151)</b>	<b>(2 202 078)</b>	<b>(475 311)</b>	<b>(345 161)</b>	<b>(19 068 564)</b>
Depreciation	(9 580)	(4 238 015)	(552 751)	(271 827)	(328 484)	(5 400 657)
Sales and write-offs		456 356	742 611	-	57 703	1 256 670
<b>31 December 2021</b>	<b>(230 443)</b>	<b>(19 606 810)</b>	<b>(2 012 218)</b>	<b>(747 138)</b>	<b>(615 942)</b>	<b>(23 212 551)</b>
Depreciation	(1 517)	(3 050 239)	(491 339)	(386 749)	(410 686)	(4 340 530)
Reclass		(508 050)	508 050			-
Sales and write-offs	231 960	815 358	34 416	298 729	133 687	1 514 150
<b>31 December 2022</b>	<b>-</b>	<b>(22 349 741)</b>	<b>(1 961 091)</b>	<b>(835 158)</b>	<b>(829 941)</b>	<b>(26 038 931)</b>
<b>NET BOOK VALUE</b>						
<b>31 December 2021</b>	<b>224 711</b>	<b>12 262 035</b>	<b>1 384 530</b>	<b>709 553</b>	<b>1 165 535</b>	<b>15 746 364</b>
<b>31 December 2022</b>	<b>-</b>	<b>12 060 478</b>	<b>2 223 028</b>	<b>1 167 420</b>	<b>955 934</b>	<b>16 406 860</b>

There are equipment items that are fully depreciated but are still in use and their acquisition value is EUR 13 860 thousand as at 31 December 2022 (EUR 14 200 thousand as at 2021).

Refer to Note 19 on information about pledges on assets.

### 13. 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:

<b>ASSETS</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>NON-CURRENT ASSETS</b>		
Right-of-use assets (premises)	955 934	1 165 536
Right-of-use assets (vehicles)	1 167 420	709 553
<b>TOTAL:</b>	<b>2 123 354</b>	<b>1 875 089</b>
<b>EQUITY AND LIABILITIES</b>		
<b>31.12.2022</b>		
Non-current liabilities (Lease liabilities for right-of-use assets)	1 353 972	1 155 411
Current liabilities (Lease liabilities for right-of-use assets)	800 492	737 392
<b>TOTAL:</b>	<b>2 154 464</b>	<b>1 892 803</b>
<b>LEASES IN THE STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>2022</b>		
<b>2021</b>		
<b>FINANCIAL COSTS</b>		
Finance costs for right-of-use assets (premises)	25 122	20 604
Finance costs for right-of-use assets (vehicles)	35 899	26 998
<b>DEPRECIATION</b>		
Depreciation for right-of-use assets (premises)	410 686	275 850
Depreciation for right-of-use assets (vehicles)	386 749	344 198
<b>TOTAL:</b>	<b>858 456</b>	<b>667 650</b>

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

	<b>2022</b>	<b>2021</b>
<b>As at 1 January</b>	<b>1 892 803</b>	<b>1 198 727</b>
Additions	1 123 070	1 297 892
Terminated	49 288	17 078
Interests	61 021	47 602
Payments	(971 718)	(668 496)
<b>As at 31 December:</b>	<b>2 154 464</b>	<b>1 892 803</b>

#### 14. INVENTORIES

	<b>31.12.2022</b>	<b>31.12.2021</b>
Goods for sale	3 334 136	2 415 087
Equipment inventory	633 073	611 590
Spare parts	1 127 728	736 183
Allowances for obsolete inventories	(23 820)	(26 500)
<b>TOTAL:</b>	<b>5 071 117</b>	<b>3 736 360</b>

#### 15. TRADE AND OTHER RECEIVABLES

	<b>31.12.2022</b>	<b>31.12.2021</b>
Trade receivables	2 458 557	1 808 158
Allowances for doubtful receivables	(72 976)	(38 188)
<b>TOTAL:</b>	<b>2 385 581</b>	<b>1 769 970</b>

Trade receivables are non-interest bearing and are generally on terms of 14 to 60 days.

#### 16. PREPAYMENTS AND OTHER RECEIVABLES

	<b>31.12.2022</b>	<b>31.12.2021</b>
Deposits	154 690	232 552
Accrued income	142 096	86 396
Prepaid expenses	384 741	119 809
Cash in vending machines	184 160	167 344
Advances to suppliers	123 108	111 974
Other receivables	177 151	82 759
<b>TOTAL:</b>	<b>1 165 946</b>	<b>800 834</b>



## 17. CASH

	<b>31.12.2022</b>	<b>31.12.2021</b>
Cash at bank	980 555	973 680
Cash on hand	57 529	54 430
Cash in transit	687 153	701 217
<b>TOTAL:</b>	<b>1 725 237</b>	<b>1 729 327</b>

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.

## 18. ISSUED CAPITAL

The share capital of the Parent company is EUR 6 086 215 (2021: EUR 6 086 215) and consists of 6 086 215 shares (2021: 6 086 215). 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

	<b>Shares</b>
<b>At 1 January 2019 and 31 December 2020</b>	<b>5 672 903</b>
Issued on 12 March 2021	413 312
<b>At 31 December 2021</b>	<b>6 086 215</b>
<b>At 31 December 2022</b>	<b>6 086 215</b>

### SHARE PREMIUM

	<b>EUR</b>
<b>At 1 January 2019 and 31 December 2020</b>	<b>8 781 897</b>
Issuance of share premium on 12 March 2021	2 374 188
<b>At 31 December 2021</b>	<b>11 156 085</b>
<b>At 31 December 2022</b>	<b>11 156 085</b>

## 19. INTEREST-BEARING LOANS AND BORROWINGS

	Interest rate, %	Maturity	31.12.2022	31.12.2021
<b>NON-CURRENT INTEREST-BEARING LOANS AND BORROWINGS</b>				
Obligation under finance leases	1.4% – 4% + 3m–12m Euribor	3 years	33 780	98 205
Bank loan	4.25% + 3m Euribor	31.01.2026	6 207 404	8 509 057
Shareholder loan	8%	31.12.2024	2 546 795	1 874 376
Shareholder loan	8%	31.12.2025	1 830 498	1 830 499
Covid-19 support loan	2.90%	10.03.2023	-	141 474
<b>TOTAL NON-CURRENT PART OF LONG TERM INTEREST-BEARING LOANS AND BORROWINGS</b>			<b>10 618 478</b>	<b>12 453 611</b>
<b>CURRENT INTEREST-BEARING LOANS AND BORROWINGS</b>				
Obligations under finance leases	1.4% – 4% + 3m–12m Euribor	3 years	64 570	120 898
Bank loan	4.25% + 3m Euribor	31.01.2026	2 994 382	4 810 851
Covid-19 support loan	2.90%	10.03.2023	79 935	424 421
Other loans	5.00%	23.12.2022	-	1 557 130
Overdraft	2.99% + 3m Euribor	30.04.2023	2 384 053	640 346
<b>TOTAL CURRENT PART OF LONG TERM INTEREST-BEARING LOANS AND BORROWINGS</b>			<b>5 522 940</b>	<b>7 553 646</b>
<b>TOTAL INTEREST-BEARING LOANS AND BORROWINGS</b>			<b>16 141 418</b>	<b>20 007 257</b>

### Bank loan

Bank 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 the bank based Credit Agreements No 11K/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 the bank.

Bank loan balance includes principal amount of EUR 11 585 840.

<b>Bank loan and overdraft</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Maturing in less than one year	5 378 435	5 451 197
Maturing between one and five years	6 207 405	8 509 057
<b>TOTAL:</b>	<b>11 585 840</b>	<b>13 960 254</b>

Coffee Address Holding SIA is the process of signing amendments to credit line agreement with bank to prolong the overdraft term.

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 of leasing provider.

<b>Finance lease liabilities</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Maturing in less than one year	64 570	120 898
Maturing between one and five years	33 780	98 205
<b>TOTAL:</b>	<b>98 350</b>	<b>219 103</b>

## 20. OTHER FINANCIAL LIABILITIES

	31.12.2022	31.12.2021
<b>NON- CURRENT FINANCIAL LIABILITIES</b>		
Covid-19 support tax loans non-current	158 885	1 060 245
Finance liability for coffee machines sales and repurchase transaction*	522 414	355 313
Finance liability for other equipment	-	46 520
Finance liability for rent of premises	564 290	745 815
Finance liability for car leasing	789 681	409 595
<b>TOTAL NON-CURRENT FINANCIAL LIABILITIES</b>	<b>2 035 270</b>	<b>2 617 488</b>
<b>CURRENT FINANCIAL LIABILITIES</b>		
Covid-19 support current tax loans	1 382 206	3 715 137
Finance liability for coffee machines sales and repurchase transaction*	-	289 163
Finance liability for other equipment	45 563	265 505
Finance liability for rent of premises	404 555	434 158
Finance liability for car leasing	395 938	303 234
<b>TOTAL CURRENT FINANCIAL LIABILITIES</b>	<b>2 228 262</b>	<b>5 007 197</b>
<b>TOTAL:</b>	<b>4 263 532</b>	<b>7 624 185</b>

### *Finance liability for coffee machines sales and repurchase transaction*

During 2016-2022, the Group sold coffee machines to the major client with a possibility to sell the property back to the Group in the future and these liabilities are counted under financial liabilities. Agreed buy-back term and together the end of finance transaction was set in the year 2020-2027 and discount rate used to calculate financing costs vary from 3.5% to 4.25% + 3-12 months EURIBOR.

### *Covid-19 support tax loans*

To mitigate and limit the negative impact of the COVID-19 pandemic Group has used available government support instruments by signing agreements with Tax authorities to divide tax payments into several instalments.

## 21. PENSION BENEFITS

As at 31 December 2022 the pension accrual amounts to EUR 40 354 (2021: EUR 22 739). 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.

## 22. TRADE PAYABLES

	31.12.2022	31.12.2021
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Trade payables	3 169 701	3 348 850
<b>TOTAL:</b>	<b>3 169 701</b>	<b>3 348 850</b>

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.

## 23. CURRENT LIABILITIES

	31.12.2022	31.12.2021
VAT payable	411 288	290 470
Vacation reserve	432 626	401 857
Accruals for discounts and marketing support	832 277	529 702
Social tax payable	186 833	206 397
Other accruals related to payroll	290 035	190 683
Prepayments from customers	943 076	477 117
Other current liabilities	759 671	758 281
<b>TOTAL:</b>	<b>3 855 806</b>	<b>2 854 507</b>

## 24. BONDS

	Interest rate, %	Maturity	31.12.2022	31.12.2021
<b>Issued bonds</b>				
Non registered bonds	8,5% + 0,5% every year	15.03.2028	3 000 000	-
Registered bonds	9,00%	30.06.2025	5 000 000	-
<b>Total Issued bond</b>			<b>8 000 000</b>	<b>-</b>

## 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 2022	Amounts owed to related parties on 31.12.2022	Interest expenses 2021	Amounts owed to related parties on 31.12.2021
BaltCap Private Equity Fund II SCSp	109 897	2 904 021	8 180	2 492 985
BaltCap Private Equity Fund II Co-Investment SCSp	73 265	1 484 015	5 453	1 211 891

During financial year there was a payment to council member for travel cost compensation and remuneration of council activities in amount of EUR 55 965 (2021: EUR 61 408) 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
2022	0.50%	(56 678)	(56 678)
	-0.30%	34 007	34 007
2021	0.50%	(68 785)	(68 785)
	-0.30%	41 271	41 271

### 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 2023 Group has entered into fixed price agreement with its main coffee supplier.

Commodity price sensitivity

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

## 26. RISK MANAGEMENT (CONTINUED)

Coffee	Change in average price	Effect on profit before tax, EUR	Effect on equity, EUR
2022	15%	778 959	215 085
	-15%	(778 959)	(807 014)
2021	15%	(628 959)	(684 332)
	-15%	628 959	684 332

### 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.

### 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 2022, the Group had 20 (16 as at 31 December 2021) customers that owed it more than €10,000 each and accounted for approximately 65% (58% as at 31 December 2021) of all the receivables outstanding. There were 4 (4 as at 31 December 2021) customers with balances greater than €50,000 accounting for just over 51% (45% as at 31 December 2021) 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 15. 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 28% of the Group's debt will mature in less than one year at 31 December 2022 (38% as at 31 December 2021) 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:

31.12.2022	Within one year	1 to 5 years	> 5 years	Total
Interest bearing loans and borrowings	6 238 682	6 733 733	-	12 972 415
Lease liabilities	862 538	1 428 531	-	2 291 069
Shareholder loan	-	4 818 549	-	4 818 549
Other financial liabilities	1 429 511	719 316	-	2 148 827
Trade and other payables	3 169 701	-	-	3 169 701
	<b>11 700 432</b>	<b>13 700 129</b>	<b>-</b>	<b>25 400 561</b>

## 26. RISK MANAGEMENT (CONTINUED)

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	4 811 025	2 267 613	-	7 078 638
Trade and other payables	3 348 850	-	-	3 348 850
	<b>16 450 912</b>	<b>15 876 635</b>	<b>-</b>	<b>32 327 547</b>

## 27. FAIR VALUES

Set out below is a comparison, by class, of the carrying amounts and fair values of the Groups's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values as at 31 December 2022:

As at 31 December 2022:

Financial liabilities	Carrying amount	Fair value
Non-registered bonds	8 000 000	8 000 000
Interest bearing loans and borrowings:		
Obligations under finance leases	98 349	98 349
Bank loan	11 585 840	11 585 840
Other loans	79 935	79 935
Subordinate loan from shareholders	4 377 294	4 377 294
Finance liability for car leasing	1 185 619	1 185 619
Finance liability for rent of premises	968 845	968 845
	<b>TOTAL</b>	<b>TOTAL</b>
	<b>18 295 882</b>	<b>18 295 882</b>

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
	<b>TOTAL</b>	<b>TOTAL</b>
	<b>21 900 060</b>	<b>20 949 542</b>

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 2022 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.



Fair value measurement hierarchy for liabilities as at 31 December 2022:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Liabilities measured at fair value:</b>					
Finance liability from sales and re-purchase	31 December 2022	522 414			522 414
Finance liability for car leasing	31 December 2022	(1 185 619)			(1 185 619)
Finance liability for rent of premises	31 December 2022	(968 845)			(968 845)
<b>Liabilities for which fair values are disclosed:</b>					
Interest bearing loans and borrowings:					
Obligations under finance leases	31 December 2022	(98 349)			(98 349)
Bank loan	31 December 2022	(11 585 840)			(11 585 840)
Other loans	31 December 2022	(79 935)			(79 935)
Subordinate loan	31 December 2022	(4 377 294)			(4 377 294)

Fair value measurement hierarchy for liabilities as at 31 December 2021:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Liabilities measured at fair value:</b>					
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
<b>Liabilities for which fair values are disclosed:</b>					
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

There were no transfers between Level 1 and Level 2 during 2021 and 2022.

## 28. EVENTS AFTER BALANCE SHEET DATE

On 15 February 2023, the bonds issued by Coffee Address Holding have been admitted to trading on the Nasdaq Baltic First North market.

On 23 March 2023 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 6 April 2023, Coffee Address Holding has received a binding offer from the alternative Bank that will extend durations of its liabilities.

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

Viktorija Meikšāne  
Member of the  
Board

Anda Priedīte  
Group Chief Financial Officer

Document has been signed electronically and contains a time stamp