

Selecta Group B.V. and its subsidiaries, Amsterdam (The Netherlands)

*Consolidated financial statements for the 12 months ended
31 December 2021 and report of the independent auditor*

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Consolidated financial statements

Consolidated statement of profit or loss

		12 months ended	12 months ended
	Notes	31 December 2021	31 December 2020
		€ (000's)	€ (000's)
Revenue	5, 6	1'184'426	1'141'445
Vending fees	7	(144'731)	(133'707)
Materials and consumables used	8	(396'139)	(399'685)
Employee benefits expenses	9	(335'967)	(413'930)
Depreciation, amortisation and impairment expenses	10	(208'738)	(309'147)
Other operating expenses	11	(163'640)	(190'857)
Other operating income	12	14'146	16'178
Loss on disposal of subsidiaries		-	(47)
Loss before net finance costs and income tax		(50'643)	(289'750)
Finance costs	13	(94'796)	(169'530)
Finance income	13	30'394	23'698
Loss before income tax		(115'045)	(435'582)
Income tax	14	19'136	15'090
Loss for the period		(95'909)	(420'492)
Loss attributable to:			
Owners of the Company		(95'909)	(420'492)
Revenue net of vending fees ¹	5, 7	1'039'695	1'007'738

The notes on pages 9 to 55 are an integral part of these consolidated financial statements.

¹ The Group presents revenue net of vending fees which is a leading internal performance measure but not a defined performance measure in IFRS (refer to note 7). Due to this vending fees are separately disclosed below the revenue line and excluded from the line other operating expenses.

Consolidated statement of comprehensive loss

	Notes	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Loss for the period		(95'909)	(420'492)
<u>Items that will not be reclassified to the consolidated statement of profit or loss</u>			
Re-measurement gain/(loss) on post-employment benefit obligations	25	(62'894)	10'363
Income tax relating to re-measurement gain/(loss) on post-employment benefit obligations	27.2	11'649	(1'471)
		(51'245)	8'892
<u>Items that are or may subsequently be reclassified to the consolidated statement of profit or loss</u>			
Foreign exchange translation differences for foreign operations	29.2	(20'017)	(22'920)
Other comprehensive loss for the period		(71'262)	(14'028)
Total comprehensive loss for the period		(167'171)	(434'520)
Total comprehensive loss attributable to:			
Owners of the Company		(167'171)	(434'520)

The notes on pages 9 to 55 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 December 2021 € (000's)	31 December 2020 € (000's)
Non-current assets			
Property, plant and equipment	15	455'688	509'507
Goodwill	16	979'048	978'803
Trademarks	17	344'624	347'914
Customer contracts	17	230'921	280'843
Other intangible assets	17	28'202	20'795
Deferred income tax assets	27	27'186	25'665
Non-current financial assets	18	15'048	16'341
Net defined benefit asset	25	23'383	78'524
Total non-current assets		2'104'100	2'258'392
Current assets			
Inventories	19	116'291	99'294
Trade receivables	20	97'499	64'410
Other current assets	21	46'016	45'654
Cash and cash equivalents	22	60'034	127'902
Total current assets		319'840	337'260
Total assets		2'423'940	2'595'652

The notes on pages 9 to 55 are an integral part of these consolidated financial statements.

	Notes	31 December 2021 € (000's)	31 December 2020 € (000's)
Equity and liabilities			
Equity			
Share capital	29	344	344
Share premium	29	2'033'314	2'033'091
Currency translation reserve	29	(243'054)	(223'037)
Accumulated deficit	29	(1'236'308)	(1'089'154)
Total equity		554'296	721'244
Non-current liabilities			
Borrowings	23	1'015'150	975'332
Lease liabilities	24	147'644	174'389
Net defined benefit liability	25	16'126	16'779
Provisions and other employee benefits	26	5'607	11'253
Other non-current liabilities		16'792	11'284
Deferred income tax liabilities	27	160'108	187'225
Total non-current liabilities		1'361'427	1'376'262
Current liabilities			
Lease liabilities	24	46'047	52'240
Trade payables		173'762	147'413
Provisions and other employee benefits	26	50'174	68'901
Current income tax liabilities		5'295	8'863
Other current liabilities	28	232'939	220'729
Total current liabilities		508'217	498'146
Total liabilities		1'869'644	1'874'408
Total equity and liabilities		2'423'940	2'595'652

The notes on pages 9 to 55 are an integral part of these consolidated financial statements.

Statement of changes in consolidated equity

	<i>Attributable to owners of the Company</i>					
	<i>Notes</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Currency trans- lation reserve</i>	<i>Accumulated deficit</i>	<i>Total equity</i>
		€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)
Balance at 31 December 2019		187	1'039'957	(200'117)	(677'554)	162'473
Other comprehensive Income/(loss)		-	-	(22'920)	8'892	(14'028)
Loss for the period		-	-	-	(420'492)	(420'492)
<i>Total comprehensive loss for the period</i>		-	-	(22'920)	(411'600)	(434'520)
<i>Equity contribution</i>	29	157	993'134	-	-	993'292
Balance at 31 December 2020		344	2'033'091	(223'037)	(1'089'154)	721'244
Other comprehensive loss		-	-	(20'017)	(51'245)	(71'262)
Loss for the period		-	-	-	(95'909)	(95'909)
<i>Total comprehensive loss for the period</i>		-	-	(20'017)	(147'154)	(167'171)
<i>Share-based payment</i>	33	-	223	-	-	223
Balance at 31 December 2021		344	2'033'314	(243'054)	(1'236'308)	554'296

The notes on pages 9 to 55 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow

	Notes	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Cash flows from operating activities			
Loss before income tax		(115'045)	(435'582)
Depreciation, amortisation and impairment expenses	10	208'738	309'147
Gain on disposal of property, plant and equipment, net		(5'408)	(5'721)
Expenses for share-based payments		223	-
Non-cash transactions		1'266	(2'403)
Finance costs, net		64'402	145'832
Changes in working capital:			
(Increase)/Decrease in inventories		(15'444)	26'385
(Increase)/Decrease in trade receivables		(30'003)	631
(Increase)/Decrease in other current assets		(234)	46'399
Increase/(Decrease) in trade payables		24'094	(52'752)
Increase/(Decrease) in other current liabilities and provisions		(43'741)	77'883
Income taxes paid		(1'370)	(1'770)
Net cash generated from operating activities		87'478	108'049
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-	(3'079)
Purchases of property, plant and equipment		(69'597)	(48'272)
Purchases of intangible assets		(13'650)	(5'820)
Proceeds from sale of property, plant and equipment		11'248	13'420
Interest received and other proceeds paid		200	(408)
Net cash used in investing activities		(71'799)	(44'159)
Cash flows from financing activities			
Proceeds from capital increase		-	125'000
Proceeds from cash grant		-	50'000
Proceeds from interim financing		-	50'000
Repayment of interim financing		-	(50'000)
Proceeds/(Repayments) of loans and borrowings	23	11'568	(23'537)
Payments of lease liabilities	23	(60'904)	(63'051)
Proceeds/(Repayments) of factoring	23	(3'557)	5'040
Interest paid	23	(29'839)	(63'750)
Financing costs paid		-	(30'406)
Net cash used in financing activities	23	(82'732)	(704)
Net (decrease)/increase in cash and cash equivalents		(67'053)	63'186
Cash and cash equivalents at the beginning of the period		127'902	64'396
Exchange gains on cash and cash equivalents		(815)	320
Cash and cash equivalents at the end of the period		60'034	127'902

The notes on pages 9 to 55 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General Information

Selecta Group B.V. (“the Company”) is a limited liability company incorporated and domiciled in Amsterdam, the Netherlands. The Company and its subsidiaries are collectively referred to herein as “the Group” or “the Selecta Group”. The Group is a pan-European self-service retail and coffee services company.

These consolidated financial statements do not represent statutory financial statements of the Company prepared in accordance with Dutch GAAP and the requirements of the Dutch chamber of commerce and have been prepared voluntarily by the Board of Directors.

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. The business of the Group is significantly impacted by the pandemic and the related decrease in mobility and office presence which has negatively impacted the financial performance of the year. Despite the pandemic the Group continued to operate in all of its markets during 2020 and 2021.

In addition to the downsides in revenue, the pandemic had the following main impacts on the financial performance in 2021:

- The Group received support from the government in most of the countries it operates for employees on short-term work which was used to adapt resources to short term demand changes. The compensation received amounted to € 25.4 million and was offset in the consolidated statement of profit or loss against employee benefit expense. Additional savings of € 5.3 million paid directly by the governments to employees were realized in Spain and Austria.
- There were decisive and rapid actions implemented in order to partially mitigate the adverse impact on both consolidated statement of profit or loss and liquidity. Amongst others, actions included strict cost saving measures and re-negotiation of contracts with focus on the fixed vending rents.
- A detailed structural review to ensure the Group is positioned for future growth was performed in 2020 which resulted in a plan to permanently reduce full time employees from roughly 10'000 in 2019 to 7'000 by the end of 2021. The plan was successfully executed in 2021. € 16.9 million provisions for restructuring were recognised as of 31 December 2021.
- As the Group expects a sustainable impact from the current pandemic resulting in lower revenues from its existing business, a goodwill impairment in the amount of € 68.9 million was recognized in 2020 as well as an impairment of customer contracts in the amount of € 13.4 million. As the situation stabilized in the course of 2021 no further impairment of intangible assets was necessary as a result of the annual impairment testing.

In early 2022 governments in many countries started to ease pandemic related restrictions. However, there is still uncertainty over the development of the crisis and its impact on the future financial performance of the Group. Provided the solid cash position the management continues to be convinced to have the adequate resources to continue its operations at least for the next 12 months until the sign-off of the consolidated financial statements of the Group for the 12 months period ending 31 December 2022. The going concern assumption remains appropriate accordingly.

The conclusion is supported by the measures already taken by management to mitigate the decline in revenue, especially the adoption of the Group to its new size of revenue.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3. Summary of significant accounting policies

3.1. Accounting policies

The Group has adopted all International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (the IASB) as well as Interpretations given by the IFRS Interpretations Committee (the IFRIC) and the former Standing Interpretations Committee (SIC) that are relevant to the Group's operations and effective for annual reporting periods beginning on 1 January 2021.

3.2. New and revised/amended standards and interpretations

A number of new amendments are effective from 1 January 2021, but they do not have a material effect on the Group's consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Group has not early adopted them in preparing these consolidated financial statements.

The following new or amended standards and interpretations that may be relevant to the consolidated financial statements have been issued but are not yet effective.

	<i>Impact</i>	<i>Effective date</i>	<i>Planned application by Selecta Group B.V.</i>
<i>New standards or interpretations</i>			
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	2)	1 January 2022	Reporting year 2022
Annual Improvements to IFRS Standards 2018-2020	1)	1 January 2022	Reporting year 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1)	1 January 2022	Reporting year 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1)	1 January 2022	Reporting year 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1)	1 January 2023	Reporting year 2023
Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)	2)	1 January 2023	Reporting year 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1)	1 January 2023	Reporting year 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)	2)	1 January 2023	Reporting year 2023

1) No significant impacts are expected on the consolidated financial statements of Selecta Group

2) The impact on the consolidated financial statements of Selecta Group cannot yet be determined with sufficient reliability

3.3. Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), note 36. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income, and expenses are eliminated in full on consolidation.

3.4. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets acquired, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of profit or loss.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3.5. Foreign currencies

Foreign currencies in individual financial statements

The functional currency of each group company is the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are translated in Euros, which is the presentation currency for the consolidated financial statements. Euro is the currency that management uses when controlling and monitoring the performance and financial position of the Group.

Transactions in currencies other than the group company's functional currency (foreign currency transactions) are recorded at the rates of exchange prevailing at the date on which the transactions were entered into, or a close approximation thereof. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items are maintained at the historical exchange rates and are not retranslated.

Exchange differences are recognised in the statement of profit or loss in the period in which they arise.

Foreign currencies in consolidated financial statements

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Euros using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other com-

prehensive income and transferred to the Group's currency translation reserve. Such exchange differences are reclassified from equity to the statement of profit or loss in the period in which the foreign operation is disposed of.

The foreign currency rates applied against the Euro were as follows:

		31 December 2021		31 December 2020	
		Statement of financial position	Statement of profit or loss	Statement of financial position	Statement of profit or loss
Danish Krone	DKK	7.44	7.44	7.44	7.45
Great Britain Pound	GBP	0.84	0.86	0.90	0.89
Norwegian Kroner	NOK	9.99	10.16	10.47	10.78
Swedish Krona	SEK	10.25	10.16	10.03	10.48
Swiss Franc	CHF	1.03	1.08	1.08	1.07

3.6. Property, plant and equipment

Property, plant and equipment are initially recognised at cost and are depreciated using the straight-line method over their estimated useful lives. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Maintenance and repair costs are expensed as incurred.

The useful lives of property, plant and equipment are as follows:

Land	Infinite (no depreciation is applied)
Buildings	40 to 60 years
Vending equipment	6 to 10 years
Vehicles	5 years
Machinery & Equipment	8 years
IT Hardware	3 to 5 years

Each significant part of an item of property, plant and equipment with a useful life that is different from that of the asset to which it belongs is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

3.7. Leases

The Group leases certain property, plant and equipment. At inception of a contract, it is assessed whether the contract is, or contains, a lease.

All leases, except for leases of low-value and short-term leases are capitalised on the balance sheet. Leases are capitalised at the leases' commencement. Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost and depreciation of the right-of-use assets are charged to the statement of profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the useful life of the asset or the lease term.

3.8. Goodwill and intangible assets

Goodwill

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the combination. These cash-generating units are tested for impairment annually, and whenever there is an indication that a unit may be impaired. If the recoverable amount of a cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their value can be measured reliably.

Trademark

The trademarks Selecta and Pelican Rouge recognised by the Group have an indefinite useful life and are not amortised. These trademarks are allocated on a reasonable and consistent basis to the cash-generating units that are tested for impairment annually as described in the section on goodwill above. Trademarks which have definite useful life are amortised over 10 years.

Customer contracts

Intangible assets resulting from the acquisition by the Group of customer contracts in a business combination have a finite useful life. Customer contracts are amortised over a period of 10-15 years.

Software

Software licences are recognised as intangible assets when it is probable that they will generate future economic benefits. They are amortised using the straight-line method over 3-5 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Other software licences and software development costs are expensed as incurred. No intangible asset arising from research (or from research phase of an internal project) is recognised. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Software as a Service (SaaS)

In software as a service arrangements the Group is granted a right to access cloud based software and use it for its purpose. No right to transfer the software to another platform or to control the method of operation of the software is granted beyond what is contractually agreed. License costs in relation to SaaS arrangements are expensed as incurred.

Implementation costs are assessed for being distinct from the access to the software. In situations in which the implementation costs are determined to be not distinct from the access to the software, they are recognised as expense over the period of the access to the software. In situations in which the implementation costs are determined to be distinct, an additional test is performed to determine whether the expenditure gives rise to a separate intangible asset. When the criteria of the test are satisfied, the development costs are recognised as an intangible asset. When the criteria of the test are not satisfied, the development costs are expensed as incurred.

3.9. Impairment of non-current assets other than goodwill or trademark

At each balance sheet date, the Group assesses whether there is any indication that its tangible and intangible assets other than goodwill or trademark may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

3.10. Prepayments and accrued income

Prepayments and accrued income comprise payments made in advance relating to the following year, and income relating to the current year, which will not be received until after the balance sheet date. Prepayments are measured at the nominal amount of the payments. Accrued income is measured at amortised costs.

3.11. Inventories

Inventories are stated at the lower of cost and net realisable value. The net realisable value corresponds to the estimated selling price in the ordinary course of business less point-of-sales costs. A valuation allowance on inventories is recorded, when the cost of inventories is greater than their net realisable value.

3.12. Rebates and other amounts received from suppliers

Rebates and other amounts received from suppliers include agreed discounts from suppliers' list prices, value and volume-related rebates. Income from value and volume-related rebates is recognised based on actual purchases in the period as a proportion of total purchases made or forecast to be made over the rebate period. Agreed discounts relating to inventories are credited to the statement of profit or loss as the goods are sold. Rebates relating to inventories purchased but still held at the balance sheet date are deducted from their carrying values so that the costs of inventories

are recorded net of applicable rebates. Rebates received in respect of property, plant and equipment are deducted from the costs capitalised.

3.13. Trade and other receivables

Trade and other receivables are unconditional rights to consideration in exchange for goods or services that the entity has transferred to the customer. Trade receivables that do not have a significant financing component are measured on initial recognition at their transaction price. Such trade receivables are measured subsequently at amortized cost.

The Group recognises a loss allowance for expected credit losses on trade receivables that are not insured under non-recourse factoring arrangements. The expected credit loss is calculated with a qualitative approach for the major customers and material amounts, while the expected credit losses on the remaining trade receivables are measured by applying a simplified approach at an amount equal to lifetime expected credit losses, using a provision matrix. The Group uses its historical credit loss experience for trade receivables, using country-based groupings, and taking into account forward-looking elements. The Group defines default as bankruptcy of the counterparty or instances when a receivable cannot be (fully) recovered.

3.14. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and the change floats in vending machines' cash change boxes.

Due to the Group's business model, significant cash balances are held at year-end in cash collection boxes inside vending machines (trapped cash) and on behalf of the Group by external cash collecting firms, or end route to or from such cash counting firms. These amounts are included in other current assets.

Bank overdrafts are included within other current liabilities on the balance sheet.

3.15. Provisions

Provisions are recognised 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 will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

When some or all of the expenditure required to settle a provision is expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received, and the amount of the receivable can be measured reliably.

3.16. Loans due to parent undertaking / borrowings

Loans due to parent undertaking or borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

3.17. Accruals and deferred income

Accruals and deferred income comprise expenses relating to the current year, which will not be paid until after the balance sheet date and cash received in advance, relating to the following year. Deferred income is measured at the consideration received less amounts already recognised in revenue. Accruals are measured at amortised cost.

3.18. Taxation

The credit or charge for current income tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates of the countries where the Group has operations.

Deferred income taxes are accounted for using the balance sheet liability method in respect of temporary differences arising between the carrying amount of assets and liabilities in the balance sheet and the corresponding tax basis used in the computation of taxable profit.

Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are recognised to the extent that it can be reasonably expected that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities, which affects neither taxable nor accounting income.

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

Current income tax and deferred income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is also recognised directly in equity or other comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3.19. Employee benefits

The Group maintains various defined contribution and defined benefit pension plans.

Defined benefit obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Group. These are managed by a board of trustees consisting of representatives of the employees and the employer. The organisation, management and financing of the pension plans comply with the applicable pension regulations. Employees and pensioners or their survivors receive statutorily determined benefits upon leaving the company or retiring as well as in the event of death or disability. These benefits are financed through employer and employee contributions.

Defined benefit plans

In the case of defined benefits pension plans, the pension expenses and obligations are valued according to the projected unit credit method. The corresponding calculations are carried out yearly by independent qualified actuaries.

Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

All re-measurement gains and losses on the net defined benefit liability are charged or credited in other comprehensive income in the period in which they occur.

When the benefits of a plan are changed or when a plan is curtailed, the resulting past service cost is generally recognised in profit or loss when the plan amendment or curtailment occurs. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution plans

In the case of defined contribution pension plans, the Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when the employees render the corresponding service to the Group, which normally occurs in the same year in which the

contributions are paid. Payments made to state-managed plans are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution pension plan.

3.20. Share-based payments

Employees (senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 33. The cost is recognised in employee benefits expense, together with a corresponding increase in equity (share premium), over the period in which the service and, where applicable, the other performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized at the beginning and end of the period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

3.21. Revenue recognition

Revenue represents the consideration received or receivable for goods and services provided in the normal course of business, excluding trade discounts, value added tax and similar sales taxes.

Sale of goods

Revenue from the sale of goods such as ingredients, consumables, retail goods and vending machines (points of sale) is recognised at a point in time when the goods are delivered to the client site or the goods are purchased from a point of sale by a customer, depending on the contract terms.

Revenue may be received directly in the form of cash from the consumer or may be invoiced to a client periodically. In general, the timing of payment and the satisfaction of Selecta's performance obligations are very close to each other. Customers mainly pay the goods at the points of sale and customers that are invoiced usually pay within 30 days from the delivery of the products.

Where revenue is received in the form of cash, the amount recognised as revenue is the amount of cash received until the last date on which the cash was collected from the machine, plus an estimate of the sales between this date and the period end calculated based on historical trends.

Where the sale of goods is invoiced to the client, the amount recognised is based either on the amounts delivered to the client or based on the consumption in the machines, depending on the specific contractual terms. Where revenue is recognised based on consumption in the machines, the amount recognised is based on the last recorded consumption from the machine plus an estimate of the sales between this date and the period end calculated based on historical trends. In all other cases, revenue is recognised at the point in time at which the goods are obtained by the counterparty from the points of sale.

The contracts of the Group generally include a standard warranty clause to guarantee that the goods comply with agreed specifications.

Rendering of services

Selecta also provides services to clients in the form of machine rentals, technical services and hygiene services. Where the income is a fixed amount for the specified service period revenue is recognised on a straight-line basis over the service period whereas time and material agreements are recorded as they incur.

3.22. Financial result

Finance costs

Finance costs comprise interest expense on borrowings, loans and leases calculated using the effective interest method, fair value losses on derivatives not subject to hedge accounting and foreign exchange losses. Foreign exchange gains and losses are reported on a net basis as either finance income or finance expense depending on whether the total foreign currency movements represent a gain or a loss accordingly. Net interest expense on the net defined benefit obligation is included in the finance costs.

Finance income

Finance income mainly consists of foreign exchange gains.

4. Use of estimates and key sources estimation uncertainties

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below.

Goodwill and intangible assets with indefinite useful lives

The carrying amounts of cash-generating units to which goodwill has been allocated and which include other intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. The recoverable amounts of cash-generating units are determined based on their values in use. These calculations require the use of estimates and assumptions consistent with the most up-to-date business plans that have been formally approved by management. The amounts and key assumptions used for the value in use calculations are set out in notes 16 and 17 to the consolidated financial statements.

Customer contracts

Intangible assets resulting from the acquisition by the Group of customer contracts in a business combination have a finite useful life. The Selecta and Pelican Rouge customer contracts are amortised over the useful life over 10-15 years. The other customer contracts are amortised over a useful life of 10 years.

The Group actively monitors retention rates on customer contracts and considers other relevant factors which may provide an indication of impairment. The amounts are described in note 17 to the consolidated financial statements.

Sales estimations

Where sales are based on consumption in the machines, there may be a timing difference between the date on which the cash was last collected from the machines or the date on which the sales readings were taken. In this case an estimate of the sales between the date of the last cash collection or the last machine reading and the end of the period is made. The estimate is based on historical sales trends in respect of the specific client sites and machines. The estimated amount of sales which have been neither collected in cash nor invoiced to customers are recorded as accrued income and uncollected cash in points-of-sale, as disclosed in note 21.

Inventories

Inventories include perishable products which requires the Group to make estimates regarding the amount of goods whose shelf life will expire before they are sold in order to determine the appropriate level of allowances to be recorded. Such allowances are therefore calculated with reference to the level of inventories held, average sales, and expiry dates.

5. Segment reporting

The Company's Board of Directors examines the results achieved by each segment when making decisions on the allocation of resources and assessment of performance. The Group's financing activities are managed at Group level and are not allocated to segments.

Three different regions present similarities in terms of both channel and business model predominances, and related characteristics. Each of those regions engages business activities as described below, earns revenues and incurs expenses:

- **Segment South, UK & Ireland:** characterised by paid-vend², mixed channel vending and includes Italy, Spain and the UK (including Ireland)
- **Segment Central:** characterised by paid-vend, mixed channel vending and includes Switzerland, Germany, Austria and France, with a strong presence and expertise in the public business
- **Segment North:** characterised by free-vend³, office coffee services (OCS) and includes Sweden, Norway, Finland, Denmark, Belgium, Netherlands, and the Pelican Rouge Roaster in the Netherlands

Revenues, revenues net of vending fees, profit/(loss) before net finance costs, income taxes, depreciation, amortisation and impairment expense as the operating result of the Group's reportable segments are regularly reviewed by the Board of Directors, as the Group's Chief Operating Decision Maker, to assess performance and to determine how resources should be allocated.

The table below shows the interaction between revenues by channels and segment revenues.

Result for the 12 months ended 31 December 2021

	<i>South, UK & Ireland</i>	<i>Central</i>	<i>North</i>	<i>Total reportable segments</i>	<i>HQ and Interco</i>	<i>Total Group</i>
	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)
Revenue	383'245	438'263	382'453	1'203'961	(19'535)	1'184'426
Revenue net of vending fees	344'969	353'601	360'660	1'059'230	(19'535)	1'039'695
Profit/(loss) before net finance costs, income taxes, depreciation, amortisation and impairment expenses	34'590	74'621	66'001	175'212	(17'117)	158'095
Depreciation, amortisation and impairment expenses	(59'808)	(59'967)	(38'803)	(158'578)	(50'160)	(208'738)
Loss before net finance costs and income tax						(50'643)
Finance costs, net						(64'402)
Loss before income tax						(115'045)

² Paid vend means that consumer pays (e.g. at the coffee machines in the offices)

³ Free vend is defined by consumer not paying but the employer is paying (e.g. coffee consumption)

Result for the 12 months ended 31 December 2020

	South, UK & Ireland	Central	North	Total reportable segments	HQ and Interco	Total Group
	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)
Revenue	376'661	418'366	360'190	1'155'217	(13'772)	1'141'445
Revenue net of vending fees	332'473	346'833	342'204	1'021'510	(13'772)	1'007'738
Profit/(loss) before net finance costs, income taxes, depreciation and amortisation expenses	10'471	15'949	39'938	66'358	(46'961)	19'397
Depreciation and amortisation expenses	(61'313)	(68'001)	(42'136)	(171'450)	(137'697)	(309'147)
Loss before net finance costs and income tax						(289'750)
Finance costs, net						(145'832)
Loss before income tax						(435'582)

Non-current assets excluding deferred income tax assets, non-current financial assets and net defined benefit assets

	31 December 2021 € (000's)	31 December 2020 € (000's)
Switzerland	105'080	116'717
France	69'308	86'014
Italy	87'071	95'023
Sweden	24'614	30'129
UK	33'847	45'852
Netherlands	54'372	59'985
All other countries	125'011	131'668
HQ	1'537'430	1'572'474
Total	2'036'733	2'137'862

6. Revenue by channel

The table below shows the interaction between revenues by channels and segment revenues.

Result for the 12 months ended 31 December 2021

	<i>South, UK & Ireland</i>	<i>Central</i>	<i>North</i>	<i>Total reportable segments</i>	<i>HQ and Interco</i>	<i>Total Group</i>
	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)
Revenue from contracts with customers	383'245	438'263	370'447	1'191'955	(19'535)	1'172'420
Rental revenue	-	-	12'006	12'006	-	12'006
Total revenue	383'245	438'263	382'453	1'203'961	(19'535)	1'184'426
Revenue from On-the-Go channel	133'552	238'079	69'737	441'368	-	441'368
Third party revenue from Workplace channel	190'768	159'191	160'725	510'684	-	510'684
Intersegment revenue from Workplace channel	-	57	-	57	(57)	-
Third party revenue from Trading channel	58'835	40'812	120'721	220'368	-	220'368
Intersegment revenue from Trading channel	90	124	19'264	19'478	(19'478)	-
Total revenue from contracts with customers	383'245	438'263	370'447	1'191'955	(19'535)	1'172'420

Result for the 12 months ended 31 December 2020

	<i>South, UK & Ireland</i>	<i>Central</i>	<i>North</i>	<i>Total reportable segments</i>	<i>HQ and Interco</i>	<i>Total Group</i>
	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)	€ (000's)
Revenue from contracts with customers	376'661	418'366	347'921	1'142'948	(13'772)	1'129'176
Rental revenue	-	-	12'269	12'269	-	12'269
Total revenue	376'661	418'366	360'190	1'155'217	(13'772)	1'141'445
Revenue from On-the-Go channel	135'212	207'701	58'212	401'125	-	401'125
Intersegment revenue from On-the-Go channel	-	138	-	138	(138)	-
Third party revenue from Workplace channel	187'937	172'809	163'109	523'855	-	523'855
Intersegment revenue from Workplace channel	-	51	-	51	(51)	-
Third party revenue from Trading channel	53'512	37'651	113'033	204'196	-	204'196
Intersegment revenue from Trading channel	-	16	13'567	13'583	(13'583)	-
Total revenue from contracts with customers	376'661	418'366	347'921	1'142'948	(13'772)	1'129'176

Revenue by channel:

On-the-Go (Public & semi-public):

The On-the-Go channel includes public and semi-public points of sale (vending machines).

Public points of sale are characterized by their public access, and the fact that the customer on these premises purchase the merchandise (goods such as foods and drinks) 'on the go', with travel being the main purpose of their presence at such premises.

Semi-public points of sales are in areas accessible to customers either visiting the premises or employed on the premises. The main purpose of visitors on the premises shall not be travel (such premises are captured within public) or work (such premises are captured within workplace), it can be leisure, education, health, access to public services, etc.

Workplace (private):

The Workplace points of sale are installed in workplace environments and therefore primarily accessible to the counterparty's employees.

Trading:

The Trading channel captures sales of vending machines and ingredients, rental and technical services and the sales of products from the Group's own coffee roasting facility. Roaster products include roasted, blended and packed coffee and related ingredients.

The above channel split articulates the main differences in counterparty and customer segmentation and the corresponding offering and contract types across the Group.

No information is provided about remaining performance obligations as of 31 December 2021 that have an original expected duration of one year or less, as allowed by IFRS 15.

7. Vending fees and revenue net of vending fees

The Group enters into contracts with public and semi-public counterparties to install, operate, supply and maintain self-service retail machines on freely accessible public and semi-public locations. In return Selecta pays the counterparties a consideration which is presented as vending fees expense in the consolidated statement of profit or loss.

From the perspective of the Company's management, the economic substance of these transactions is in such cases a revenue-sharing business model between Selecta and its counterparties. As such, for internal operating and management purposes the Group has started to use the measure of revenue net of vending fees in order to assess the performance of the segments and to draw management decisions accordingly, on a consistent basis across segments.

Revenue net of vending fees is not a defined performance measure in IFRS. Management presents the performance measure of revenue net of vending fees because it monitors this performance measure at a consolidated and segment level, and it believes that this measure is relevant to the understanding of the Group's financial performance. Due to this, vending fees are separately disclosed below the revenue line and excluded from the line other operating expenses.

8. Materials and consumables used

	<i>12 months ended 31 December 2021 € (000's)</i>	<i>12 months ended 31 December 2020 € (000's)</i>
Cost of materials	(412'865)	(413'004)
Rebates and discounts	16'330	14'312
Other	396	(993)
Total materials and consumables used	(396'139)	(399'685)

9. Employee benefits expenses

	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Wages and salaries	(299'575)	(402'119)
Social security	(53'555)	(65'884)
Compensation for short-term work	25'400	64'120
Post-employment benefits:		
Defined contribution plans	(5'456)	(7'389)
Defined benefit plans	(2'781)	(2'658)
Total employee benefits expense	(335'967)	(413'930)

Further information with respect to the Group's post-employment benefit obligations are presented in note 25.

10. Depreciation, amortisation and impairment expenses

	Notes	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Depreciation	15	(147'495)	(162'354)
Impairment recognized on customer contracts and others	17	-	(16'557)
Impairment on goodwill	16	-	(68'900)
Amortisation customer relationship contracts and trademark	17	(53'785)	(51'644)
Amortisation other intangibles	17	(7'458)	(9'692)
Total depreciation, amortisation and impairment expenses		(208'738)	(309'147)

11. Other operating expenses

	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Maintenance	(79'082)	(84'260)
Administration expenses	(61'827)	(76'472)
Travel and representation	(5'172)	(5'431)
Rent	(5'999)	(9'652)
Loss on disposal of tangible assets	(5'079)	(5'232)
Other operating expenses	(6'481)	(9'810)
Total other operating expenses	(163'640)	(190'857)

12. Other operating income

	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Supplier marketing contributions	674	1'036
Gain on disposal of tangible assets	6'197	6'125
Other operating income	7'275	9'017
Total other operating income	14'146	16'178

13. Finance costs and finance income

	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Interest on loan due to parent undertaking	-	(8'154)
Interest on other loans	(85'377)	(88'055)
Refinancing costs	-	(65'941)
Lease interest expense	(6'759)	(6'948)
Other interest and finance expense	(2'660)	(432)
Total finance costs	(94'796)	(169'530)
Change in fair value of derivative financial instruments	-	512
Foreign exchange gain	28'788	20'698
Other interest and finance income	1'606	2'718
Total finance income	30'394	23'698

14. Income tax

Income tax benefit comprises:

	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Current income tax (expense) / benefit	1'875	(845)
Deferred income tax benefit	17'261	15'935
Total income tax benefit	19'136	15'090

The total tax charge for the periods can be reconciled to the accounting profit as follows:

	<i>12 months ended 31 December 2021 € (000's)</i>	<i>12 months ended 31 December 2020 € (000's)</i>
Loss before income tax	(115'045)	(435'582)
Applicable tax rate	27.9 %	23.2%
Expected tax credit	32'072	100'982
Effect of expenses not deductible for tax purposes	(31'736)	(37'891)
Effect of change in tax rate	(1'750)	-
Effect of non-taxable income for tax purposes	23'489	13'503
Effect of taxable losses for the period not recognised as deferred tax assets	(20'281)	(75'139)
Recognition of previously unrecognised tax losses and deferred tax assets	13'749	12'560
Income tax benefit of previous years	3'593	1'075
Income tax benefit recognised in consolidated statement of profit or loss	19'136	15'090

The applicable tax rate used above in the tax reconciliation is based on the weighted average tax rates applicable in the countries in which the Group operates. This is derived from a summation of the individual tax rates and pre-tax profits and losses in each country and is not the same as the medium to long term effective tax rate of the Group.

15. Property, plant and equipment

<i>Cost</i>	<i>Freehold land and buildings € (000's)</i>	<i>Vending equipment € (000's)</i>	<i>Vehicles € (000's)</i>	<i>Other equipment € (000's)</i>	<i>Total € (000's)</i>
Balance at 31 December 2019	14'172	819'176	25'926	84'891	944'165
Right-of-use assets*	120'570	22'262	49'682	3'186	195'700
Additions	25'480	50'601	13'938	6'344	96'363
Disposals	(5'262)	(54'514)	(15'725)	(9'804)	(85'305)
Lease modifications	6'921	(410)	1'290	-	7'801
Reclassifications**	(91)	(5'996)	(1'274)	2'220	(5'141)
Effects of foreign currency exchange differences	(208)	(1'291)	132	(683)	(2'050)
Balance at 31 December 2020	161'582	829'828	73'969	86'154	1'151'533
Additions	10'288	80'214	17'917	7'472	115'891
Disposals	(12'577)	(103'453)	(17'674)	(7'550)	(141'254)
Lease modifications	797	21	591	2	1'411
Reclassifications**	56	(16'188)	2'072	(3'864)	(17'924)
Effects of foreign currency exchange differences	3'010	11'333	1'167	1'491	17'001
Balance at 31 December 2021	163'156	801'755	78'042	83'705	1'126'658
Accumulated depreciation and impairment					
Balance at 31 December 2019	(4'080)	(494'624)	(14'683)	(48'780)	(562'167)
Depreciation expense	(18'241)	(106'658)	(24'571)	(12'884)	(162'354)
Disposals	1'809	54'935	14'733	9'575	81'052
Reclassifications**	152	1'888	828	(2'554)	314
Effects of foreign currency exchange differences	20	864	(89)	334	1'129
Balance at 31 December 2020	(20'340)	(543'595)	(23'782)	(54'309)	(642'026)
Depreciation expense	(17'615)	(99'437)	(19'621)	(10'822)	(147'495)
Disposals	4'284	89'950	13'743	6'576	114'553
Reclassifications**	(43)	13'813	(2'052)	2'567	14'285
Effects of foreign currency exchange differences	(498)	(8'451)	(397)	(941)	(10'287)
Balance at 31 December 2021	(34'212)	(547'720)	(32'109)	(56'929)	(670'970)
Net Book Value					
At 31 December 2020	141'242	286'233	50'187	31'845	509'507
At 31 December 2021	128'944	254'035	45'933	26'776	455'688

* At 1 January 2020 the Group recognised € 225.1 millions of right-of-use assets, from which € 195.7 millions were recognised from lease contracts previously classified as operating leases and € 29.4 millions were recognised from leases previously classified as finance leases. For leases previously classified as finance leases, the Group did not change the initial carrying amounts of recognised assets.

** Reclassifications mainly relate to transfers to inventory of used equipment to be sold

As of 31 December 2021, the above table included right-of-use assets in the amount € 190.4 million (31 December 2020: € 221.4 million). Commitments in respect of capital expenditure amounted to € 2.4 million as of 31 December 2021 (31 December 2020: € 3.3 million).

16. Goodwill

Cost	Goodwill € (000's)
Balance at 1 January 2019	1'035'048
Other changes	13'765
Balance at 1 January 2020	1'048'813
Other changes	(1'110)
Balance at 31 December 2020	1'047'703
Other changes	245
Balance at 31 December 2021	1'047'948
	Goodwill € (000's)
Accumulated impairment	
Balance at 1 January 2019	-
Impairment	-
Balance at 1 January 2020	-
Impairment	(68'900)
Balance at 31 December 2020	(68'900)
Impairment	-
Balance at 31 December 2021	(68'900)
At 31 December 2020	978'803
At 31 December 2021	979'048

16.1. Impairment testing

During the financial years 2021 and 2020 the carrying values including goodwill of the cash-generating units were compared to their recoverable amounts. The test was conducted on the basis of the carrying values and the recoverable amounts of the Selecta Group's cash generating units.

The goodwill tested as of 31 December 2021 was € 979.0 million, composed of the legacy Selecta, Pelican Rouge and Argenta and several minor acquisitions goodwill. For 12 months ended 31 December 2021, it was concluded that recoverable amounts exceeded the carrying amounts and therefore no impairment was recorded.

For 12 months ended 31 December 2020, the carrying amount of the cash generating unit South, UK & Ireland was determined to be higher than its recoverable amount of € 35.1 million, and € 33.8 million for cash generating unit North. An impairment in the amount of € 68.9 million was fully allocated to goodwill and recorded in the line item "Impairment".

16.2. Allocation to cash-generating units

Cash-generating units considered in this financial year's impairment test

In alignment with Group's segment reporting, the three CGUs considered for the purposes of impairment testing are as follows:

- Segment South, UK & Ireland which includes Italy, Spain and the UK (including Express Vending and Ireland)
- Segment Central which includes Switzerland, Germany, Austria and France

- Segment North which includes Sweden, Norway, Finland, Denmark, Belgium, Netherlands and the Pelican Rouge Roaster in the Netherlands

The amount of goodwill allocated to each cash generating unit as of 31 December 2021 and 31 December 2020 were as follows:

	<i>31 December 2021 € (000's)</i>	<i>31 December 2020 € (000's)</i>
<u>Selecta goodwill</u>		
Region South, UK & Ireland	416'891	416'781
Region Central	188'479	188'343
Region North	373'678	373'679
Total goodwill	979'048	978'803

16.3. Summary of assumptions used in goodwill impairment testing

In undertaking the impairment test of the Selecta goodwill, the Group has used post-tax cash flow projections for the computation of value in use based on the 2023 - 2025 business plan of the Group, covering a three-year period. In years four to seven the Group assumes further growth of 1.5% (2020: 1.5%).

Cash flows beyond the seven-year period are extrapolated using estimated growth rates as disclosed in the table below. For the 12 months period ended 31 December 2021, the growth rates were as follows:

	<i>2021</i>
Region South, UK & Ireland	1.5%
Region Central	1.5%
Region North	1.5%

For the 12 months period ended 31 December 2020, the growth rates were as follows:

	<i>2020</i>
Region South, UK & Ireland	1.5%
Region Central	1.5%
Region North	1.5%

The cash flows are discounted using a post-tax weighted average cost of capital (WACC) for each region. The post-tax WACC applied for each region as of 31 December 2021 and 31 December 2020 were as follows:

	<i>31 December 2021</i>		<i>31 December 2020</i>	
	Post-tax WACC	Equivalent to a pre-tax WACC of:	Post-tax WACC	Equivalent to a pre-tax WACC of:
Region South, UK & Ireland	7.9%	10.1%	7.8%	9.9%
Region Central	7.2%	8.9%	7.4%	9.5%
Region North	7.2%	9.4%	7.3%	9.0%

16.4. Headroom/Impairment and sensitivity to change in assumptions

The headroom arising from the goodwill impairment testing by region as of 31 December 2021 and 31 December 2020 was as follows:

	31 December 2021 € millions	31 December 2020 € millions
Region South, UK & Ireland	276	-
Region Central	441	233
Region North	368	-

The following table shows the level to which the WACC would need to increase to assuming achievement of the future cash flows, or the level to which long term growth rates would need to fall assuming use of the Group's post tax WACC, to eliminate all of the headroom in the region.

	31 December 2021	
	<i>Level to which Post-tax WACC would need to increase to eliminate all of the headroom in the region</i>	<i>Level to which growth rates would need to fall to eliminate all of the headroom in the region</i>
Region South, UK & Ireland	10.4%	-1.7%
Region Central	12.7%	-5.9%
Region North	11.0%	-3.2%

	31 December 2020	
	<i>Level to which Post-tax WACC would need to increase to eliminate all of the headroom in the region</i>	<i>Level to which growth rates would need to fall to eliminate all of the headroom in the region</i>
Region Central	10.3%	-3.1%

17. Intangible assets

Intangible assets consist primarily of trademarks and customer contracts.

The trademarks “Selecta” and “Pelican Rouge” recognised by the Group represent the brand names and have an indefinite useful life. Therefore, these trademarks are tested for impairment annually. The impairment calculation is based on the Value in Use assumption.

<i>Cost</i>	<i>Software/ other € (000's)</i>	<i>Trademarks € (000's)</i>	<i>Customer Contracts € (000's)</i>	<i>Total € (000's)</i>
Balance at 31 December 2019	79'145	357'051	669'059	1'105'255
Additions	5'829	-	1'054	6'883
Disposals	(4'997)	-	(182)	(5'179)
Reclassifications	2'137	-	2'457	4'594
Effects of foreign currency exchange differences	(290)	-	(465)	(755)
Balance at 31 December 2020	81'824	357'051	671'923	1'110'798
Additions	13'525	-	110	13'635
Disposals	(2'231)	-	-	(2'231)
Reclassifications	451	-	-	451
Effects of foreign currency exchange differences	3'022	-	868	3'890
Balance at 31 December 2021	96'591	357'051	672'901	1'126'543
<i>Accumulated amortisation and impairment losses</i>	<i>Software/ other € (000's)</i>	<i>Trademarks € (000's)</i>	<i>Customer Contracts € (000's)</i>	<i>Total € (000's)</i>
Balance at 31 December 2019	(52'268)	(5'846)	(329'415)	(387'529)
Amortisation expenses	(9'693)	(3'291)	(48'353)	(61'337)
Disposals	3'850	-	182	4'032
Reclassifications	(90)	-	(324)	(414)
Impairment	(3'114)	-	(13'443)	(16'557)
Effects of foreign currency exchange differences	286	-	273	559
Balance at 31 December 2020	(61'029)	(9'137)	(391'080)	(461'246)
Amortisation expenses	(7'458)	(3'290)	(50'495)	(61'243)
Disposals	2'230	-	-	2'230
Reclassifications	55	-	-	55
Effects of foreign currency exchange differences	(2'187)	-	(405)	(2'592)
Balance at 31 December 2021	(68'389)	(12'427)	(441'980)	(522'796)
At 31 December 2020	20'795	347'914	280'843	649'552
At 31 December 2021	28'202	344'624	230'921	603'747

In 2021 the annual valuation testing of customer contracts didn't result in an impairment. In 2020 an impairment of € 13.4 million was recognized and allocated to the cash generating unit Central. The remaining amount of impairment for intangible assets was mainly related to capitalized IT costs.

At 31 December 2021 and 31 December 2020, the trademark has been allocated as follows:

	31 December 2021 € (000's)	31 December 2020 € (000's)
Region South, UK & Ireland	51'122	54'412
Region Central	203'475	203'475
Region North	90'027	90'027
Trademark allocated to cash generating units	344'624	347'914

18. Non-current financial assets

	31 December 2021 € (000's)	31 December 2020 € (000's)
Non-current financial assets comprise the following:		
Investments	46	43
Trade and other receivables	15'002	16'298
Total non-current financial assets	15'048	16'341

The maturity of the non-current financial assets is as follows:

After one year but not more than five years	15'048	16'341
Total non-current financial assets	15'048	16'341

19. Inventories

	31 December 2021 € (000's)	31 December 2020 € (000's)
Food and beverages	67'219	60'341
Vending equipment and spare parts	38'679	30'677
Goods in transit	3'674	1'927
Raw materials	6'719	6'349
Total inventories	116'291	99'294

During the 12 months ended 31 December 2021, inventories of € 412.8 million (2020: € 413.0 million) were recognised as an expense and included in materials and consumables used.

Inventory allowance of € 7.2 million (2020: € 7.0 million) was recorded for 12 months ended 31 December 2021.

At 31 December 2021 the Group had commitments of € 59.8 million (2020: € 59.8 million) relating to purchase of inventory.

20. Trade receivables

	31 December 2021 € (000's)	31 December 2020 € (000's)
Trade receivables - not overdue	78'947	55'386
Trade receivables - overdue 0 - 90 days	17'233	9'665
Trade receivables - overdue 90 - 360 days	4'630	4'145
Trade receivables - overdue > 360 days	3'714	825
Total trade receivables, gross	104'524	70'021
Allowance for doubtful accounts	(7'025)	(5'611)
Total trade receivables, net	97'499	64'410

The average credit period on sales of goods is 30 days. No interest is charged on the trade receivables until the end of the credit period, thereafter the charging of interest is at the discretion of local management depending on the amounts and customers involved. Where interest is charged in respect of an overdue receivable the interest rate applied is between 3% and 15% per annum depending on the country and the customer contract.

Depending on the size of a potential new customer and the volume of trading expected, prior to accepting new credit customers, the Group uses a credit scoring system to assess the potential customer's credit quality and defines a suitable credit limit for the customer.

Selecta subsidiaries in Benelux, UK, Switzerland, Germany and Sweden sell part of their receivables into a non-recourse receivable factoring program with ABNAMRO Commercial Finance B.V. In Norway and Finland, the local subsidiaries have an equally structured program with IKANO Bank AB. In accordance with those agreements, the relevant Selecta's subsidiaries assign eligible receivables to the Factor at an agreed market rate in return for funding. The agreement is subject to terms and conditions customary for such transactions. Selecta non-recourse programs allowed the Group to de-reconize trade receivables in the amount of € 28.7 million at 31 December 2021 (€ 25.6 million at 31 December 2020) and improve its net working capital as well as cash flow from operating activities.

21. Other current assets

	31 December 2021 € (000's)	31 December 2020 € (000's)
Accrued income	23'158	22'281
Prepayments	6'090	10'563
Sales tax recoverable	6'895	5'256
Other	9'873	7'554
Total other current assets	46'016	45'654

22. Cash and cash equivalents

	31 December 2021 € (000's)	31 December 2020 € (000's)
Cash at bank	52'162	118'590
Cash in point-of-sale	7'872	9'312
Cash and cash equivalents	60'034	127'902

23. Borrowings

	31 December 2021	31 December 2020
	€ (000's)	€ (000's)
Borrowings (incl. revolving credit facility)	1'015'150	975'332
Total borrowings	1'015'150	975'332

23.1. Borrowings

	31 December 2021			31 December 2020		
	€ (000's)	in %	Interest rate	€ (000's)	in %	Interest rate
EUR	991'212	97.6%	8.2%	953'313	97.7%	8.2%
CHF	23'938	2.4%	8.5%	22'019	2.3%	8.6%
Total	1'015'150	100%	8.2%	975'332	100%	8.2%

The amounts shown above reflect the nominal value and original currency of the borrowings. The nominal interest rate is disclosed. In 2020, the PIK loan to the Group's parent, Selecta Group Midco S.à r.l., was converted into equity against the issue price of one new share (see note 23.3).

23.2. Rate structure of borrowings

	31 December 2021	31 December 2020
	€ (000's)	€ (000's)
Total borrowings at variable rates	41'637	40'042
Total borrowings at fixed rates	973'513	935'290
Total borrowings	1'015'150	975'332

The total includes the reduction of net capitalized transaction costs.

23.3. Details of borrowing facilities

In March 2020, certain funds and accounts managed or advised by KKR Credit Advisors (US) LLC provided to the Group a super senior liquidity facility of € 50 million with a term of 1 year (maturity April 2021). This facility was discharged in full on October 29th, 2020, as part of the debt recapitalization described below. The liquidity facility was fully drawn from April 2020 until October 29th. The senior secured notes issued in 2018, the revolving credit facility (provided in 2018) and the liquidity facility were secured by first ranking security interests over the issued share capital of certain Group companies (together the "Guarantors"), certain intercompany receivables of the Company and the Guarantors, including assignment of certain bank accounts of the Company.

In April 2020, the Group completed a corporate reorganization. As part of this, the existing PIK loan to the Group's parent, Selecta Group Midco S.à r.l., was converted into equity against the issue price of one new share. Following the completion of the reorganization, the Company was directly held (100%) by Selecta Group AG, resident in Switzerland, and Selecta Group AG was directly owned (100%) by Selecta Group Midco S.à r.l. (from April 16th, 2020, to October 29th, 2020). Following the completion of the debt restructuring described below, Selecta Group AG is directly owned (100%) by Selecta Group FinCo S.A., a wholly owned subsidiary of Selecta Group Midco S.à r.l.

On October 29th, 2020, Selecta completed a comprehensive debt recapitalization, effected in part by an English law scheme of arrangement under the Companies Act 2006. The transaction involved the exchange of all outstanding senior secured notes issued in 2018, plus accrued and unpaid interest on the senior secured notes, for a combination of first lien and second lien notes issued by the Company and preference shares issued by Selecta Group FinCo S.A., a newly incorporated subsidiary of Selecta

Group Midco S.à r.l. The recapitalization resulted in (i) a significant reduction of the Company's outstanding third-party debt (ii) an extension of debt maturities through 2026, and (iii) material cash interest reduction in the near-term. In addition, Selecta's shareholders provided € 175 million of new capital by way of a cash funding of € 125 million and the settlement of the € 50 million super senior liquidity facility, in consideration for the issuance of € 175 million of preference shares by Selecta Group FinCo S.A. The Company's super senior revolving credit facility ("RCF") was also amended to, among other things, amend the maturity to January 1st, 2026 and replace the existing financial covenant draw stop with new financial maintenance covenants.

The amended super senior revolving credit facility, the first lien notes and the second lien notes rank pari passu as to right of payment. The RCF ranks senior to the first lien notes, and the first lien notes rank senior to the second lien notes as to proceeds of enforcement of security. The RCF and the first lien notes are guaranteed on a senior secured basis by the Guarantors and Selecta Finance UK Limited, and benefit from first priority liens over certain assets of the Group. The second lien notes are also guaranteed by the Guarantors and Selecta Finance UK Limited, and benefit from second-priority liens over the assets of the Group securing the RCF and the first lien notes.

Interest Rate

- First Lien Notes: Until (but excluding) January 2nd, 2023: 3.500% per annum, payable in cash, plus in kind at a rate of 4.500% per annum by increasing the principal amount of the outstanding Euro Notes or issuing additional Euro Notes in a principal amount equal to such interest. From (and including) January 2nd, 2023: 8.000% per annum, payable in cash.
- Second Lien Notes: Until (but excluding) January 2nd, 2023: 10.000% per annum, payable in kind by increasing the principal amount of the outstanding Euro Notes or issuing additional Euro Notes in a principal amount equal to such interest. From (and including) January 2nd, 2023: at the Company's discretion, 9.250% per annum, payable in cash or 10.000% per annum payable in kind. Interest can be paid entirely in cash, entirely in kind or in a combination of both.

Maturity

- First Lien Notes: April 1st, 2026.
- Second Lien Notes: July 1st, 2026.

	<i>Interest rate</i>	<i>31 December 2021</i>
	%	€ (000's)
First Lien Notes (EUR)	8.0	699'078
First Lien Notes (CHF)	8.0	17'624
Second Lien Notes (EUR)	10.0	250'496
Second Lien Notes (CHF)	10.0	6'315
Senior revolving credit facility (Euribor + 3.5%)	3.5	41'637
Total borrowings at nominal values		1'015'150

	<i>Interest rate</i>	<i>31 December 2020</i>
	%	€ (000's)
First Lien Notes (EUR)	8.0	678'552
First Lien Notes (CHF)	8.0	16'361
Second Lien Notes (EUR)	10.0	234'718
Second Lien Notes (CHF)	10.0	5'659
Senior revolving credit facility (Euribor + 3.5%)	3.5	40'042
Total borrowings at nominal values		975'332

23.4. Reconciliation of movements of liabilities to cash flows arising from financing activities

	<i>Total borrowings</i> € (000's)	<i>Interest accrual on bonds</i> € (000's)	<i>Other loans, financing facilities</i> € (000's)	<i>Other (assets)/ liabilities</i> € (000's)	<i>Total</i> € (000's)
Balance at 31 December 2020	975'332	14'106	245'029	(8'803)	1'225'664
Changes from financing cash flows					
Proceeds/(repayment) of loans and borrowings	(219)	-	11'787	-	11'568
Proceeds/(repayment) of factoring	-	-	(3'557)	-	(3'557)
Interest paid	(3'194)	(16'344)	(10'301)	-	(29'839)
Payment of lease liabilities	-	-	(60'904)	-	(60'904)
Total changes from financing cash flows	(3'413)	(16'344)	(62'975)	-	(82'732)
Capitalized interest	37'166	(37'166)	-	-	-
Interest expense	2'478	81'304	10'302	-	94'084
Additions and modification	-	-	24'235	-	24'235
Other movement	-	-	-	8'803	8'803
Total other changes	39'644	44'138	34'537	8'803	127'122
The effect of changes in foreign exchange rates	3'587	(392)	3'729	-	6'924
Balance at 31 December 2021	1'015'150	41'508	220'320	-	1'276'978

	<i>Total borrowings before refinancing costs</i> € (000's)	<i>Amortised refinancing costs</i> € (000's)	<i>Interest accrual on bonds</i> € (000's)	<i>Other loans, financing facilities</i> € (000's)	<i>Other (assets)/ liabilities</i> € (000's)	<i>Total</i> € (000's)
Balance at 31 December 2019	1'764'278	(37'324)	21'168	57'396	(8'292)	1'797'226
Changes from financing cash flows						
Proceeds from cash grant	50'000	-	-	-	-	50'000
Proceeds from interim financing	-	-	-	50'000	-	50'000
Repayment of interim financing	-	-	-	(50'000)	-	(50'000)
Repayment of borrowings	(23'537)	-	-	-	-	(23'537)
Proceeds/(repayment) of factoring	-	-	-	5'040	-	5'040
Refinancing costs paid	-	-	-	(5'001)	-	(5'001)
Interest paid	(3'243)	-	(47'198)	(13'821)	512	(63'750)
Payment of lease liabilities	-	-	-	(63'051)	-	(63'051)
Total changes from financing cash flows	23'220	-	(47'198)	(76'833)	512	(100'299)
Changes in fair value	-	-	-	-	(511)	(511)
Capitalized interest old bonds	43'797	-	(43'797)	-	-	-
Interest expense	11'397	-	83'541	13'822	(512)	108'248
Refinancing costs incurred to P&L	-	37'443	-	-	-	37'443
Refinancing of senior secured note	(870'861)	-	-	-	-	(870'861)
First time recognition IFRS 16 lease liability	-	-	-	192'888	-	192'888
Additions and modification	-	-	-	48'083	-	48'083
Other movement	-	-	-	10'121	-	10'121
Total other changes	(815'667)	37'443	39'744	264'914	(1'023)	(474'589)
The effect of changes in foreign exchange rates	3'501	(119)	392	(448)	-	3'326
Balance at 31 December 2020	975'332	-	14'106	245'029	(8'803)	1'225'664

24. Leases

The leases of Selecta comprise, in particular, of freehold land and buildings, vehicles and vending equipment.

Right-of-use assets € (000's)	Land and Buildings	Vending equipment	Vehicles	Other equipment	Total
Balance at 1 January 2020	120'570	42'525	57'293	4713	225'101
Depreciation charge for the year	(17'204)	(13'254)	(22'765)	(1'909)	(55'132)
Additions to right-of-use assets	24'707	8'596	12'206	989	46'498
Disposals of right-of-use assets	(2'390)	6	(695)	17	(3'062)
Lease modifications	6'921	(410)	1'290	-	7'801
Effects of foreign currency exchange differences	-	22	210	(2)	230
Balance at 31 December 2020	132'604	37'485	47'539	3'808	221'436
Depreciation charge for the year	(16'860)	(10'572)	(18'562)	(1'557)	(47'551)
Additions to right-of-use assets	9'964	8'589	16'941	101	35'595
Disposals of right-of-use assets	(8'243)	(11'474)	(3'583)	(907)	(24'207)
Lease modifications	797	21	591	2	1'411
Effects of foreign currency exchange differences	2'507	391	762	28	3'688
Balance at 31 December 2021	120'769	24'440	43'688	1'475	190'372

Lease liabilities	31 December 2021 € (000's)	31 December 2020 € (000's)
Current lease liabilities	46'047	52'240
Non-current lease liabilities	147'644	174'389
Total lease liabilities	193'691	226'629

Amounts recognised in profit or loss	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Interest on lease liabilities	6'759	6'702
Variable lease payments not included in the measurement of lease liabilities	24	1'572
Income from sub-leasing	(312)	(385)
Expenses related to short term leases	1'234	1'424
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	1'002	2'235

Amounts recognised in statement of cash flows	12 months ended 31 December 2021 € (000's)	12 months ended 31 December 2020 € (000's)
Total cash outflow for leases	69'922	63'051

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date

whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an insignificant increase in lease liability.

25. Post-employment benefits

25.1. Defined contribution plans

The Group operates defined contribution plans for qualifying employees in a number of its countries of operation. The assets of the plans are held separately from those of the Group under the control of unrelated parties.

25.2. Defined benefit plans

Description of plans

The Group offers defined benefit plans in Switzerland, Germany, UK, Belgium, Spain and Italy as well as retirement indemnity plans in France.

The two main significant plans are in Switzerland and UK, which represent a net asset position of € 23.4 million, the remainder of the countries recorded a net liability position of € 16.1 million.

Switzerland

The pension scheme is part of the Valora Pension Fund, domiciled in Muttenz, Switzerland and is governed by the rules of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which specifies the minimum benefits that are to be provided by pension plans. The scheme covers multiple employers, including Selecta, with the scheme assets allocated between Selecta and the other companies in the scheme in proportion to the mathematical reserve and savings capital as at 31 December 2021. One employee of Selecta AG in Switzerland is at the foundation board of the Valora Pension Fund to ensure representation of Selecta in the wider scheme.

The designated purpose of the scheme is to protect the employees, including the employees' dependents and survivors, of the Valora Group of companies of Switzerland and the companies with which the scheme has concluded an affiliation agreement against the economic consequences of old age, death and disability.

The benefits are defined in the pension plan regulations that are far above the minimum requirements stipulated by the BVG. Retirement benefits are based on the accumulated retirement savings capital and can either be drawn as a life-long pension or as a lump sum payment. The pension is calculated upon retirement by multiplying the balance of the retirement savings capital with the applicable conversion rate. The retirement savings capital results from the yearly savings contributions by both employer and employee until retirement and carries interest thereon. The savings contributions are defined in the pension plan regulations. Minimum contributions and minimum interest are defined by the BVG and the Federal Council respectively.

The scheme provides for a basic and supplementary plan. Under the basic plan, the wage portions above the entry level for admission (equal to three quarters of the maximum retirement pension benefit prescribed by law) are pensionable. The supplementary plan additionally offers coverage of wage portions that exceed the 5-fold value of the maximum retirement pension benefit by more than CHF 5'000.

The scheme is subdivided into a risk pre-insurance and a primary insurance. The risk pre-insurance coverage is a pure risk insurance that covers the risks of death and disability up to the age of 25. The primary insurance begins at age 25 and is comprised of a savings facility run by the scheme and insurance covering the death and disability risks.

The scheme participates in compulsory coverage and is entered in the register for occupational pension providers as provided for by art. 48 of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG/LPP). At minimum it provides for the benefits pursuant to BVG/LPP. The scheme is under the regulatory supervision of the Canton of Basel Land.

UK

The Group operates a defined benefit pension scheme in the United Kingdom, which is identified as the Selecta (UK) Pension Plan (the “Plan”). The scheme is managed by an independent trustee (ITS) and the ultimate authority is with the UK Pension Regulator in case of disputes between the trustee and the Group. The Group accounts for this plan as defined benefit plan because it is exposed to risks as mentioned in the paragraph ‘sensitivity analysis’.

The ITS purchased bulk annuity from Legal & General Assurance Society (L&G) in September 2021 to de-risk the defined benefit pension scheme obligation. This investment strategy intends to equally match the assets and liabilities of the scheme (full scheme buy-in).

The Group took the decision to fund the buy-in based on the following considerations:

- The buy-in will remove volatility of the scheme from the consolidated statement of financial position of the Group. The trustees will receive payment from L&G which it will use to pay pension and other benefits under the plan.
- A buy-in will transfer the pension risks associated with the scheme to a third-party insurer. The only remaining risk will be the counterparty risk of insurer.
- There will be a reduction in the required management time and running costs in respect of the scheme.

At the time of the bulk annuity purchase, the difference between the annuity purchase price and the actuarial value of the benefits covered by the policy was accounted for in other comprehensive income. The accounting treatment is based on the following considerations made by the Group:

- The employer is not relieved of primary responsibility for the obligation. The policy simply covers the benefit payments that continues to be payable by the scheme.
- The contract is effectively an investment of the scheme; and
- The contract provides the option to convert the bulk annuity into individual policies which would transfer the asset/obligation to the insurer (known as «buy-out»). Whilst this course of action may be considered in future, this is not a requirement, and a separate decision will be required before any buy-out proceeds. There is currently no plan either by management or trustees to convert the buy-in contract to individual policies.

Amounts included in the consolidated financial statements

The amounts recognised in the consolidated statement of profit or loss in respect of defined benefit plans are as follows:

	<i>For the 12 months ended 31 December 2021 € (000's)</i>	<i>For the 12 months ended 31 December 2020 € (000's)</i>
Current employer service cost	(5'090)	(5'975)
Past service credit on plan amendment	2'309	3'317
Net interest income	951	1'228
Defined benefit expense recognised in statement of profit or loss	(1'830)	(1'430)

Past service credit for the 12 months ended 31 December 2021 relates to a Swiss plan curtailment due to restructuring and large drop in the headcount, and a Swiss plan amendment. In 2021 the Valora Pensionskasse VPK has announced a reduction of the conversion rates from 5.5% to 5.3% at retirement age 65/64 as well as an increase of the employer contribution to the retirement savings of plan participants of 25 basis points.

The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit obligation is as follows:

	<i>31 December 2021 € (000's)</i>	<i>31 December 2020 € (000's)</i>
Fair value of plan assets	505'820	543'153
Present value of defined benefit obligation	(459'413)	(459'863)
Status of plan	46'407	83'290
Effect of asset ceiling	(39'150)	(21'545)
Net asset in the consolidated statement of financial position	7'257	61'745
Net defined benefit asset	23'383	78'524
Net defined benefit liability	(16'126)	(16'779)

Defined benefit obligation

The movement in the present value of the defined benefit obligation in the current period was as follows:

	<i>For the 12 months ended 31 December 2021 € (000's)</i>	<i>For the 12 months ended 31 December 2020 € (000's)</i>
Present value of obligation at beginning of period	(459'863)	(442'998)
Current employer service cost	(4'478)	(5'219)
Employees' contributions	(3'122)	(3'839)
Interest cost	(3'498)	(4'873)
Past service cost, curtailments, settlements, plan amendments	2'309	3'317
Benefits paid	27'352	24'068
Decrease through intra-group restructuring	8'091	138
Actuarial loss on defined benefit obligation	(1'565)	(40'836)
Currency gain / (loss)	(24'639)	10'379
Present value of obligation at end of period	(459'413)	(459'863)

Plan assets

The movement in the fair value of plan assets in the current period was as follows:

	<i>For the 12 months ended 31 December 2021 € (000's)</i>	<i>For the 12 months ended 31 December 2020 € (000's)</i>
Fair value of plan assets at beginning of period	543'153	522'565
Interest income on plan assets	4'460	6'172
Employees' contributions	2'510	3'083
Employer's contributions	4'520	5'566
Benefits paid	(25'963)	(23'164)
Decrease through intra-group restructuring	(8'091)	-
Return on plan assets excl. interest income	(45'106)	44'169
Currency gain / (loss)	30'337	(15'238)
Fair value of plan assets at end of period	505'820	543'153

Employer's contributions expected for the next year are € 4.7 million.

The fair value of the total plan assets at the balance sheet date comprises of the following major categories of assets:

	<i>31 December 2021</i>	<i>31 December 2021</i>	<i>31 December 2020</i>	<i>31 December 2020</i>
	<i>Quoted market prices in active markets</i>	<i>Prices in non- active markets</i>	<i>Quoted market prices in active markets</i>	<i>Prices in non- active markets</i>
Cash	3.3%	0.0%	4.7%	0.0%
Bonds	17.0%	0.0%	18.6%	0.0%
Equities	14.0%	0.0%	12.6%	0.0%
Property	0.0%	13.3%	0.0%	12.6%
Other	50.7%	1.7%	50.5%	1.0%
Total	85.0%	15.0%	86.4%	13.6%

The funded pension plan assets are invested in accordance with local laws. They include neither the Group's own financial instrument nor property occupied by, or other assets used by, the Group.

Actuarial assumptions

The principal actuarial assumptions used in determining pension benefit obligations for the Group's plans are shown below (weighted average):

	<i>31 December 2021</i>	<i>31 December 2020</i>
Discount rate	1.2%	0.7%
Expected salary increase	1.2%	1.1%
Expected pension increase	1.9%	1.6%

The estimated duration of the plan liabilities is 16.7 years (31 December 2020: 12.9 years).

The following table shows the re-measurement gains and losses on post-employment benefit obligations recognised in other comprehensive income:

	<i>12 months ended 31 December 2021 € (000's)</i>	<i>12 months ended 31 December 2020 € (000's)</i>
Return on plan assets excl. interest income	(45'106)	44'169
Experience losses on defined benefit obligation	(15'224)	(7'911)
Actuarial gains/(losses) arising from change in demographic assumptions	(1'614)	91
Actuarial gains/(losses) arising from change in financial assumptions	14'942	(33'016)
Change in asset ceiling	(15'892)	7'030
Total amount of remeasurement gain/(loss) on post-employment benefit obligations recognised in other comprehensive income	(62'894)	10'363

The following table shows the change in asset ceiling:

	<i>12 months ended 31 December 2021 € (000's)</i>	<i>12 months ended 31 December 2020 € (000's)</i>
Asset ceiling at end of prior year	(21'545)	(28'305)
Interest income	(11)	(71)
Remeasurements	(15'892)	7'030
Effect of changes in foreign exchange rates	(1'702)	(199)
Asset ceiling at end of year	(39'150)	(21'545)

Sensitivity analysis

The valuation of the pension benefit obligations is particularly sensitive with regard to changes to the discount rate and the assumptions of pension rises and the expected mortality rate. The following table shows the change of defined benefit obligation on the basis of a reasonably possible change to these actuarial assumptions at 31 December 2021 and 31 December 2020:

	<i>31 December 2021 € (000's)</i>	<i>31 December 2020 € (000's)</i>
Discount rate (+0.50%)	25'562	32'627
Discount rate (-0.50%)	(41'933)	(36'951)
Increase in future pension (+0.25%)	(11'729)	(14'994)
Decrease in future pension (-0.25%)	191'422	4'235
Mortality assumption -1 year	10'307	14'840
Mortality assumption +1 year	(20'329)	(14'572)
Salary increase rate (-25 basis points)	(4'528)	626
Salary increase rate (+25 basis points)	(5'479)	(436)

Every sensitivity analysis considers the change of one assumption, while all other assumptions remain the same. This approach shows the isolating effect if an individual assumption is changed but does not consider that some assumptions are mutually dependent.

26. Provisions and other employee benefits

	Warranty € (000's)	Litigation & tax € (000's)	Restructuring € (000's)	Other € (000's)	Total € (000's)
Balance at 31 December 2020	(412)	(1'418)	(32'573)	(45'751)	(80'154)
Charged to the statement of profit or loss	(18)	(790)	(7703)	(2'689)	(11'200)
Payments in the period	110	488	22'688	2'333	25'619
Reversed against the statement of profit or loss	20	269	1'206	8'668	10'163
Effect of foreign exchange differences	(6)	(12)	(107)	(84)	(209)
Reclassification between categories	-	-	(410)	410	-
Balance at 31 December 2021	(306)	(1'463)	(16'899)	(37'113)	(55'781)

The above provisions are presented in the Group's consolidated statement of financial position as follows:

	31 December 2021 € (000's)	31 December 2020 € (000's)
Non-current liabilities	(5'607)	(11'253)
Current liabilities	(50'174)	(68'901)
Total	(55'781)	(80'154)

The warranty provision represents management's best estimate of the future outflow of economic benefits that will be required in respect of warranties on machine sales and has been based on historical trends observed.

The provisions in respect of litigations and tax represent management's best estimate of the future outflow of economic benefits required to settle legal claims and tax claims made against the Group and has been based on advice from and discussion with the Group's lawyers.

The restructuring provision represents amounts due to be paid in respect of certain restructuring activities which have been initiated. The amounts provided include the costs of employee severance payments, as well as other costs associated with closing facilities or offices.

The 'Other' provision includes a deferred consideration of € 27 million related to acquisition of Pelican Rouge as well as a significant portion of long service awards (jubilee benefits) to which all employees of Selecta Switzerland are entitled based on their years of service. The calculation requires an actuarial valuation to be performed as it is based on assumptions of expected service lengths, current service length, date of entry, monthly salary, gender, and long service awards paid in last financial year.

27. Deferred income taxes

27.1. Deferred tax balances

Deferred income tax balances are presented in the consolidated statement of financial position as follows:

	31 December 2021 € (000's)	31 December 2020 € (000's)
Deferred income tax assets	27'186	25'665
Deferred income tax liabilities	(160'108)	(187'225)
Total deferred tax liabilities, net	(132'922)	(161'560)

27.2. Movement in deferred tax balances during the year

The movement in the deferred tax balances during the year was as follows:

	31 December 2020 € (000's)	(Charged)/ credited to income statement € (000's)	(Charged/ credited to OCI € (000's)	Exchange differences € (000's)	31 December 2021 € (000's)
Intangible assets	(163'651)	12'468	-	(52)	(151'235)
Property, plant and equipment	(13'099)	3'917	-	(289)	(9'471)
Other non-current assets	(10'989)	(621)	11'754	(493)	(349)
Inventories	(963)	(120)	-	(32)	(1'115)
Trade receivables	(33)	75	-	(3)	39
Current liabilities	2'320	(528)	-	(37)	1'755
Provisions	66	16	-	1	83
Other non-current liabilities	4'685	(758)	(105)	(16)	3'806
Total deferred tax asset/(liability)	(181'664)	14'449	11'649	(921)	(156'487)
Tax losses					
Unused tax losses	20'104	3'461	-	-	23'565
Total deferred tax asset/(liability)	(161'560)	17'910	11'649	(921)	(132'922)

The movement in the deferred tax balances during the year was as follows:

	31 December 2019 € (000's)	(Charged)/ credited to income statement € (000's)	(Charge/ credited to OCI € (000's)	Exchange differences € (000's)	31 December 2020 € (000's)
Intangible assets	(176'844)	13'203	-	(10)	(163'651)
Property, plant and equipment	(17'621)	5'536	-	(1'014)	(13'099)
Other non-current assets	(10'094)	71	(1'471)	505	(10'989)
Non-current financial assets	(3'146)	3'146	-	-	-
Inventories	(2'162)	1'209	-	(10)	(963)
Trade receivables	1'851	(1'884)	-	-	(33)
Current liabilities	3'062	(757)	-	15	2'320
Provisions	620	(552)	-	(2)	66
Other non-current liabilities	6'682	(2'841)	-	844	4'685
Total deferred tax asset/(liability)	(197'652)	17'131	(1'471)	328	(181'664)
Tax losses					
Unused tax losses	21'300	(1'196)	-	-	20'104
Total deferred tax asset/(liability)	(176'352)	15'935	(1'471)	328	(161'560)

27.3. Detail of deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>31 December 2021</i>	<i>Assets € (000's)</i>	<i>Liabilities € (000's)</i>	<i>Net € (000's)</i>
Intangible assets	43	(151'278)	(151'235)
Property, plant and equipment	3'715	(13'186)	(9'471)
Other non-current assets	-	(349)	(349)
Inventories	215	(1'330)	(1'115)
Trade receivables	112	(73)	39
Current liabilities	2'483	(728)	1'755
Provisions	124	(41)	83
Other non-current liabilities	3'806	-	3'806
Total deferred tax assets/(liabilities) arising on temporary differences	10'498	(166'985)	(156'487)
Tax losses			
Unused tax losses	23'565	-	23'565
Offset deferred tax assets and deferred tax liabilities	(6'877)	6'877	-
Total deferred tax asset/(liability)	27'186	(160'108)	(132'922)

At 31 December 2021 the Group recognized € 27.2 million (31 December 2020: € 25.7 million) of deferred tax assets from which € 23.6 million (31 December 2020: 20.1 million) related to deferred tax assets for the carry-forward of unused tax losses. The Group estimates the possibility that future taxable profit will be available against which the unused tax losses can be utilised as probable.

<i>31 December 2020</i>	<i>Assets € (000's)</i>	<i>Liabilities € (000's)</i>	<i>Net € (000's)</i>
Intangible assets	489	(164'140)	(163'651)
Property, plant and equipment	3'015	(16'114)	(13'099)
Other non-current assets	-	(10'989)	(10'989)
Inventories	214	(1'177)	(963)
Trade receivables	31	(64)	(33)
Current liabilities	3'310	(990)	2'320
Provisions	109	(44)	65
Other non-current liabilities	4'686	-	4'686
Total deferred tax assets/(liabilities) arising on temporary differences	11'854	(193'518)	(181'664)
Tax losses			
Unused tax losses	20'104	-	20'104
Offset deferred tax assets and deferred tax liabilities	(6'293)	6'293	-
Total deferred tax asset/(liability)	25'665	(187'225)	(161'560)

27.4. Unrecognised deferred tax assets/liabilities

These deferred income tax assets have not been recognised as it is not probable that future taxable profits will be available to utilise the losses.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are

currently regarded as permanently reinvested. The parent is not only able to control the distribution of dividends but has also no plan for any such distribution.

The value of unused tax losses carried forward which have not been capitalised as deferred tax assets, with their expiration dates is as follows:

	31 December 2021 € (000's)	31 December 2020 € (000's)
Three years	31'289	24'692
Four years	100'752	88'212
Five years	9'628	1'175
More than five years	511'441	176'905
Unlimited	448'788	474'703
Total unused tax losses carried forward	1'101'898	765'687

28. Other current liabilities

	31 December 2021 € (000's)	31 December 2020 € (000's)
Deferred revenue	6'596	7'949
Other payables	56'833	52'290
Accrued expenses	91'958	94'378
Interest payable	41'509	13'714
Tax and social security costs	27'517	37'071
Factoring and reverse factoring liabilities	8'526	15'327
Total other current liabilities	232'939	220'729

The balance of other payables represents the sum of payments on account of customers (deferred revenue), pension contribution payable (employer and employee portions), personnel accruals (overtime, vacations, wages and salaries, bonus/incentives) and other remaining current liabilities.

29. Equity

29.1. Share capital, share premium

The Group's share capital consists of 343'624 fully paid ordinary shares with a nominal value of € 1 per share.

Fully paid ordinary shares carry one vote per share and a right to dividends.

On 16 April 2020, Selecta Group performed a reorganisation of the entities above Selecta Group B.V. Selecta Group B.V. issued one new ordinary share with a nominal value of € 1 per share to Selecta Group Midco S.à r.l, the shareholder of Selecta Group B.V resulting in a total issued share capital of 187'004 fully paid ordinary shares. The new share was issued at an issue price of in total € 239'032'467.31. The amount above the nominal value increased the share premium of Selecta Group B.V. This share issuance fully offset all outstanding amounts under a previously entered PIK loan agreement between Selecta Group B.V. and Selecta Group Midco S.à r.l, dated 2 February 2018 and amended and restated as of 4 December 2018.

Due to the capital contribution in Selecta Holding AG from Selecta Group B.V. emission fee of € 2'248k was levied.

Following this debt recapitalisation, Selecta Group MidCo S.à r.l contributed all issued and outstanding shares of Selecta Group B.V. into Selecta Group AG. Consequently, as of 16th April 2020 Selecta Group B.V. was fully owned by Selecta Group AG. Selecta Group AG was fully owned by Selecta Group MidCo S.à r.l.

On 29 October 2020, Selecta Group performed a further reorganisation of its existing indebtedness pursuant to an English law scheme of arrangement. As part of this reorganization, Selecta Group MidCo S.à r.l contributed all issued and outstanding shares of Selecta Group AG into a newly formed direct subsidiary of Selecta Group MidCo S.à r.l, Selecta Group FinCo S.A. Selecta Group B.V. also issued 156'620 shares with a nominal value of € 1 per share to Selecta Group FinCo S.A. resulting in a total issued share capital of 343'624 fully paid ordinary shares with a nominal value of € 1 per share. The new shares were issued at a total issue price of € 756'506'647.58. The amount above the nominal value increased the share premium of Selecta Group B.V. This share issuance was in exchange for a cash payment of € 125 million and a set off against € 631'506'647.58 of receivables owing under a liquidity facility dated 25 March 2020 and several senior secured notes originally dated 2 February 2018, as amended from time to time. On 29 October 2020 these 156'620 shares issued to Selecta Group FinCo S.A. were then contributed by Selecta Group FinCo S.A. to Selecta Group AG. As of 29 October 2020, Selecta Group B.V. is therefore fully owned by Selecta Group AG, which is fully owned by Selecta Group FinCo S.A., which is fully owned by Selecta Group MidCo S.à r.l.

29.2. Other comprehensive loss

The other comprehensive loss accumulated in reserves; net of tax was as follows:

<i>For 12 months ended 31 December 2021</i>	<i>Currency translation reserve € (000's)</i>	<i>Accumulated deficit € (000's)</i>	<i>Total € (000's)</i>
Foreign currency translation differences for foreign operations	(20'017)	-	(20'017)
Re-measurement loss on post-employment benefit obligations, net of tax	-	(51'245)	(51'245)
Total other comprehensive loss, net of tax	(20'017)	(51'245)	(71'262)

<i>For 12 months ended 31 December 2020</i>	<i>Currency translation reserve € (000's)</i>	<i>Accumulated deficit € (000's)</i>	<i>Total € (000's)</i>
Foreign currency translation differences for foreign operations	(22'920)	-	(22'920)
Re-measurement gain on post-employment benefit obligations, net of tax	-	8'892	8'892
Total other comprehensive loss, net of tax	(22'920)	8'892	(14'028)

Reserves arising from foreign currency translation adjustments comprise the differences from the translation of the financial statements of subsidiaries from their functional currency into Euro. Additionally, the foreign exchange differences on qualifying net investment loans are included in this reserve.

Accumulated deficit includes the accumulated re-measurement gains and losses on post-employment benefit obligations, net of any related income taxes.

30. Financial risk management

30.1. Risk management framework

Financial risk management is an integral part of the way the Group is managed. The Management Board of the Group has overall responsibility for the establishment and oversight of the Group's financial policies. The Chief Financial Officer (CFO) is responsible for setting financial strategies, which are executed by Group Treasury and by the Group's subsidiaries. The activities of Group

Treasury and of the various subsidiaries are regularly reviewed and monitored by the CFO thus verifying the compliance of operations within the approved guidelines and limits.

The Group Treasury function is responsible for ensuring adequate funds are available to the Group's subsidiaries as necessary to the subsidiaries' operations and development. To this end a cash pool has been established in several countries in which the Group operates, with funds being reallocated as appropriate across the Group. The Group's Treasury function is further responsible for drawing on and repaying amounts under the Group's revolving credit facilities. All drawings must be approved by the Group CFO.

30.2. Market risk management

Financial market risk is essentially caused by exposures to foreign currencies, interest rates and coffee price. For further details on interest rate risk management see section 30.6 and foreign currency risk management see section 30.7.

The Group is also exposed to commodity price risk because of coffee price fluctuations. Some of these fluctuations can be passed on to clients through price increases in line with contractual conditions.

Coffee volumes are committed with suppliers between 1 and 6 months in advance depending on current green bean coffee prices and expectations of future price development.

In the past the coffee contracts were predominantly denominated in USD and the Group used USD forward contracts to hedge the foreign exchange risk.

As most of the current contracted coffee volumes are in EUR the Group is no longer hedging its USD exposure for new coffee contracts as it considers the hedging-cost as too high to make hedging a commercially attractive measure.

30.3. Credit risk management

Credit risk arises because a counterparty may fail to perform its obligations as prescribed, resulting in a financial loss to the Group. The Group is exposed to credit risk on its trade receivables, its non-current other financial assets, accrued income and its cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	Carrying amount	
		31 December 2021 € (000's)	31 December 2020 € (000's)
Trade receivables	20	97'499	64'410
Non-current financial assets	18	15'048	16'341
Accrued income (excl. uncollected cash in POS and cash with external cash collecting firms)		17'596	16'724
Cash and cash equivalents	22	60'034	127'902
Total exposure to credit risk		190'177	225'377

Trade receivables are subject to credit limits and ongoing credit evaluation in all the subsidiaries. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables, and there were no counterparties where credit risk exceeded 5% of gross monetary assets at any time during the year. In addition, due to the nature of the Group's operations, a significant portion of its revenues are received in cash.

For details on how the Group manages its credit risk arising from trade receivables see note 20.

The Group is not exposed to significant credit risk on its cash and cash equivalents of € 60.0 million at 31 December 2021 (31 December 2020: € 127.9 million) as these are spread over several institutions which are rated A+ to BB, based on S&P ratings.

Settlement risk results from the fact that the Group may not receive financial instruments from its counterparties at the expected time. This risk is managed by monitoring counterparty activity and settlement limits.

30.4. Liquidity risk management

Liquidity risk arises when a company encounters difficulties to meet commitments associated with financial instruments. Such risk may result from inadequate market depth or disruption or refinancing problems. This risk is managed by limiting exposures in instruments that may be affected by liquidity problems and by actively matching the funding horizon of debt with incoming cash flows. The Group manages liquidity risk by ensuring adequate reserves are available, and through its banking facilities, in particular the Group's revolving credit facilities. In addition, the Group continuously monitors cash flows to ensure that adequate funds exist to settle its liabilities.

The Group has several benchmarks and approval requirements for borrowing and investing as well as for using derivative financial instruments. In general, subsidiaries may not borrow in their respective local currency without the approval of the CFO. The subsidiaries may also not hedge their exposures without the approval of the CFO. Wherever possible, the Group requires that subsidiaries repatriate all their excess cash and bank balances to Group finance companies to allow the Group to ensure that adequate funds are made available across the Group as necessary.

Liquidity available through financing facilities

As part of the debt recapitalization in 2020, the senior revolving credit facility was extended to January 2026, while the total amount available and the main conditions were unchanged. The amounts drawn under this facility were € 41.6 million on 31 December 2021 (31 December 2020: € 40.0 million). The interest rate on this senior revolving credit facility is based on the relevant rate of the currency drawn EURIBOR plus 3.5%.

Liquidity tables

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table includes both principal and interest payments and has been prepared using undiscounted cash flows.

	<i>Carrying amount</i> € (000's)	<i>Less than 1 year</i> € (000's)	<i>1-5 years</i> € (000's)	<i>More than 5 years</i> € (000's)	<i>Total</i> € (000's)
<i>At 31 December 2021</i>					
Revolving credit facility	41'637	-	41'651	-	41'651
Bank credit facility	18'103	11'986	6'117	-	18'103
Secured loan notes	973'513	25'270	1'407'235	-	1'432'505
Lease liabilities	193'691	84'120	164'578	140'339	389'037
Factoring and reverse factoring liabilities	8'526	8'526	-	-	8'526
Trade payables	173'762	173'762	-	-	173'762
Accrued expenses	91'958	91'958	-	-	91'958
Total non-derivative financial liabilities	1'501'190	395'622	1'619'581	140'339	2'155'542

	Carrying amount € (000's)	Less than 1 year € (000's)	1-5 years € (000's)	More than 5 years € (000's)	Total € (000's)
<i>At 31 December 2020</i>					
Revolving credit facility	40'042	-	-	40'151	40'151
Bank credit facility	3'072	1'360	1'712	-	3'072
Secured loan notes	935'289	28'799	209'018	1'210'992	1'448'809
Lease liabilities	226'629	64'210	157'876	148'997	371'083
Factoring and reverse factoring liabilities	15'327	15'327	-	-	15'327
Trade payables	147'413	147'413	-	-	147'413
Accrued expenses	94'378	94'378	-	-	94'378
Total non-derivative financial liabilities	1'462'150	351'487	368'606	1'400'140	2'120'233

30.5. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of net debt (borrowings as disclosed in note 23 offset by cash and bank balances. 31 December 2021: € 955.1 million, 31 December 2020: € 847.4 million) and equity of the Group (comprising share capital, share premium, currency translation reserves, and accumulated deficit. 31 December 2021: € 554.3 million, 31 December 2020: € 721.2 million).

30.6. Interest rate risk management

The Group's senior secured notes have a fixed interest rate until 2026, when these instruments mature. These notes form the majority of the Selecta Group's financial debt.

The revolving credit facility has a flexible interest rate (pre-agreed margin above Euribor) and matures in 2026. Given the large weighting of the senior secured notes vs. the revolving credit facility, the Group's exposure to interest rate changes is limited.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	Notes	31 December 2021 € (000's)	31 December 2020 € (000's)
Financial liabilities		(1'167'204)	(1'161'919)
Total fixed-rate instruments		(1'167'204)	(1'161'919)
Financial assets	22	52'162	118'590
Financial liabilities	23	(41'637)	(40'042)
Total variable-rate instruments		10'525	(78'548)

Interest rate risk sensitivity

The sensitivity is based on the Group's total variable rate instruments at 31 December, assuming the amount of the liabilities outstanding and the financial assets held at the end of the reporting period was outstanding for the whole year.

At 31 December 2021 if interest rates had been 100 basis points higher/lower, with all other assumptions held constant and the outstanding liabilities as well as held assets assumed constant for the whole year, profit after taxation would decrease/increase by € 0.08 million (€ 0.6 million respectively in 12 months ended 31 December 2020).

A 100 basis points change is used for the purposes of the sensitivity analysis as it represents management's assessment of a reasonably possible change in interest rates.

30.7. Foreign currency risk management

Foreign currency transaction risk arises because subsidiaries may undertake transactions in foreign currencies such as the import of machines and the acquisition of services and the related borrowings. Translation exposure arises from the consolidation of the Group accounts into EUR and is not hedged but managed primarily through borrowings denominated in the relevant foreign currencies.

Exposure to currency risk

Since each of the Group's subsidiaries invoices its customers in its functional currency and since the largest part of its cost base is also denominated in its functional currency, the exposure to currency risk within the trading subsidiaries of the Group is not significant.

31. Financial instruments

31.1. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2021	Notes	Financial as- sets at amor- tised cost € (000's)	Other financial liabilities € (000's)	Total € (000's)	Level 2 € (000's)	Total € (000's)
Financial assets not measured at fair value						
Trade receivables	20	97'499	-	97'499		
Non-current financial assets	18	15'048	-	15'048		
Cash and cash equivalents	22	60'034	-	60'034		
Accrued income	21	23'158	-	23'158		
		195'739	-	195'739		
Financial liabilities not measured at fair value						
Revolving credit facility	23	-	(41'637)	(41'637)	(41'637)	(41'637)
Bank credit facility		-	(18'103)	(18'103)	(18'103)	(18'103)
Secured loan notes	23	-	(973'513)	(973'513)	1'222'228	1'222'228
Lease liabilities	24	-	(193'691)	(193'691)	(193'691)	(193'691)
Factoring and reverse factoring liabilities	28	-	(8'526)	(8'526)	(8'526)	(8'526)
Accrued Expenses	28	-	(91'958)	(91'958)	-	-
Trade payables		-	(173'762)	(173'762)	-	-
		-	(1'501'190)	(1'501'190)		

31 December 2020	Notes	Financial assets at amortised cost € (000's)	Other financial liabilities € (000's)	Total € (000's)	Level 2 € (000's)	Total € (000's)
Financial assets not measured at fair value						
Trade receivables	20	64'410	-	64'410		
Non-current financial assets	18	16'341	-	16'341		
Cash and cash equivalents	22	127'902	-	127'902		
Accrued income	21	22'281	-	22'281		
		230'934	-	230'934		
Financial liabilities not measured at fair value						
Revolving credit facility	23	-	(40'042)	(40'042)	(40'042)	(40'042)
Bank credit facility	-	-	(3'072)	(3'072)	(3'072)	(3'072)
Secured loan notes	23	-	(935'290)	(935'290)	(1'165'366)	(1'165'366)
Lease liabilities	24	-	(226'629)	(226'629)	(226'629)	(226'629)
Factoring and reverse factoring liabilities	28	-	(15'327)	(15'327)	(15'327)	(15'327)
Accrued Expenses	28	-	(94'378)	(94'378)	-	-
Trade payables		-	(147'413)	(147'413)	-	-
		-	(1'462'151)	(1'462'151)		

31.2. Valuation techniques

The following table shows the valuation techniques used in measuring Level 2 fair values:

Financial instruments not measured at fair value

	Valuation technique	Significant unobservable inputs
Other financial liabilities	Discounted cash flows: The fair value is estimated considering a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.	Not applicable

32. Contingent liabilities and contingent assets

The Group, through a number of its subsidiaries, is involved in various legal proceedings or claims arising from its normal business. Provisions are made as appropriate where management assesses that it is probable that an outflow of economic benefits will arise. None of these proceedings results in a material contingent liability for the Group.

33. Share-based payments

In 2021, the Group implemented a long-term incentive plan for key management called «Management incentive plan» (MIP). The MIP offers the opportunity to subscribe for equity shares of one of Selecta Group B.V.'s parents (Selecta Group HoldCo S.à r.l) which is not in the scope of these consolidated financial statements.

The MIP is a Group share-based payment plan under IFRS 2 ‘Share-based Payment’. Due to the fact that the plan does not result in a settlement obligation for the Group, it is classified as an equity-settled plan. Entitled managers entered into the plan in autumn 2021 by signing a deed of adherence. A single grant date was determined as 1 October 2021. Fair value of the management shares was determined using the discounted cash flow and market multiples methods.

The MIP had no significant impact on the Group’s consolidated financial statements for 12 months period ended 31 December 2021.

34. Related parties

34.1. Ultimate controlling parties

Since 11 December 2015, the ultimate controlling parties of the Group are funds and accounts managed or advised by affiliates of KKR & Co. Inc., which is publicly traded on the New York Stock Exchange (NYSE: KKR).

34.2. Compensation of key management personnel

No remuneration is paid by the Group to any of the Members of the Board of Directors of Selecta Group B.V. in their capacity as Members of the Board of Directors of Selecta Group B.V. for the 12 months ended 31 December 2021 (2020: nil). Selecta AG is the main operating entity of the Group. Selecta AG is managed by its Board of Directors and an Executive Committee.

No remuneration is paid by the Group to any of the Directors of Selecta AG by the Group in their capacity as Members of the Board of Directors for the 12 months ended 31 December 2021 (2020: nil).

The remuneration of the Executive Committee during the periods was as follows:

	<i>12 months ended 31 December 2021 € (000's)</i>	<i>12 months ended 31 December 2020 € (000's)</i>
Short term benefits	6'100	4'880

There were no other material transactions or outstanding balances between the Group and its key management personnel or members of their close family for the 12 months ended 31 December 2021 (2020: nil).

34.3. Transactions and balances with related parties

The ultimate controlling parties of the Group are funds and accounts managed or advised by affiliates of KKR & Co. Inc., which is publicly traded on the New York Stock Exchange (NYSE: KKR). The direct parent company of Selecta Group B.V. is Selecta Group AG. KKR & Co. Inc. is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate and credit strategies and has \$ 471 billion assets under management (as of 31 December 2020: \$ 252 billion).

During the 12 months ended at 31 December 2020 the Group was charged by KKR Capstone America LLC (“KKR Capstone”), an affiliate of KKR & Co, for the support in the execution of the restructuring plan. In 2021 KKR Capstone did not provide services to Selecta Group.

Transactions between the Group and other related parties were as follows:

<i>Related party</i>	<i>Nature of the transaction</i>	<i>Amount of transaction € (000's)</i>	<i>Outstanding balance € (000's)</i>
2021			
KKR Capstone America LLC	Support in the execution of restructuring plan	-	606
Selecta Group AG	Mark-up for services	3'486	3'486
Selecta Group AG	Related party loan	6'884	13'270
2020			
KKR Capstone America LLC	Support in the execution of restructuring plan	1'058	606
Selecta Group AG	Mark-up for services	2'080	2'080

There were no other material transactions or outstanding balances between the Group and other related parties for the 12 months ended 31 December 2021 (2020: nil).

35. Events after the balance sheet date

No events have occurred between 31 December 2021 and the date of authorisation of the issue of these consolidated financial statements by the Board of Directors of the Company on 8 March 2022 that could have a material impact on the consolidated financial statements.

36. Subsidiaries

The company's subsidiaries at 31 December 2021 and 31 December 2020 were as follows:

Legal Name of Subsidiary	Place of Incorporation (or registration)	Owner-ship % 31 Dec 2021	Owner-ship % 31 Dec 2020	Principal Activities	Change	Change brw 31 Dec 2021 and 31 Dec 2020
Selecta Betriebsverpflegungs GmbH	Austria	100	100	Vending	-	
Ambassador Vending SPRL	Belgium	0	100	Vending	M	Selecta Belgium N.V.
Selecta Belgium N.V.	Belgium	100	100	Vending	-	
Selecta NV	Belgium	100	100	Dormant	-	
Selecta A/S	Denmark	100	100	Vending	-	
Selecta Finland OY	Finland	100	100	Vending	R	Selecta Finland OY
Pelican Rouge Holding SAS	France	0	100	Holding	D	Dissolved
Selecta Holding SAS	France	100	100	Holding	-	
Selecta SAS	France	100	100	Vending	-	
Selecta Deutschland GmbH	Germany	100	100	Vending	-	
Selecta Ireland Vending Solutions Ltd	Ireland	100	100	Vending	-	
Selecta Refreshments LTD	Ireland	100	100	Dormant	D	In process of voluntary strike-off
Gruppo Argenta S.P.A.	Italy	100	100	Vending	-	
HGSC 3 S.A.	Luxembourg	0	100	Holding	D	Dissolved
Selecta Luxembourg SARL	Luxembourg	100	100	Vending	-	
Pelican Rouge B.V.	Netherlands	100	100	Holding	-	
Pelican Rouge Coffee Roasters B.V.	Netherlands	100	100	Vending	-	
Pelican Rouge Group B.V.	Netherlands	100	100	Holding	-	
Selecta AF B.V.	Netherlands	100	100	SPE	-	
Selecta Financing B.V.	Netherlands	100	100	Holding	-	
Selecta Netherlands B.V.	Netherlands	100	100	Vending	-	
Selecta Norway AS	Norway	100	100	Vending	-	
AB Servicios Selecta Espana SLU	Spain	100	100	Vending	-	
Acorn Spain 1 SLU	Spain	100	100	Holding	-	
Nordis Social Coffee SLU	Spain	100	100	Vending	-	
Servecave SLU	Spain	100	100	Holding	-	
Selecta AB	Sweden	100	100	Vending	-	
Selecta Nordic Holding AB	Sweden	100	100	Holding	-	
Selecta AG	Switzerland	0	100	Vending	M	Selecta TMP AG
Selecta TMP AG	Switzerland	100	100	Holding	R	Selecta AG
Selecta Group Management AG	Switzerland	100	0	Holding	N	Newly incorporated
Allen Vending Services Limited	United Kingdom	100	100	Dormant	D	In process of voluntary strike off
Express Vending Group Limited	United Kingdom	100	100	Vending	D	In process of voluntary strike off
Express Vending Limited	United Kingdom	100	100	Vending	-	
GEM Vending Limited	United Kingdom	100	100	Vending	D	In process of voluntary strike off
Select Drinks Limited	United Kingdom	100	100	Vending	D	In process of voluntary strike off
Selecta Finance UK Limited	United Kingdom	100	0	Holding	N	Newly incorporated
Selecta Holding Limited	United Kingdom	0	100	Holding	D	Dissolved
Selecta Refreshments LTD	United Kingdom	100	100	Dormant	D	In process of voluntary strike off
Selecta U.K. Limited	United Kingdom	100	100	Vending	-	
Selecta UK Holding Ltd	United Kingdom	100	100	Holding	-	

Legend

- N Newly acquired or incorporated
- S Sold
- D Dissolved or in process of voluntary strike off
- M Merged
- R Renamed
- No change

37. Approval of the consolidated financial statements

The consolidated financial statements for the 12 months ended 31 December 2021 have been authorised by the Board of Directors on 8 March 2022.

Amsterdam, 8 March 2022

Christian Schmitz
Director of the Selecta Group B.V.

Philippe Gautier
Director of the Selecta Group B.V.

Ruud Gabriels
Director of the Selecta Group B.V.

Robert Plooi
Director of the Selecta Group B.V.

Opinion

We have audited the consolidated financial statements of Selecta Group B.V. and its subsidiaries (the group), which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

This set of consolidated financial statements has voluntarily been prepared by the Board of Directors. Our report thereon has been prepared at the request of the Board of Directors and does not represent a statutory auditor's report required in accordance with the laws and regulations in the Netherlands.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG AG

Reto Benz
Licensed Audit Expert
Auditor in Charge

Stefan Widmer
Licensed Audit Expert

Zurich, 11 March 2022