CCC

Consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS
OF THE CCC GROUP
for the financial year from
January 1st 2020 to January 31st 2021

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Consolidated statement of comprehensive income

NOTE		January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
		AUDITED	UNAUDITED	AUDITED, RESTATED
	CONTINUING OPERATIONS			
3.1	Revenue	5,638.6	5,780.2	5,402.9
3.2	Cost of sales	(3,182.1)	(3,024.7)	(2,807.5)
	Gross profit (loss)	**2,456.5**	**2,755.5**	**2,595.4**
3.2	Stores' operating costs	(1,268.2)	(1,429.8)	(1,310.7)
3.2	Other distribution costs	(1,334.4)	(962.7)	(880.0)
3.2	Administrative expenses	(252.2)	(211.4)	(205.0)
3.3	Other income	47.8	34.7	36.9
3.3	Other expenses	(196.1)	(35.8)	(29.5)
3.3	Loss allowances (trade receivables)	(80.1)	–	–
	Operating profit (loss)	**(626.7)**	**150.5**	**207.1**
3.3	Finance income	97.7	147.4	136.7
3.3	Loss allowances (loans)	(130.2)	–	–
3.3	Finance costs	(278.4)	(241.4)	(221.0)
6.3	Share of profit (loss) of associates	(30.7)	(29.5)	(17.5)
	Profit (loss) before tax	(968.3)	27.0	105.3
3.4	Income tax	(20.6)	(7.2)	(9.7)
	NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(988.9)**	**19.8**	**95.6**
	DISCONTINUED OPERATIONS			
6.4	**NET LOSS FROM DISCONTINUED OPERATIONS**	**(291.4)**	**(138.8)**	**(123.1)**
	NET PROFIT/(LOSS)	**(1,280.3)**	**(119.0)**	**(27.5)**
	Attributable to owners of the parent	(1,279.7)	(96.1)	(27.4)
	Allocated to non-controlling interests	(0.6)	(22.9)	(0.1)
	Other comprehensive income from continuing operations	**14.3**	**(1.6)**	**2.6**
	Items that may be reclassified to profit or loss – exchange differences on translating foreign operations	14.4	(3.3)	1.2
	Items that may not be reclassified to profit or loss – other – other – actuarial gains (losses) on employee benefits	(0.1)	1.7	1.4
	Other comprehensive income from discontinued operations	**(18.1)**	**0.7**	**(2.4)**
	Items that may be reclassified to profit or loss – exchange differences on translating foreign	(4.0)	0.7	(2.4)
	Items that may not be reclassified to profit or loss – other – other – actuarial gains (losses) on employee benefits	(14.1)	–	–
	Total other comprehensive income, net	**(3.8)**	**(0.9)**	**0.2**
	TOTAL COMPREHENSIVE INCOME	**(1,284.1)**	**(119.9)**	**(27.3)**
	Comprehensive income attributable to equity holders of the parent from:	(1,283.5)	(97.0)	(27.2)
	- continuing operations	(974.0)	41.1	98.3
	- discontinued operations	(309.5)	(138.1)	(125.5)
	Non-controlling interests	(0.6)	(22.9)	(0.1)

Weighted average number of ordinary shares (million)	**49.9**	**41.2**	**41.2**
Basic earnings (loss) per share from profit (loss) for period, attributable to owners of the parent (PLN)	**(25.65)**	**(2.33)**	**(0.67)**
Basic earnings (loss) per share from profit (loss) from continuing operations for period, attributable to owners of the parent (PLN)	**(19.81)**	**1.04**	**2.32**
Basic earnings (loss) per share from profit (loss) from discontinued operations for period, attributable to owners of the parent (PLN)	**(5.84)**	**(3.37)**	**(2.99)**
Diluted earnings (loss) per share from profit (loss) for period, attributable to owners of the parent (PLN)	**(25.65)**	**(2.33)**	**(0.67)**
Diluted earnings (loss) per share from profit (loss) from continuing operations for period, attributable to owners of the parent (PLN)	**(19.81)**	**1.04**	**2.32**
Diluted earnings (loss) per share from profit (loss) from discontinued for period, attributable to owners of the parent (PLN)	**(5.84)**	**(3.37)**	**(2.99)**

* As data for the current reporting period includes discontinued operations, the comparative data was restated.

Consolidated statement of financial position

NOTE		January 31st 2021	January 31st 2020	December 31st 2019
		AUDITED	UNAUDITED	AUDITED
5.1	Intangible assets	308.3	324.6	326.4
5.2	Goodwill	197.9	218.4	217.9
5.3	Property, plant and equipment – leasehold improvements	541.8	652.3	655.9
5.3	Property, plant and equipment – manufacturing and distribution	603.0	620.2	615.8
5.3	Property, plant and equipment – other	93.1	108.5	108.3
5.4	Right of use	1,455.5	1,996.3	1,986.6
3.4	Deferred tax assets	152.1	113.7	110.3
5.6	Loans	–	79.2	78.0
6.1	Other financial assets	14.5	23.5	23.5
5.4	Lease receivables	0.5	–	–
6.3	Investments in associates	0.8	18.6	29.8
	Investment property	6.9	5.3	5.3
5.6	Trade receivables	–	36.6	37.2
5.6	Long-term receivables	0.7	16.7	15.5
	Non-current assets	**3,375.1**	**4,213.9**	**4,210.5**
5.5	Inventory	2,192.6	2,075.6	1,942.3
5.6	Trade receivables	172.3	240.8	209.3
3.4	Income tax receivable	1.7	1.3	1.4
5.6	Loans	–	2.9	4.6
5.6	Other receivables	234.1	233.3	233.0
5.7	Cash and cash equivalents	458.7	292.4	542.6
6.1	Derivative financial instruments	1.7	3.1	–
5.4	Lease receivables	0.3	–	–
	Current assets	**3,061.4**	**2,849.4**	**2,933.2**
6.4	**Assets classified as held for sale**	**210.9**	**–**	**–**
	TOTAL ASSETS	**6,647.4**	**7,063.3**	**7,143.7**
4.2	Bank borrowings and bonds	472.7	475.9	683.0
3.4	Deferred tax liabilities	38.0	37.2	37.4
5.8	Amounts due to employees	0.4	18.7	12.7
5.9	Provisions	16.3	14.7	14.0
5.3	Grants received	14.0	18.8	19.0
6.1	Liabilities arising from obligation to purchase non-controlling interests	828.6	796.4	801.1
5.4	Lease liabilities	1,415.4	1,535.2	1,528.6
	Non-current liabilities	**2,785.4**	**2,896.9**	**3,095.8**
4.2	Bank borrowings and bonds	1,196.9	1,147.1	830.4
5.8	Trade and other payables	1,269.3	1,178.5	1,158.2
5.8	Other liabilities	386.2	273.4	378.0
3.4	Income tax liabilities	18.7	10.0	12.8
5.9	Provisions	21.2	17.9	18.3
5.3	Grants received	3.7	2.4	2.4
5.4	Lease liabilities	450.5	540.5	557.2

6.1	Derivative financial instruments	–	–	1.0
	Current liabilities	**3,346.5**	**3,169.8**	**2,958.3**
6.4	**Liabilities directly related to assets classified as held for sale**	**205.7**	**–**	**–**
	TOTAL LIABILITIES	**6,337.6**	**6,066.7**	**6,054.1**
	NET ASSETS	**309.8**	**996.6**	**1,089.6**
	Equity			
4.1	Share capital	5.5	4.1	4.1
	Statutory reserve funds	1,148.0	645.1	645.1
	Translation reserve	10.1	(2.1)	0.2
	Actuarial valuation of employee benefits	(12.8)	1.4	1.4
	Retained earnings	(969.1)	249.9	312.8
	Equity attributable to owners of the parent	**181.7**	**898.4**	**963.6**
	Non-controlling interests	128.1	98.2	126.0
	TOTAL EQUITY	**309.8**	**996.6**	**1,089.6**
	TOTAL EQUITY AND LIABILITIES	**6,647.4**	**7,063.3**	**7,143.7**

Consolidated statement of cash flows

NOTE		January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
		AUDITED	UNAUDITED	AUDITED
	Profit (loss) before tax	**(1,260.1)**	**(111.7)**	**(17.9)**
	Profit (loss) before tax from continuing operations	**(968.3)**	**27.0**	**105.3**
	Profit (loss) before tax from discontinued operations	**(291.8)**	**(138.7)**	**(123.2)**
3.2	Depreciation/amortisation expense	683.6	779.9	716.3
5.1; 5.2; 5.3; 5.4	Impairment losses on property, plant and equipment, right-of-use assets, intangible assets and remeasurement to fair value of disposal group	332.0	2.2	2.2
	(Gain) loss on investing activities	13.9	(5.7)	(3.5)
	Share of profit (loss) of associates	30.7	29.5	17.0
4.2	Borrowing costs	85.6	86.9	77.6
4.4	Other adjustments to profit before tax	282.9	52.7	80.4
3.4	Income tax paid	(56.0)	(47.3)	(47.3)
	Cash flow before changes in working capital	**112.6**	**786.5**	**824.8**
	Changes in working capital			
4.4	Change in inventories and inventory write-downs	(357.3)	(214.3)	(81.1)
4.4	Change in receivables and impairment losses on receivables	29.3	(105.6)	(73.8)
4.4	Change in current liabilities, net of borrowings	153.3	253.4	316.7
	Net cash flows from operating activities	**(62.1)**	**720.0**	**986.6**
	Proceeds from sale of property, plant and equipment	9.9	54.2	51.4
	Proceeds from settlement of leasehold improvements with landlords	8.9	–	–
	Repayment of loans with interest	–	2.3	3.9
	Other cash provided by investing activities	–	26.8	26.8
5.1; 5.3	Purchase of intangible assets and property, plant and equipment	(206.4)	(524.1)	(496.9)
6.2	Loans	–	(148.9)	(148.9)
	Expenditure on acquisition of Adler	–	(16.5)	(16.5)
6.2	Expenditure on investment in HR Group, associate	(44.0)	(118.4)	(118.4)
6.2	Other investing expenditure	(23.2)	(5.5)	(5.5)
6.2	Expenditure on investments in Gino Rossi	–	(9.5)	(9.5)
6.2	Payments for non-controlling interests	(7.0)	(7.0)	–
	Net cash flows from investing activities	**(261.8)**	**(746.6)**	**(713.6)**
4.2	Proceeds from borrowings	252.1	672.5	569.6
4.1	Dividends and other distributions to owners	–	(23.9)	(23.9)
4.2	Repayment of borrowings	(77.5)	(79.7)	(75.0)
	Redemption of bonds	–	(6.9)	(6.9)
	Lease payments	(360.5)	(534.1)	(491.6)
4.2	Interest paid	(78.3)	(83.2)	(76.9)
4.1	Net proceeds from issue of shares	506.9	–	–
	Other financing expenditure	(2.7)	–	–
	Net cash flows from financing activities	**240.0**	**(55.3)**	**(104.7)**
	TOTAL CASH FLOWS	**(83.9)**	**(81.9)**	**168.3**
	Net increase/decrease in cash and cash equivalents	(83.8)	(83.4)	166.8
	Exchange gains (losses) on measurement of cash and cash equivalents	0.1	(1.5)	(1.5)
	Cash and cash equivalents at beginning of period	**542.6**	**374.3**	**374.3**
	Cash and cash equivalents at end of period	**458.7**	**292.4**	**542.6**

Consolidated statement of changes in equity

AUDITED	SHARE CAPITAL	STATUTORY RESERVE FUNDS	RETAINED EARNINGS	TRANSLATION RESERVE	ACTUARIAL VALUATION OF EMPLOYEE BENEFITS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	ATTRIBUTABLE TO OWNERS OF THE PARENT						
As at January 1st 2020	**4.1**	**645.1**	**312.8**	**0.2**	**1.4**	**126.0**	**1,089.6**
Net profit (loss) for period	–	–	(1,280.3)	–	–	–	(1,280.3)
Net profit (loss) allocated to non-controlling interests	–	–	0.6	–	–	(0.6)	–
Actuarial valuation of employee benefits	–	–	–	–	(14.2)	–	(14.2)
Exchange differences on translation	–	–	–	9.9	–	0.5	10.4
Total comprehensive income	**–**	**–**	**(1,279.7)**	**9.9**	**(14.2)**	**(0.1)**	**(1,284.1)**
Issue of shares	1.4	502.9	–	–	–	–	504.3
Total transactions with owners	**1.4**	**502.9**	**–**	**–**	**–**	**–**	**504.3**
Purchase of non-controlling interests	–	–	(2.2)	–	–	2.2	–
As at January 31st 2021	**5.5**	**1,148.0**	**(969.1)**	**10.1**	**(12.8)**	**128.1**	**309.8**

UNAUDITED	SHARE CAPITAL	STATUTORY RESERVE FUNDS	RETAINED EARNINGS	TRANSLATION RESERVE	ACTUARIAL VALUATION OF EMPLOYEE BENEFITS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	ATTRIBUTABLE TO OWNERS OF THE PARENT						
As at January 1st 2019	**4.1**	**645.1**	**369.1**	**2.9**	**(0.3)**	**126.9**	**1,147.8**
Net profit (loss) for period	–	–	(119.0)	–	–	–	(119.0)
Profit (loss) allocated to non-controlling interest	–	–	22.8	–	–	(22.8)	–
Exchange differences on translation	–	–	–	(5.0)	–	2.4	(2.6)
Actuarial valuation of employee benefits	–	–	–	–	1.7	–	1.7
Total comprehensive income	**–**	**–**	**(96.2)**	**(5.0)**	**1.7**	**(20.4)**	**(119.9)**
Dividend paid	–	–	(23.9)	–	–	–	(23.9)
Measurement of employee option plan	–	–	(12.2)	–	–	–	(12.2)
Issue of shares	–	–	–	–	–	–	–
Purchase of shares	–	–	–	–	–	14.2	14.2
Total transactions with owners	**–**	**–**	**(36.1)**	**–**	**–**	**14.2**	**(21.9)**
Purchase of non-controlling interests	–	–	13.1	–	–	22.5	(9.4)
As at January 31st 2020	**4.1**	**645.1**	**249.9**	**(2.1)**	**1.4**	**98.2**	**996.6**

AUDITED	SHARE CAPITAL	STATUTORY RESERVE FUNDS	RETAINED EARNINGS	TRANSLATION RESERVE	ACTUARIAL VALUATION OF EMPLOYEE BENEFITS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	ATTRIBUTABLE TO OWNERS OF THE PARENT						
As at January 1st 2019	**4.1**	**645.1**	**369.1**	**2.9**	**(0.3)**	**126.9**	**1,147.8**
Net profit (loss) for period	–	–	(27.5)	–	–	–	(27.5)
Profit (loss) allocated to non-controlling interest	–	–	0.1	–	–	(0.1)	–
Exchange differences on translation	–	–	–	(2.7)	–	1.4	(1.3)
Actuarial valuation of employee benefits	–	–	–	–	1.7	–	1.7
Total comprehensive income	**–**	**–**	**(27.4)**	**(2.7)**	**1.7**	**1.3**	**(27.1)**
Dividend paid	–	–	(23.9)	–	–	–	(23.9)
Measurement of employee option plan	–	–	(12.2)	–	–	–	(12.2)
Purchase of shares	–	–	–	–	–	14.4	14.4
Total transactions with owners	**–**	**–**	**(36.1)**	**–**	**–**	**14.4**	**(21.7)**
Purchase of non-controlling interests	–	–	7.2	–	–	(16.6)	(9.4)
As at December 31st 2019	**4.1**	**645.1**	**312.8**	**0.2**	**1.4**	**126.0**	**1,089.6**

NOTES

1. GENERAL INFORMATION

Company name:	CCC Spółka Akcyjna	
Registered office:	ul. Strefowa 6, 59-101 Polkowice, Poland	
Country of registration:	Poland	
Registry court:	District Court for Wrocław-Fabryczna in Wrocław, 9th Commercial Division of the National Court Register	
KRS No.:	211692	
Principal business:	The Company's principal business activity according to the European Classification of Business Activities is wholesale and retail trade in clothing and footwear (EKD 5142).	
Management Board:	President and CEO: Vice President: Vice President: Vice President:	Marcin Czyczerski Karol Półtorak Mariusz Gnych Adam Holewa

CCC S.A. (the "Company", the "parent"), the parent of the CCC Group, has been listed on the Warsaw Stock Exchange since 2004. As at January 31st 2021, the CCC Group (the "CCC Group", the "Group") comprised CCC S.A. of Polkowice and its subsidiaries.

On March 29th 2021, the Supervisory Board passed resolutions to increase the number of members of the Management Board to six persons and to appoint Mr Adam Holewa as Vice President of the Management Board, with effect from April 1st 2021, Mr Igor Matus as Vice President of the Management Board, with effect from June 7th 2021, and Mr Kryspin Derejczyk as Vice President of the Management Board, with effect from July 1st 2021. As at the date of authorisation of these financial statements, the Management Board was composed of the persons specified above.

These consolidated financial statements of the Group cover the 13 months ended January 31st 2021 and include the comparative data for the year ended December 31st 2019 as well as additional data for the 13 months ended January 31st 2020. For more information on changes in the financial year, see 'Statement of accounting policies' below.

The statement of financial position as at January 31st 2020 and the notes to the statement of financial position as at January 31st 2020, as well as the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the 13 months ended January 31st 2020 and the notes to the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the 13 months ended January 31st 2020 have not been reviewed or audited by an auditor.

These full-year consolidated financial statements of the Group for the financial year ended January 31st 2021 were authorised for issue by the Management Board on May 18th 2021.

STRUCTURE OF THE GROUP

The Group consists of CCC S.A. (the parent) and its subsidiaries. In the 13 months ended January 31st 2021, there were changes in the composition of the Group relative to December 31st 2019, discussed in more detail below.

The structure of the CCC Group is presented below.

SUBSIDIARIES	REGISTERED OFFICE/COUNTRY	PRINCIPAL BUSINESS	Equity interests as at January 31st 2021	Equity interests as at January 31st 2020	Equity interests as at December 31st 2019
CCC Factory sp. z o.o.	Polkowice, Poland	production	100%	100%	100%
CCC Czech s.r.o.	Prague, Czech Republic	trade	100%	100%	100%
CCC Slovakia s.r.o.	Bratislava, Slovakia	trade	100%	100%	100%
CCC Hungary Shoes Kft.	Budapest, Hungary	trade	100%	100%	100%
CCC Austria Ges.m.g.H	Graz, Austria	trade	100%	100%	100%
CCC Obutev d.o.o.	Maribor, Slovenia	trade	100%	100%	100%
CCC Hrvatska d.o.o.	Zagreb, Croatia	trade	100%	100%	100%
CCC Shoes Ayakkabycylyk Limited Sirketi	Istanbul, Turkey	trade	100%	100%	100%
C-AirOp Ltd (formerly: CCC Isle of Man Ltd) [1]	Douglas, Isle of Man	services	50%	50%	50%
CCC.eu Sp. z o.o. [2]	Polkowice, Poland	procurement and sale	100%	100%	100%
CCC Shoes & Bags Sp. z o.o.	Polkowice, Poland	investments	100%	100%	100%
CCC Shoes Bulgaria EOOD	Sofia, Bulgaria	trade	100%	100%	100%
eobuwie.pl S.A.	Zielona Góra, Poland	trade	75%	75%	75%
NG2 Suisse s.a.r.l.	Zug, Switzerland	trade	100%	100%	100%
CCC Shoes & Bags d.o.o. Beograd	Belgrade, Serbia	trade	100%	100%	100%
eschuhe.de UG	Frankfurt am Oder, Germany	trade	75%	75%	75%
eobuwie.pl logistics Sp. z o.o.	Zielona Góra, Poland	logistics	75%	75%	75%
eschuhe.ch GmbH	Zielona Góra, Poland	trade	75%	75%	75%
Branded Shoes&Bags Sp. z o.o.	Zielona Góra, Poland	trade	75%	75%	75%
eobuv.cz s.r.o.	Prague, Czech Republic	trade	75%	75%	75%
CCC Russia OOO	Moscow, Russia	trade	75%	75%	75%
Shoe Express S.A. [3]	Bucharest, Romania	trade	100%	100%	100%
Karl Voegele AG [4]	Uznach, Switzerland	trade	70%	70%	70%
DeeZee Sp. z o.o. [5]	Kraków, Poland	trade	75%	75%	51%
Gino Rossi S.A.	Słupsk, Poland	trade	100%	100%	100%
Gino Rossi sr.o. [6]	Słupsk, Poland	trade	100%	100%	100%
Garda Sp. z o.o.	Słupsk, Poland	trade	100%	100%	100%

ASSOCIATES	REGISTERED OFFICE/COUNTRY	PRINCIPAL BUSINESS	Equity interests as at January 31st 2021	Equity interests as at January 31st 2020	Equity interests as at December 31st 2019
HR Group Holding S.a.r.l.	Luxembourg	trade	30.55%	30.55%	30.55%
Pronos Sp. z o.o.	Wrocław, Poland	services	10.00%	10.00%	10.00%

[1] C-AirOp Ltd. is a subsidiary of CCC S.A. (50%). Having analysed the functions performed by the company's shareholders, the Management Board is of the opinion that the Group continues to control the operations and management of the company.

[2] CCC.eu Sp. z o.o. is a subsidiary of CCC Shoes and Bags Sp. z o.o. (99.75%) and CCC S.A. (0.25%).

[3] Shoe Express S.A. is a subsidiary of CCC Shoes and Bags Sp. z o.o. (95%) and NG2 Suisse s.a.r.l. (5%).

[4] Pursuant to a decision of the Management Board of CCC S.A. made on June 1st 2020, Karl Voegele AG was reclassified to discontinued operations. The company remains a subsidiary of NG2 Suisse S.a.r.l. (70%).

[5] DeeZee Sp. z o.o. is a subsidiary of CCC Shoes and Bags sp. z o.o. (75%). As a result of the exercise of the call 1 option, the Group acquired 24% of shares in DeeZee Sp. z o.o. and increased its interest in the company to 75%. For details, see Note 6.2.

[6] Gino Rossi SRO, a company of the Gino Rossi Group, was liquidated on February 2nd 2021.

BASIS OF ACCOUNTING

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as approved by the European Union (IFRS). Some of the subsidiaries keep their accounts in accordance with the accounting policies defined in the Polish Accounting Act of September 29th 1994, as amended (the "Act"), and secondary legislation issued thereunder (the "Polish Accounting Standards"), or local accounting policies. These consolidated financial statements contain adjustments which are not disclosed in the subsidiaries' accounting books and which have been made to ensure compliance of the entities' financial statements with the IFRS. The financial statements have been prepared on a historical cost basis except for investment property and derivative financial instruments, which are measured at fair value.

BASIS OF CONSOLIDATION

These consolidated financial statements contain the financial statements of CCC S.A. and the subsidiaries. The subsidiaries are consolidated from the date the CCC Group acquires control until the date the Group ceases to control a given subsidiary. In the reporting period the Group controlled all of its subsidiaries. All transactions, balances, income and expenses between the consolidated related entities are eliminated on consolidation.

GOING CONCERN

These consolidated financial statements have been prepared on the assumption that the Company and the Group companies will continue as going concerns for the foreseeable future, i.e., for a period of at least 12 months from the reporting date.

The remainder of this note presents important issues, notably uncertainties about certain circumstances, including the risk of failure to carry out the refinancing process, which may indicate doubts as to the ability of the Group to continue as a going concern.

As at January 31st 2021, the Group's consolidated statement of financial position shows:

- current assets of PLN 3,061.4m, including inventories of PLN 2,192.6m, cash of PLN 458.7m, trade receivables of PLN 172.3m, and other receivables of PLN 234.1m, derivative financial instruments of PLN 1.7m; and
- current liabilities of PLN 3,346.5m, including debt under bank borrowings of PLN 1,196.9m, trade payables of PLN 1,269.3m and other payables of PLN 386.2m, and lease liabilities (IFRS 16) of PLN 450.5m.

This results in an excess of current liabilities over current assets of PLN 285.1m. This situation is largely attributable to the presentation of right-of-use assets as non-current, while lease liabilities are broken down into current and non-current, the presentation of a significant portion of the financial debt as current, the presentation (measurement) of inventories at cost, while the amount of inventories measured at selling prices would be higher as the current gross margins stand at approximately 40-50%.
As part of the GO.22 three-year strategy announced on January 29th 2020, the Management Board of the Company prepared a financial plan for 2020-2022. The plan was prepared for each of the main business segments of the CCC Group. In accordance with the plan, the parent and the Group were expected to deliver positive cash flows in each year of the projection, thus enabling the Group to reduce its debt. To formulate the strategy, the Management Board made a number of assumptions, including:

1. increase in sales through digital channels by developing the existing and launching new e-commerce platforms (including mobile platforms),
2. increase in sales per square metre in the store chain through higher conversion rates and a higher average number of items per receipt, coupled by a moderate decrease in traffic,

3. moderate expansion of the store chain (compared with previous years) through a selective approach to opening new stores on selected markets,
4. development of the product offering, including launch of attractive spring-summer and autumn-winter collections of own brands, and addition of selected third-party brands to the mix,
5. implementation of the new communication strategy and, consequently, expansion of the Group's customer base,
6. improved product lifecycle management, including maximisation of sales at first prices,
7. implementation of advanced data analysis solutions to personalise communications to customers,
8. reduction in investment expenditure relative to previous years,
9. improvement of working capital management and shortening the cash conversion cycle,
10. continued cooperation with the existing institutions providing financing to the Group by rolling over/extending the financing instruments maturing in 2020 at similar amounts.

As a result of the outbreak of the COVID-19 pandemic and the imposition of temporary restrictions on retail trade in the countries where the Group operates, the delivery of the strategy and financial plans has been disrupted to a significant degree. Consequently, a priority task faced by the Management Board was to conclude an agreement with the banks financing the Group's operations to ensure a stable level of financing for the duration of the pandemic.

Following negotiations with bondholders, the financing banks and the leading shareholders held in March–April 2020, the Group managed to enter into an agreement which stabilised the Group's financing for a period of 12 months, i.e., until April 30th 2021 (the "Standstill Agreement"). Currently, the term of the Standstill Agreement is extended, as further described below.

The key terms of the Standstill Agreement were to recapitalise the Group with an amount of at least PLN 300m (the condition was fulfilled in May 2020, when the Group was recapitalised with an amount of approximately PLN 500m) and to maintain cash at a minimum level of PLN 40m. The Group was also required to prepare financial projections for subsequent months and years, which were reviewed and whose delivery was monitored monthly by an independent financial adviser. As at the date of issue of these financial statements, the above conditions were met.

As a result of the measures described above and in 'IMPACT OF THE COVID 19 EPIDEMIC ON THE GROUP'S BUSINESS', the Group was able to continue trading during the pandemic, focus on continued delivery of the GO.22 strategy, and undertake a number of new initiatives to effectively recover from the pandemic. As presented in Notes 4.1 and 4.2 to these financial statements, the Group's operations are financed through financial instruments, including mainly credit facilities, bonds and reverse factoring, with the debt balance as at the reporting date of approximately PLN 2,279.2m.

After the reporting date, on April 30th 2021, the parties to the Standstill Agreement (i.e. the Group entities and the financing institutions) signed an annex to the Standstill Agreement, extending its term until the earlier of: (i) May 17th 2021, unless the Company provides the lenders with a summary of the terms and conditions of the new financing (the Term Sheet) referred to in more detail below, signed by all parties to the document, (ii) the date of the first disbursement or use of any funds available to selected Group entities (as borrowers) in accordance with the terms and conditions set out in the new financing (refinancing) agreement referred to in more detail below, (iii) the date on which any of the Investors referred to in more detail below submit a notice of termination of any agreements documenting transactions with the Investors referred to below, or (iv) June 29th 2021.

As announced by the Company in Current Report No. 21/2021 of April 30th 2021, the annex, extending the term of the Standstill Agreement, was signed to agree on a new financing agreement (refinancing) and other documentation for such new financing (including security documents).

The key terms of such new financing (refinancing) are outlined in the Term Sheet. The Term Sheet was approved by the respective credit committees of the lenders. As announced by the Company in Current Report No. 24/2021 of May 14th 2021, the Company and the financing institutions signed the Term Sheet.

The provision of new financing (refinancing) is conditional upon the execution of new financing documentation (including a syndicate agreement, ancillary facility agreements and security agreements) with provisions substantially consistent with the terms of the Term Sheet and satisfactory to the parties.

The Term Sheet includes, among other things, such key terms of the new financing (refinancing) as:

- types of credit facilities to be provided: facility A – term credit facility, and facility B – revolving credit facility, and ancillary facilities in the form of letters of credit and guarantees, overdraft facilities and factoring facilities;
- the possibility of granting an additional credit facility C – a term, revolving and ancillary facility, provided that certain requirements are met and the lenders' approvals are obtained (the granting of such facility C will not be part of the lenders' commitment);
- the purpose of the facilities (including the refinancing of part of the current financial debt);

- repayment dates of the facilities;
- interest rates and commission fees;
- financial covenants;
- security;
- disclosure obligations;
- key events of default;
- disbursement conditions.

The new financing outlined in the Term Sheet is to replace (refinance) some of the Group's existing financing and thus provide the Group with access to financial resources for a period of two to four years. The total amount of facilities A and B will be approximately PLN 886.0m. The maximum amount of additional facility C – if provided – may be approximately PLN 300.0m. Tranche C offers the possibility to raise additional financing (in the form of an additional term credit facility of up to PLN 150.0m and an additional product limit, i.e. an overdraft facility, reverse factoring facility or a guarantee limit of up to PLN 150.0m), to replace the credit and factoring limits secured by BGK guarantees as those guarantees expire, and to renew product limits provided under Tranche B.

In accordance with the Term Sheet, the conditions for disbursement of the new financing instruments (in addition to the execution of a new credit facility agreement and other documentation, including security documents) will be the refinancing of the existing bonds, prepayment of a portion of the existing debt with the Group's funds in the amount of PLN 450m, establishing security instruments, and presentation of a financial model. In order to, among other things, raise the funds for the early repayment referred to above, on March 31st 2021 the Group entered into two preliminary conditional agreements for the sale of shares in eobuwie.pl S.A. with Cyfrowy Polsat S.A. and A&R Investments Limited (the "Investors"). The transactions with the Investors involve the sale to them of two blocks of shares – 10% each (i.e., a total of 20% of shares) – in eobuwie.pl S.A. for a price of PLN 500m for each block, i.e. for a total amount of PLN 1bn. The closing of the transactions and transfer of the equity interests to the Investors is subject to fulfilment of certain conditions precedent (including obtaining by the Group of relevant consents and approvals from the financing banks). The Group expects to receive the consents and approvals in connection with, among other things, the process of finalising the new financing, which is provided for in the Term Sheet and has already been partly achieved.

In connection with the planned transaction with the Investors, on March 31st 2021 the Group executed a binding share purchase agreement with MKK3 sp. z o.o. (a minority shareholder in eobuwie.pl S.A.) and its partners, with the participation of eobuwie.pl S.A., concerning purchase by the Group from MKK3 sp. z o.o. of a 20% equity interest in eobuwie.pl S.A. for a total price of PLN 720m by September 30th 2021. The Group assumes that the funds for the purchase of the 20% interest from MKK3 sp. z o.o. will come partially from the transactions with the Investors (as mentioned above) and partially from external sources (the Group is conducting analyses and discussions in this respect).

As a result of the above transactions, the Group will be able to raise funds necessary for the early repayment of some (ca. PLN 450m) of its existing debt to the financing institutions, while retaining the number of eobuwie.pl S.A. shares sufficient to maintain control of the company.

As part of its efforts to secure the new financing, the Company also held discussions with the bondholders, which were concluded on May 17th 2021 by the bondholders adopting a resolution to amend the terms and conditions of the bonds, including by postponing the redemption date of the bonds by another five years, i.e., until June 29th 2026, as announced by the Company in Current Report No. 27/2021 of May 17th 2021. Apart from the change of the redemption date, the resolution also provides for establishing additional security for the bonds, increasing the interest rate of the bonds, and introducing additional cash benefits for the bondholders (commission fees), appropriate for bond financing with a 5-year tenor.

For the purposes of the new financing (refinancing) process and to prepare the Group for post-pandemic recovery, the Management Board also prepared a financial plan for 2021 and subsequent years. The plan assumes:

- further dynamic growth of e-commerce, both on the existing platforms and markets as well as through opening of new channels and expansion into other markets;
- gradual recovery of sales and margins in the Retail sector;
- launch of off-price stores under the new HalfPrice concept;
- finalizing the restructuring of the Gino Rossi business and activities in the DACH region, including through restructuring of CCC Austria and the sale of KVAG; and
- a number of other measures to improve the Group's performance.

Currently, the Company is negotiating, based on the Term Sheet, detailed terms of the credit facility agreement for the new financing and other documents (including security documents). The Company expects these documents to be signed in the coming weeks. The Company also intends to take steps to comply with the amended terms and conditions of the bonds (in particular by creating new security interests),

and with the terms of the transactions with the Investors (Cyfrowy Polsat S.A. and A&R Investments Limited) and minority shareholders in eobuwie.pl (MKK3 sp. z o.o.).

Implementation and delivery of all the measures, objectives, plans and financial projections described above are subject to numerous risks and uncertainties, the most important of which are:

- failure to close the sale of the eobuwie.pl shares to the Investors (Cyfrowy Polsat S.A. and A&R Investments Limited);
- failure to sign the new financing (refinancing) agreements;
- failure to sign agreements that will allow the Company to finance purchase of 20% of shares in eobuwie.pl S.A. from MKK3 sp. z o.o. by September 30th 2021;
- steps taken by the Group's competitors that will adversely affect its performance;
- occurrence of unplanned and/or unforeseen changes in fashion trends and weather conditions;
- failure to build an appropriate product mix that would reflect changes in fashion trends and weather conditions, and failure to achieve the assumed level of development of the new retail chain in the HalfPrice channel;
- changes in consumer behaviour due to the COVID-19 pandemic;
- delivery of worse-than-expected results originally assumed in plans and projections, including failure to achieve the assumed levels of sales and margins in the individual months of recovery from the pandemic,
- materialisation of operational risks;
- non-business factors, including the continued spread of the COVID-19 pandemic, which could have a significant, yet difficult to predict at this time, impact on many aspects of the business.

In preparing these consolidated financial statements, the Company's Management Board identified the above risks and circumstances which could materially affect the Company's and the Group's results and liquidity position. These risks, if materialised, may constitute circumstances that would prevent the Group from raising the new financing (refinancing) and may constitute a breach by the Group of the terms and conditions of the current financing (bonds and bank financing), which might lead to accelerated repayment of the financing. This would result in the Group being unable to secure the continued financing of its business, which in turn could pose a threat to its ability to continue as a going concern.

Despite the risks mentioned above, the Management Board of the Company, based on the current financial results, which are in line with or even in some areas better than planned, is of the opinion that appropriate measures have been and are being taken to ensure that the Company's and the CCC Group's plans are carried out, and has therefore prepared the attached financial statements on a going concern basis.

Liquidity position

The issue of shares, current operating cash flows and the obtained financing guaranteed by BGK provided the Company with the cash necessary to stock up and maintain a safe level of liquidity. The Group has taken additional steps to improve liquidity in the next 12 months. These measures include:

- renegotiation of rental contracts,
- implementation of a cost savings programme,
- strong development of the e-commerce channel,
- improving the inventory planning and management process.

For information on the risks that could affect the liquidity during the period indicated, see 'Going concern' in Note 1 to these financial statements.

SIGNIFICANT EVENTS AND TRANSACTIONS THAT OCCURRED SINCE THE END OF THE LAST ANNUAL REPORTING PERIOD

1. For information on the impact of COVID-19 on the business of the Group, see below.
2. Agreement with the institutions providing financing to the CCC Group, including CCC S.A., as described in section 'Going concern'.
3. Issue of 13.7m shares at a price of PLN 37, with proceeds to the Company of PLN 506.9m (for details, see Note 4.1 to these consolidated financial statements).
4. Recognition of impairment losses on assets (for details, see Notes 5.1, 5.2, 5.3, 5.4, 5.5, 5.6 to these consolidated financial statements).
5. Acquisition of a 24% interest in DeeZee in the exercise of the put option in accordance with the agreement – for details, see Note 6.2.
6. The planned sale of the subsidiaries NG2 Suisse s.a.r.l. and Karl Voegele AG resulting in the classification of the assets and liabilities of these subsidiaries as held for sale and their presentation as discontinued operations – for details see Note 6.4.

EFFECT OF THE COVID-19 EPIDEMIC ON THE BUSINESS OF THE GROUP

Since the fourth quarter of 2019 the COVID 19 pandemic has been spreading worldwide. The COVID-19 pandemic has had a very significant negative impact on the global economy and the economies of individual countries, including those related to the operations of the Company and the Group. In response to the pandemic, governments of individual countries have taken specific countermeasures to mitigate its negative effects.

The offline stores were closed throughout the financial year, at various times depending on the country. After the lockdown periods, there was a slow return of customers to shopping in offline stores, with some customers moving the e-commerce channel. This was also the time of after-season sales, which involved discounts.

The COVID-19 Pandemic also had a negative impact on the supply chain. Many of the Group's major suppliers are located in Asia. In all phases of the pandemic, the start of production in China was delayed, affecting production levels and delivery. However, COVID-induced disruptions gradually affected other countries, including India and Bangladesh, where the Group's suppliers are located. As a result of the measures taken, during the financial year and as at the date of these financial statements, the Group had secured deliveries merchandise.

In response to the pandemic, the Group prepared a comprehensive stabilisation plan, covering the operational, financing and strategic aspects of the business. The key measures included steps taken to secure continuity of the Group's operating processes in an environment of widespread remote working, to strengthen e-commerce logistics processes, to accelerate the launch of e-commerce platforms in new markets, to enter into negotiations with landlords to adjust the lease terms to the circumstances and the expected decline in footfall once the stores are reopened, and to apply for and receive support from available public assistance programmes subsidising labour and other costs.

In terms of financing, the Group held negotiations with bondholders, banks and financing institutions with a view to securing the stability of its long-term funding and announced the issuance of new shares to raise additional capital to provide financial support for the Group's business. The Company obtained additional financing backed with a guarantee from the BGK Liquidity Guarantee Fund.

On the strategic level, the Company intends to reduce and reallocate capital expenditure, while maintaining the operating objectives of the GO.22 strategy. The Group also commenced work on the launch of its off-price business through stores and an online platform under the HalfPrice brand (the first stores were opened in May 2021).

In the medium and long term, the Group expects a partial recovery in the value of the footwear market in 2021 (compared to 2020), an increase in the revenue share of the e-commerce channel, and a shift in consumer demand towards goods with the best possible price/quality ratio.

EFFECT OF CHANGES IN THE ECONOMIC SITUATION ON THE VALUATION OF ASSETS AND LIABILITIES OF THE CCC GROUP

Inventory write-downs
For more information, see Note 5.5.

Expected credit losses
As at January 31st 2021, the Group carried out a detailed analysis of the impact of COVID-induced changes in the economic environment on the amount of expected credit losses in terms of the potential need to modify the assumptions made in its estimates and to account for the additional element of risk associated with the current economic situation and forecasts for the future.

The Group's business involves mainly retail, e-commerce, and wholesale activities. Trade receivables relate mainly to the wholesale business and cooperation with franchisees (trade receivables in the retail and e-commerce segments are not material). The general economic situation in the financial year 2020/2021 resulted in a significant decline in sales in the retail and wholesale segments. Allowances were recognised for receivables from entities which, in the Group's opinion, are exposed to the highest risk of default in the short term. In the financial year 2020/2021, the Group recognised a PLN 80.1m impairment loss on trade receivables.

The Group has not observed any material deterioration in repayment rates or an increase in bankruptcies or restructurings among its other customers and does not expect such deterioration in the future. Accordingly, the Group expects that the recoverability of the receivables disclosed in the statement of financial position as at January 31st 2021, maturing in the coming months, will remain unchanged.

Another group of assets exposed to credit losses are loans. The Group recognised a loss allowance for these assets of PLN 130.2m.
For further information of the recognised loss allowances, see Notes 3.3 and 6.1.

Impairment of property, plant and equipment, goodwill and rights-of-use assets
As at January 31st 2021, the Group made a detailed assessment (taking into account material changes in the operating and economic conditions caused by the COVID-19 pandemic) whether there are any indications that any of the items of property, plant and equipment, goodwill and right-of-use assets could be impaired.

Where such indications were found to exist, the Group tested the assets for impairment.
The Group also carried out an annual impairment test for goodwill and intangible assets with indefinite useful lives (trademarks).
For details of the assessment and tests performed, see Notes 5.2, 5.3 and 5.4.

Renegotiation of commercial space lease contracts
The COVID-19 pandemic has significantly affected the retail property market. As a result of renegotiation of lease contracts, the value of right-of-use assets and lease liabilities changed – for more information, see Note 5.4.

Other accounting matters and issues
As at the date of these consolidated financial statements, the Group did not identify any material risks related to potential breach of the terms of its existing trade and supply contracts.

Under the agreements signed with the financing banks and bondholders, the Company was obliged to recapitalise the Group with an amount of at least PLN 300 and maintain cash at a minimum level of PLN 40m. The Group was also required to prepare financial projections for subsequent months and years, which were reviewed and whose delivery was monitored monthly by an independent financial adviser. As at the date of issue of these financial statements, the above conditions were met.

Based on its financial projections for subsequent reporting periods, the Company believes that the recognised deferred tax asset is recoverable.

During the financial year, the Company received subsidies to salaries and employee benefits of PLN 67.8m, as described in Note 3.2.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

Items of the financial statements of individual Group entities are measured in the currency of the primary economic environment in which the entity operates ("functional currency"). These consolidated financial statements are presented in the Polish złoty (PLN), which is the functional currency of the parent and the presentation currency of the Group.

STATEMENT OF ACCOUNTING POLICIES

The accounting policies applied by the CCC Group companies did not change relative to those applied in the full-year financial statements for the financial year January 1st – December 31st 2019, except for the application of new or amended standards and interpretations effective for annual periods beginning on or after January 1st 2020.

On September 26th 2019, the Extraordinary General Meeting of CCC S.A. passed a resolution to on the basis of which the parent's financial year was changed from the calendar year to a period of 12 consecutive months from February 1st to January 31st of the following calendar year. Based on the same resolution, it was decided that the next financial year will start on January 1st 2020 and will last until January 31st 2021.

The change was prompted by the natural cycle in the fashion industry, where new collections are launched in February and the sales period ends in January. Therefore, the current financial statements contain an extended period of 13 months, i.e., from January 1st 2020 to January 31st 2021. Subsequent reporting periods will cover a period of 12 months from 1 February to 31 January of the following calendar year.
The comparative periods are both the audited financial year of 12 calendar months, i.e., January 1st – December 31st 2019, and the additional period of 13 months from January 1st 2019 to January 31st 2020, which was not audited or reviewed by an auditor.

The parent and other Group companies were established for an indefinite period.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

Preparation of financial statements in accordance with IFRSs requires using certain significant accounting estimates. It also requires the Management Board to exercise its own judgement in the application of the accounting policies applied by the Company. Significant estimates made by the Management Board are presented in the individual notes.

The applied accounting policies and significant estimates and judgements for particular items of the statement of profit or loss and the statement of financial position are presented below.

NOTE	TITLE	ACCOUNTING POLICY (Y/N)	SIGNIFICANT ESTIMATES AND JUDGEMENTS (Y/N)	PAGE
1	Consolidation	Y	N	12
3.1	Revenue	Y	N	31
3.2	Cost of sales	Y	N	33
3.2	Stores' operating costs	Y	N	33
3.2	Other distribution costs	Y	N	33
3.2	Administrative expenses	Y	N	33
3.3	Other income and expenses, finance income and costs	Y	N	37
3.4	Income tax	Y	Y	41
3.4	Deferred tax assets	Y	Y	41
3.4	Income tax liabilities	Y	N	41
4.1	Equity	Y	Y	49
4.2	Financing liabilities	Y	N	54
5.1	Intangible assets	Y	Y	52
5.3	Property, plant and equipment	Y	Y	66
5.3	Grants received	Y	N	66
54	Right-of-use assets, lease liabilities and receivables	Y	Y	75
5.5	Inventories	Y	Y	81
5.6	Loans	Y	Y	84
5.6	Trade receivables	Y	N	84
5.6	Other receivables	Y	N	84
5.7	Cash and cash equivalents	Y	N	86

5.8	Trade and other payables	Y	N	87
5.8	Other liabilities	Y	N	87
5.9	Provisions	Y	Y	88
6.1	Financial instruments	Y	Y	93
6.2	Acquisition of subsidiaries and associates	Y	Y	104
6.3	Associates	Y	Y	105
6.4	Discontinued operations	Y	Y	108
6.6	Costs of incentive scheme	Y	Y	116

New and amended accounting standards applied

The amended standards and interpretations which apply for the first time in 2020 do not have a material impact on the Group's consolidated financial statements:

1. Amendments to IFRS 3: *Definition of a business.* The amendments to IFRS 3 clarify that in order to be considered a business, an integrated set of activities and assets must include at least one input and one significant process that together significantly contribute to the ability to create a product. The amendments also clarify that a project could exist without all the inputs and processes necessary to produce products.

2. Amendments to IFRS 7, IFRS 9 and IAS 39: *Reform of interest rate benchmarks*. The amendments to IFRS 9 and IAS 39 introduce a number of derogations for all hedging relationships directly affected by the IBOR reform. The IBOR reform affects securing links if it leads to uncertainty as to the timing and/or amount of cash flows based on the interest rate reference index resulting from the hedged item or the hedging instrument based on the interest rate reference index.

3. Amendments to IAS 1 and IAS 8: *Definition of "material"*. The amendments to IAS 1 and IAS 8 introduce a new definition of "material" which states that "information is significant if its omission, misstatement or opaque nature may reasonably be expected to influence the decisions of major users of general-purpose financial statements based on such statements containing financial information about a particular reporting entity". The amendments clarify that materiality will depend on the nature or amount of the information, individually or in combination with other information, in the context of the overall financial statements.

4. Conceptual Framework for financial reporting of March 29th 2018. The Conceptual Framework does not constitute a separate standard and none of the concepts presented therein supersede or override the concepts presented in any standard or the requirements of any standard. The purpose of the Conceptual Framework is to assist the IASB to develop standards, assist preparers to develop consistent accounting policies when no standard applies to a particular transaction or other event, and to assist all parties to understand and interpret the standards. The updated Conceptual Framework includes some new concepts, updates the definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.

5. Amendments to IFRS 16 *Leases*: *Rent concessions related to Covid-19* of May 28th 2020 – applicable retrospectively for annual periods beginning on or after January 1st 2020. As a practical expedient, the lessee may decide not to assess whether the rent concession granted directly in connection with the Covid-19 pandemic, which meets certain conditions, is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The Company did not apply the practical expedient.

The Group has not elected to early adopt any of the standards, interpretations or amendments that have been issued but are not yet effective in accordance with the European Union regulations.

Issued standards and interpretations which are not yet effective and have not been adopted by the Group early

The following are the standards and interpretations that have been issued by the International Accounting Standards Board but are not yet effective. As assessed by the Management Board, they would not have any significant impact on the financial statements if applied by the Company as at the reporting date.

- IFRS 14 *Regulatory Deferral Accounts* (issued on January 30th 2014) − pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the issue of its final version (not endorsed by the EU by the date of authorisation of these financial statements for issue) – effective for annual periods beginning on or after January 1st 2016;
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on September 11th 2014) − work leading to the approval of the amendments has been deferred by the EU for an indefinite period − effective date has been deferred by the IASB for an indefinite period;
- IFRS 17 *Insurance Contracts* (issued on May 18th 2017), including Amendments to IFRS 17 (issued on June 25th 2020) – not endorsed by the EU as at the date of authorisation of these financial statements for issue - effective for annual periods beginning on or after January 1st 2023;
- Amendments to IAS 1: *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current—Deferral of Effective Date* (issued on January 23rd 2020 and July 15th 2020, respectively) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after January 1st 2023;
- Amendments to IFRS 3: *References to Conceptual Framework* (issued on May 14th 2020) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after January 1st 2022;
- Amendments to IAS 16: *Property, Plant and Equipment: Proceeds before Intended Use* (issued on May 14th 2020) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after January 1st 2022;
- Amendments to IAS 37: *Onerous Contracts—Cost of Fulfilling a Contract* (issued on May 14th 2020) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after January 1st 2022;
- Amendments to IFRS introduced as part of Annual Improvements to IFRS Standards 2018–2020 (issued on May 14th 2020) − not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after January 1st 2022;
- Amendments to IFRS 4 *Insurance Contracts – Deferral of IFRS 9* (issued on June 25th 2020) – effective for annual periods beginning on or after January 1st 2021;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest Rate Benchmark Reform—Phase 2* (issued on August 27th 2020) – effective for annual periods beginning on or after January 1st 2021;
- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting policies* (issued on February 12th 2021) – not yet endorsed by EU as at the date of authorisation of these financial statements – effective for annual periods beginning on or after January 1st 2023;
- Amendments to IAS 8: *Definition of Accounting Estimates* (issued on February 12th 2021) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after January 1st 2023;
- Amendments to IFRS 16: *Covid-19-Related Rent Concessions* (issued on March 31st 2021) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after April 1st 2021.
- Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on May 6th 2021) – not yet endorsed by EU as at the date of authorisation of these financial statements – effective for annual periods beginning on or after January 1st 2023.

The effective dates are those specified in the text of the standards issued by the International Accounting Standards Board. The effective dates of the standards in the European Union may differ from those specified in the text of the standards and are announced on approval of a standard by the European Union.

2. SEGMENTS AND REVENUE

Operating segments and revenue are presented in a manner consistent with internal reporting provided to the chief operating decision maker, based on which the decision maker assesses the performance of the operating segments and decides on the allocation of resources. The Management Board of the parent is the chief operating decision maker.

The Management Board analyses the Group's business in terms of geographical markets and types of distribution activity:

- in terms of the geographical markets, the Management Board differentiates between Poland, Central Europe, Western Europe and other countries;
- in terms of the distribution activities, the Management Board differentiates between retail, e-commerce and wholesale operations in the geographical areas.

Financial data prepared for the management reporting purposes is based on the same accounting principles as the principles applied in the preparation of consolidated financial statements.

The operating and reportable segments identified by the Group are presented below.

Reportable segment	Overview of the reportable segment's activities and performance metrics	Reasons for aggregation of operating segments into reportable segments, including economic considerations taken into account in assessing the similarity of the operating segments' economic characteristics
Distribution – retail in Poland, stores operate on the CCC, eobuwie.pl and Gino Rossi S.A. chains.	Each individual own store operating in the country is an operating segment. The stores sell footware, handbags, shoe care accessories and small clothing accessories in their own outlets, as part of the CCC, eobuwie.pl and Gino Rossi chains. The performance measures are gross profit on external sales and the segment's operating result, which is calculated as revenue less cost of goods sold, direct distribution costs (stores' operating costs) and costs of sales support units.	Financial information was aggregated for the CCC chain by geographical markets because of: - Similarity of long-term average gross margins, - Similar nature of merchandise (e.g., shoes, handbags, shoe care accessories, small clothing accessories), - Similar distribution processes, - Similar customer categories (sales through own stores to retail clients).
Distribution – retail in the European Union – Central and Eastern Europe (Czech Republic, Slovakia, Hungary, Croatia, Slovenia, Bulgaria, Romania). The stores operate in the CCC chain.		
Distribution – retail in the European Union – Western Europe (Austria, Switzerland). The stores operate in the CCC chain.		
Distribution – retail in other countries (Russia, Serbia). The stores operate in the CCC chain.		
Distribution – e-commerce	The business activities are carried out by eobuwie.pl S.A., DeeZee Sp. z o.o., Gino Rossi S.A. (the segment was operated directly by Gino Rossi S.A. until June 2020, when the platform was taken over by eobuwie S.A.), CCC Czech s.r.o., CCC Slovakia s.r.o., Shoe Express S.A. and CCC S.A., which distributes goods via the Internet. The Group sells footwear, handbags, shoe care accessories and small clothing accessories to Polish and foreign retail customers. The performance measures are gross profit on external sales and the segment's operating result, which is calculated as revenue less cost of goods sold and direct costs of operating the channel (including logistics costs).	
Distribution – wholesale	All activities are carried out by CCC.eu, which distributes merchandise to the Group companies. The company sells footwear, handbags, shoe care accessories, and small clothing accessories to Polish and foreign franchisees and other wholesale customers. The performance measures are gross profit on external sales and the segment's operating result, which is calculated as revenue less cost of goods sold and direct costs of the distribution network (including logistics costs).	
Manufacturing	Women's leather footwear is manufactured in Poland. The segment's operating profit (loss) is calculated as revenue less cost of products sold and direct distribution costs.	

	Eobuwie.pl also manufactures premium clothing (the Rage Age brand). The company does not have its own production facilities and uses external sewing plants to which it supplies raw materials.
Discontinued operations	Operations discontinued in 2020 involved CCC and Karl Voegele stores and as well as NG2 stores in Switzerland held for sale. Therefore, data for 2019 has been restated accordingly. Operations discontinued in 2019 involved CCC stores in Germany and Simple stores sold in 2019.

Reconciliation of the segment data for the consolidated financial statements is presented below.

January 31st 2021	DISTRIBUTION						MANUFAC TURING	TOTAL AGGREGATED SEGMENT DATA	DISCONTINUED OPERATIONS
	RETAIL								
	POLAND	UE – CENTRAL AND EASTERN EUROPE	UE – WESTERN EUROPE	OTHER COUNTRIES	E-COMMERCE	WHOLESALE			
AUDITED									
Total revenue	1,593.9	801.8	105.4	114.9	2,725.3	1,859.3	149.9	7,350.5	343.9
Revenue from inter-segment sales	–	–	–	–	(29.0)	(1,707.7)	(149.6)	(1,886.3)	–
Revenue from sales to external customers	**1,593.9**	**801.8**	**105.4**	**114.9**	**2,696.3**	**151.6**	**0.3**	**5,464.2**	**343.9**
Gross profit (loss)	**738.8**	**415.9**	**57.2**	**48.6**	**1,166.7**	**30.3**	**(1.0)**	**2,456.5**	**170.4**
Gross margin (gross profit on sales/Revenue from sales to external customers)	*46%*	*52%*	*54%*	*42%*	*43%*	*20%*	*0%*	*45%*	*50%*
SEGMENT PROFIT (LOSS)	**(93.0)**	**(167.0)**	**(58.8)**	**(23.1)**	**192.0**	**4.6**	**(0.8)**	**(146.1)**	**(43.0)**
Segment assets:									
Non-current assets (net of other financial assets and deferred tax assets)	1,315.2	799.7	157.0	147.7	584.9	137.8	66.2	3,208.5	103.8
Deferred tax assets	24.2	2.5	–	2.9	71.9	–	2.0	103.5	–
Inventory	364.6	234.1	33.1	59.0	555.0	979.2	30.6	2,255.6	107.1
Expenditure on property, plant and equipment and intangible assets	689.9	237.9	4.1	32.4	387.8	127.9	66.2	1,546.2	13.7
Material income (expenses):									
Depreciation/amortisation expense	(306.6)	(212.8)	(47.5)	(30.8)	(27.1)	(5.2)	–	(629.9)	(45.7)
Impairment losses on property, plant and equipment, right-of-use assets, and intangible assets	(33.8)	(13.1)	(41.5)	(5.1)	–	–	–	(93.6)	(226.8)

January 31st 2020	DISTRIBUTION						MANUFACTURING	TOTAL AGGREGATED SEGMENT DATA	DISCONTINUED OPERATIONS
	RETAIL				E-COMMERCE	WHOLESALE			
	POLAND	UE – CENTRAL AND EASTERN EUROPE	UE – WESTERN EUROPE	OTHER COUNTRIES					
UNAUDITED									
Total revenue	2,397.7	1,220.8	143.9	163.9	1,580.7	2,984.3	187.0	8,678.3	535.5
Revenue from inter-segment sales	–	–	–	–	–	(2,777.7)	(186.0)	(2,963.7)	–
Revenue from sales to external customers	**2,397.7**	**1,220.8**	**143.9**	**163.9**	**1,580.7**	**206.6**	**1.0**	**5,714.6**	**535.5**
Gross profit (loss)	**1,187.3**	**681.1**	**85.5**	**79.1**	**666.4**	**57.1**	**(1.0)**	**2,755.5**	**309.3**
Gross margin (gross profit on sales/Revenue from sales to external customers)	*50%*	*56%*	*59%*	*48%*	*42%*	*28%*	*0%*	*48%*	*58%*
SEGMENT PROFIT (LOSS)	**281.9**	**21.4**	**(49.9)**	**(21.4)**	**98.6**	**33.2**	**(0.9)**	**362.9**	**(75.6)**
Segment assets:									
Non-current assets (net of other financial assets and deferred tax assets)	1,460.7	926.8	211.2	230.8	557.2	295.5	68.7	3,750.9	325.6
Deferred tax assets	9.9	0.8	–	0.3	44.6	8.3	3.3	67.2	–
Inventory	469.7	291.4	38.9	58.7	512.1	575.9	29.3	1,976.0	167.0
Expenditure on property, plant and equipment and intangible assets	1,073.0	276.7	28.6	49.1	5.4	139.1	68.7	1,640.6	65.0
Material income (expenses):									
Depreciation/amortisation expense	(304.5)	(213.1)	(48.9)	(32.8)	(8.8)	(19.8)	–	(627.9)	(111.8)
Impairment losses on property, plant and equipment, right-of-use assets, and intangible assets	–	–	(1.1)	–	–	–	–	(1.1)	(1.1)

December 31st 2019	DISTRIBUTION						MANUFACTURING	TOTAL AGGREGATED SEGMENT DATA	DISCONTINUED OPERATIONS
	RETAIL				E-COMMERCE	WHOLESALE			
	POLAND	UE – CENTRAL AND EASTERN EUROPE	UE – WESTERN EUROPE	OTHER COUNTRIES					
AUDITED, RESTATED									
Total revenue	2,272.8	1,148.2	135.4	152.6	1,442.1	2,764.7	173.6	8,089.4	508.1
Revenue from inter-segment sales	–	–	–	–	–	(2,566.0)	(172.6)	(2,738.6)	-
Revenue from sales to external customers	**2,272.8**	**1,148.2**	**135.4**	**152.6**	**1,442.1**	**198,7**	**1.0**	**5,350.8**	**508.1**
Gross profit (loss)	**1,128.1**	**647.3**	**81.5**	**75.7**	**608.3**	**55.5**	**(1.0)**	**2,595.4**	**295.7**
Gross margin (gross profit on sales/Revenue from sales to external customers)	*50%*	*56%*	*60%*	*50%*	*42%*	*28%*	*0%*	*49%*	*58%*
SEGMENT PROFIT (LOSS)	**295.4**	**42.8**	**(54.2)**	**(17.5)**	**107.5**	**31.6**	**(0.9)**	**404.7**	**295.7**
Segment assets:									
Non-current assets (net of other financial assets and deferred tax assets)	1,462.8	914.2	210.1	237.0	551.8	308.9	68.9	3,753.7	323.0
Deferred tax assets	9.9	0.8	–	–	44.9	8.3	3.5	67.4	–
Inventory	418.0	248.6	36.3	63.0	487.5	565.1	21.5	1,840.0	159.6
Expenditure on property, plant and equipment and intangible assets	647.0	276.7	29.0	49.7	429.0	141.1	68.9	1,641.4	65.0
Material income (expenses):									
Depreciation/amortisation expense	(276.2)	(195.1)	(44.8)	(29.3)	(10.8)	(1.5)	–	(557.7)	(109.1)
Impairment losses on property, plant and equipment, right-of-use assets, and intangible assets	–	–	(1.1)	–	–	–	–	(1.1)	–

	January 1st 2020 – January 31st 2021			January 1st 2019 – January 31st 2020			January 1st 2019 – December 31st 2019		
	AUDITED			UNAUDITED			AUDITED, RESTATED		
	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED FINANCIAL STATEMENTS	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED FINANCIAL STATEMENTS	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED FINANCIAL STATEMENTS
Total revenue	7,350.5	(1,886.3)	5,464.2	8,678.3	(2,963.7)	5,714.6	8,089.4	(2,738.6)	5,350.8
Revenue not allocated to segments	–	174.4	174.4	–	65.6	65.6	–	52.1	52.1
Revenue in financial statements	–	–	5,638.6	–	–	5,780.2	–	–	5,402.9
Cost of sales in financial statements	–	–	(3,182.1)	–	–	(3,024.7)	–	–	(2,807.5)
Cost of sales not allocated to segments (discontinued operations)	–	(174.4)	(174.4)	–	(65.6)	(65.6)	–	(52.1)	(52.1)
Gross profit (loss)	**2,456.5**	**–**	**2,456.5**	**2,755.5**	**–**	**2,755.5**	**2,595.4**	**–**	**2,595.4**
Gross profit (loss) disclosed in financial statements	2,456.5	–	2,456.5	2,755.5	–	2,755.5	2,595.4	–	2,595.4
Stores' operating costs and other distribution costs	(2,602.6)	–	(2,602.6)	(2,392.6)	–	(2,392.5)	(2,190.7)		(2,190.7)
Segment profit (loss)	**(146.1)**	**–**	**(146.1)**	**362.9**	**–**	**362.9**	**404.7**	**–**	**404.7**
Administrative expenses	–	–	(252.2)	–	–	(211.4)	–	–	(205.0)
Other income	–	–	47.8	–	–	34.7	–	–	36.9
Other expenses	–	–	(196.1)	–	–	(35.8)	–	–	(29.5)
Loss allowances (trade receivables)	–	–	(80.1)	–	–	–	–	–	–
Finance income	–	–	97.7	–	–	147.4	–	–	136.7
Loss allowances	–	–	(130.2)	–	–	–	–	–	–
Other finance costs	–	–	(278.4)	–	–	(241.4)	–	–	(221.0)
Share of profit (loss) of associates	–	–	(30.7)	–	–	(29.5)	–	–	(17.5)
Profit (loss) before tax	**–**	**–**	**(968.3)**	**–**	**–**	**27.0**	**–**	**–**	**105.3**

	January 31st 2021			January 31st 2020			December 31st 2019		
Segment assets:									
Non-current assets (net of other financial assets and deferred tax assets)	3,208.5	–	3,208.5	4076,5*	–	4076,5*	4076,7*	–	4076,7*
Deferred tax assets	103.5	48.6	152.1	67.2	46.5	113.7	67.4	42.9	110.3
Inventory	2,255.6	(63.0)	2,192.6	2143,0*	(67.4)	2075,6*	1999,6*	(57.3)	1942,3*
Expenditure on property, plant and equipment and intangible assets	1,546.2	–	1,546.2	1705,6*	–	1705,6*	1706,4*	–	1706,4*
Material income (expenses):									
Depreciation/amortisation	(629.9)	(8.0)	(637.9)	(627.9)	(34.0)	(661.9)	(557.7)	(43.7)	(601.4)
Impairment losses on property, plant and equipment and intangible assets	(93.6)	–	(93.6)	(1.1)	–	(1.1)	(1.1)	–	(1.1)
Discontinued operations									
Total revenue	343.9	(174.4)	169.5	535.5	(65.6)	469.9	508.1	(52.1)	456.0
Cost of sales	(173.5)	169.1	(4.4)	(226.2)	65.6	(160.6)	(212.4)	52.1	(160.3)
Gross profit (loss)	**170.4**	**(5.3)**	**165.1**	**309.3**	**0.0**	**309.3**	**295.7**	**–**	**295.7**

**Including discontinued operations*

Geographical information

Revenue from sales to external customers:

REVENUE	January 1st 2020 – January 31st 2021			January 1st 2019 – January 31st 2020			January 1st 2019 – December 31st 2019		
	AUDITED			UNAUDITED			AUDITED, RESTATED		
	offline	e-commerce	total	offline	e-commerce	total	offline	e-commerce	total
Poland	1,594.1	1,096.5	2,690.6	2,396.0	630.1	3,026.1	2,272.9	568.8	2,841.7
Czech Republic	188.0	210.9	398.9	331.2	132.8	464.0	310.4	119.8	430.2
Hungary	180.2	186.4	366.6	258.3	152.1	410.4	243.8	137.5	381.3
Romania	174.0	295.1	469.1	255.7	192.8	448.5	240.5	174.2	414.7
Slovakia	129.3	141.8	271.1	193.7	81.3	275.0	182.3	73.3	255.6
Austria	105.4	2.8	108.2	143.9	–	143.9	135.4	–	135.4
Russia	83.3	–	83.3	129.1	–	129.1	119.9	–	119.9
Croatia	66.4	21.2	87.6	85.8	–	85.8	80.8	–	80.8
Slovenia	34.7	–	34.7	55.1	–	55.1	51.8	–	51.8
Serbia	31.5	–	31.5	34.8	–	34.8	32.7	–	32.7
Bulgaria	29.1	129.2	158.3	41.0	76.8	117.8	38.5	82.6	121.1
Greece	–	187.4	187.4	–	81.9	81.9	–	74.1	74.1
Germany	–	146.0	146.0	–	68.0	68.0	–	61.5	61.5
Italy	–	94.5	94.5	–	34.3	34.3	–	–	–
Lithuania	–	79.0	79.0	–	47.7	47.7	–	–	–
Switzerland	–	29.1	29.1	–	3.5	3.5	–	–	–
Ukraine	–	22.0	22.0	–	21.6	21.6	–	–	–
France	–	35.3	35.3	–	25.5	25.5	–	–	–
Spain	–	16.9	16.9	–	19.1	19.1	–	–	–
Other	151.9	2.4	154.3	209.3	13.0	222.2	199.8	150.3	350.1
Total	**2,767.9**	**2,696.3**	**5,464.2**	**4,133.9**	**1,580.7**	**5,714.6**	**3,908.8**	**1,442.1**	**5,350.8**
Revenue not allocated to segments, including:	174.4	–	174.4	52.3	13.3	65.6	38.8	13.3	52.1
Retail sale of companies classified in discontinued operations	343.9	–	343.9	522.2	13.3	535.5	494.8	13.3	508.1
Adjustment to presentation of discontinued operations	(169.5)	–	(169.5)	(469.9)	–	(469.9)	(456.1)	–	(456.1)
Revenue in financial statements	**2,942.3**	**2,696.3**	**5,638.6**	**4,186.2**	**1,594.0**	**5,780.2**	**3,947.6**	**1,455.4**	**5,402.9**

The revenue data presented above is based on:
- the offline segment – store location,
- for the e-commerce segment – the country to which purchased goods are shipped.

Reconciliation of reportable segments' total assets with the Group's total assets:

	January 31st 2021 AUDITED	January 31st 2020 UNAUDITED	December 31st 2019 AUDITED, RESTATED
RETAIL	3,140.0	3,699.2	3,600.7
POLAND	1,704.0	1,940.3	1,890.7
UE – CENTRAL AND EASTERN EUROPE	1,036.3	1,219.0	1,163.6
UE – WESTERN EUROPE	190.1	250.1	246.4
OTHER COUNTRIES	209.6	289.8	300.0
E-COMMERCE	1,211.8	1,113.9	1,084.2
WHOLESALE	1,117.0	879.7	882.3
MANUFACTURING	98.8	101.3	93.9
TOTAL AGGREGATED SEGMENT DATA	**5,567.6**	**5,794.1**	**5,661.1**
DISCONTINUED OPERATIONS	210.9	492.6	482.6
Eliminations between segments	(63.0)	(67.4)	(57.3)
Unallocated:	–	–	–
Deferred tax assets	48.6	46.5	42.9
Other financial assets	14.5	23.7	23.5
Trade receivables	172.3	240.8	209.3
Income tax receivable	1.7	1.3	1.4
Loans	–	2.9	4.6
Other receivables	234.1	233.3	233.0
Cash and cash equivalents	458.7	292.4	542.6
Derivative financial instruments	1.7	3.1	–
Lease receivables	0.3	–	–
Total assets as disclosed in the statement of financial position	**6,647.4**	**7,063.3**	**7,143.7**

	NON-CURRENT ASSETS ALLOCATED TO SEGMENTS		
	January 31st 2021 AUDITED	January 31st 2020 UNAUDITED	December 31st 2019 AUDITED
Poland	2,104.3	2,380.6	2,392.5
Switzerland	–	326.6	323.0
Czech Republic	182.3	210.8	199.5
Hungary	173.8	199.9	196.1
Romania	189.4	210.5	213.7
Slovakia	87.1	106.8	107.5
Austria	157.0	212.1	210.1
Russia	86.6	163.1	169.3
Croatia	58.4	73.8	73.5
Slovenia	54.3	65.1	64.7
Serbia	61.0	67.7	67.6
Bulgaria	54.3	59.7	59.2
Total non-current assets (excluding other financial assets and deferred tax)	**3,208.5**	**4,076.7**	**4,076.7**
Deferred tax	152.1	113.7	110.3
Other financial assets	14.5	23.5	23.5
Total non-current assets	**3,375.1**	**4,213.9**	**4,210.5**

3. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

3.1. REVENUE

ACCOUNTING POLICY

Revenue
IFRS 15 establishes a five-step model for recognition of revenue under contracts with customers.
In accordance with the Standard, revenue is recognised at the amount of consideration attributable to the entity in exchange for the transfer of promised goods or services to the customer.
The Group recognises revenue at the moment of handing over the goods to the customer in the amount reflecting the price expected by the entity in return for the handover of those goods and services.
Revenue includes revenue from sales of merchandise and products generated in the ordinary course of business. Revenue is recognised at the fair value of the consideration received or due from sale of merchandise, finished goods and services in the ordinary course of the Group's business. Revenue is presented net of value added tax, refunds, rebates and discounts, as well as after elimination of intra-Group sales.

Revenue – wholesale
The Group sells footwear, handbags, shoe care accessories and small clothing accessories on the domestic and foreign wholesale markets. Revenue is recognised when control of goods is transferred to the counterparty.
The Group, through its subsidiaries, bears all risks related to the aging of merchandise and after-sales service for retail customers, i.e. the Group is obliged to cover the costs thereof and to accept faulty goods. The principles for provisioning for warranty repairs are presented in Note 5.9.

Revenue – retail
The Group sells footwear, handbags, shoe care accessories and small clothing accessories through its own chain of stores in Poland and abroad. Revenue is recognised at the time the goods are released to the customer in the store. Retail sales are usually made for cash or using payment cards. The Group operates a 14-day customer return policy. In order to estimate the volume of returns, the historical rate of returns to the volume of sales is used. The estimate is used to adjust the amount of revenue.

Revenues – e-commerce
The Group sells footwear, handbags, shoe care accessories and small clothing accessories through an online store operating in the Polish and foreign markets. Revenue from sales is recognised at the time of release of goods to the courier and adjusted accordingly as at the reporting date taking into account the date of receipt of the delivery by the customer. The Group operates a 30-day customer return policy (from the delivery date). The amount of potential refunds to customers is also estimated at the reporting date.
Past experience is used to estimate the amount of refunds and provisions.

Revenue from contracts with customers by category is presented below.

	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED, RESTATED
Revenue			
Footwear	2,298.6	3,491.9	3,306.4
Bags	133.8	219.0	211.9
Other	183.6	215.4	190.7
Retail business	**2,616.0**	**3,926.3**	**3,709.0**
Footwear	1,896.0	1,360.6	1,237.0
Bags	498.9	142.1	130.1
Other	301.4	78.0	75.0
e-commerce	**2,696.3**	**1,580.7**	**1,442.1**
Wholesale	**326.3**	**273.3**	**251.8**
Total	**5,638.6**	**5,780.2**	**5,402.9**

The Group sells its merchandise to retail customers, and sales to none of the customers exceeded 10% of total revenue.

In 2020/21, retail revenue decreased by 30.1% relative to 2019/20, due to the closing of offline stores following the spread of COVID-19 pandemic. The offline stores were closed throughout the financial year, at various times, depending on the country. After the lockdown periods, there was a slow return of customers to shopping in offline stores, with some customers moving the e-commerce channel. This was also the time of after-season sales, which involved discounts.

The Company saw a strong increase in revenue in the e-commerce channel, from 27.3% in 2019 to 47.1%. Some of the increase was attributed to the closure of offline stores due to the COVID-19 epidemic and the resulting transition of some the customers to the e-commerce channel where they stayed even after the reopening of the stores.

3.2 COSTS BY NATURE OF EXPENSE

ACCOUNTING POLICY

Cost of sales
The Group recognises as cost of sales:
• cost of merchandise sold,
• cost of packaging used in sales,
• cost of goods sold,
• cost of provisions for warranty repairs (Note 5.9),
• inventory write-downs,
• impairment losses on property, plant and equipment and intangible assets used to manufacture goods or to provide services (depreciation of production machinery), salaries and wages of the production personnel, and other production costs.

Stores' operating costs
Stores' operating costs include costs of operating the stores and other retail facilities. This item includes mainly:
• salaries and wages of in-store personnel,
• depreciation of property, plant and equipment (leasehold improvements),
• depreciation of right-of-use assets,
• costs of services (including agent fees, utility costs),
• variable lease payments (sales-based rents).

Other distribution costs
Other distribution costs include distribution costs which cannot be directly allocated to store operations and are incurred by sales support functions. This item includes mainly:
• costs of salaries of employees at sales support units,
• depreciation of property, plant and equipment,
• cost of services,
• other expenses,
• low-value and short-term leases,

Administrative expenses
Administrative expenses include costs related to the management of the Group's general business activities (general and administrative expenses) and the Group's overheads.

Grants

If a grant relates to a specific cost item, it is recognised as a reduction of the costs the grant is intended to compensate. Where a grant relates to an asset, its fair value is recognised as deferred income and is then gradually released to profit or loss over the expected useful life of the asset in equal annual instalments.

NOTE	January 1st 2020 – January 31st 2021	COST OF SALES	STORES' OPERATING COSTS	OTHER DISTRIBUTION COSTS	ADMINISTRATIVE EXPENSES	TOTAL
	AUDITED					
	Cost of merchandise sold	(2,927.8)	–	–	–	(2,927.8)
	including discontinued operations	–	–	–	–	–
	Raw material and consumables used	(160.0)	(61.1)	(70.8)	(17.2)	(309.1)
	including discontinued operations	–	*(0.1)*	*(0.9)*	*(0.3)*	*(1.3)*
	Inventory write-downs	(33.4)	–	–	–	(33.4)
	including discontinued operations	*(4.4)*	–	–	–	*(4.4)*
	Salaries, wages and employee benefits	(59.6)	(501.2)	(234.6)	(86.5)	(881.9)
	including discontinued operations	–	*(106.5)*	*(10.7)*	*(4.5)*	*(121.7)*
	Transport services	(1.2)	(5.3)	(300.5)	(0.3)	(307.3)
	including discontinued operations	–	–	*(4.0)*	–	*(4.0)*
	Other rental costs – utilities and other variable costs	(0.3)	(193.8)	(38.1)	(22.2)	(254.4)
	including discontinued operations	–	*(17.2)*	*(8.6)*	*(2.3)*	*(28.1)*
	Other services	(4.1)	(76.1)	(444.7)	(81.9)	(606.8)
	including discontinued operations	–	*(3.8)*	*(2.3)*	*(8.8)*	*(14.9)*
	Depreciation/amortisation expense	(5.3)	(591.7)	(46.7)	(39.9)	(683.6)
	including discontinued operations	–	*(43.0)*	*(0.4)*	*(2.3)*	*(45.7)*
	Taxes and charges	(1.1)	(4.3)	(17.0)	(9.7)	(32.1)
	including discontinued operations	–	*(0.1)*	*(0.1)*	*(0.1)*	*(0.3)*
	Other expenses	(0.3)	(6.1)	(223.1)	(13.6)	(243.1)
	including discontinued operations	–	*(0.7)*	*(14.1)*	*(0.8)*	*(15.6)*
	Change in products and work in progress	6.6	–	–	–	6.6
	Total	**(3,186.5)**	**(1,439.6)**	**(1,375.5)**	**(271.3)**	**(6,272.9)**
	including continuing operations	***(3,182.1)***	***(1,268.2)***	***(1,334.4)***	***(252.2)***	***(6,036.9)***
	including discontinued operations	***(4.4)***	***(171.4)***	***(41.1)***	***(19.1)***	***(236.0)***

NOTE	January 1st 2019 – January 31st 2020	COST OF SALES	STORES' OPERATING COSTS	OTHER DISTRIBUTION COSTS	ADMINISTRATIVE EXPENSES	TOTAL
	UNAUDITED					
	Cost of merchandise sold	(2,873.6)	–	–	–	(2,873.6)
	including discontinued operations	*(158.3)*	–	–	–	*(158.3)*
	Raw material and consumables used	(205.6)	(73.2)	(38.3)	(14.6)	(331.7)
	including discontinued operations	–	*(2.1)*	*(2.8)*	*(3.0)*	*(7.9)*
	Inventory write-downs	(7.2)	–	–	–	(7.2)
	including discontinued operations	*(2.3)*	–	–	–	*(2.3)*
	Salaries, wages and employee benefits	(69.5)	(620.7)	(253.3)	(75.7)	(1,019.2)
	including reversal of measurement of incentive scheme	–	–	–	12.2	12.2
	including discontinued operations	–	*(137.1)*	*(40.8)*	*(13.1)*	*(191.0)*
	Agency services	(0.1)	(6.4)	–	–	(6.5)
	Transport services	(1.5)	(5.5)	(215.2)	(0.2)	(222.4)
	including discontinued operations	–	*(0.1)*	*(8.0)*	–	*(8.1)*
	Other rental costs – utilities and other variable costs	(0.1)	(199.7)	(33.1)	(13.1)	(246.0)
	including discontinued operations	–	*(30.8)*	*(9.4)*	*(3.5)*	*(43.7)*
	Other services	(15.0)	(106.6)	(335.9)	(62.4)	(519.9)
	including discontinued operations	–	*(18.0)*	*(6.6)*	*(7.9)*	*(32.5)*
	Depreciation/amortisation expense	(5.0)	(704.3)	(35.4)	(35.2)	(779.9)
	including discontinued operations	–	*(109.6)*	*(2.3)*	*(6.2)*	*(118.1)*
	Taxes and charges	(1.1)	(9.9)	(7.6)	(31.9)	(50.5)
	including discontinued operations	–	*(0.2)*	*(0.8)*	*(0.1)*	*(1.1)*
	Other expenses	(1.2)	(4.6)	(126.9)	(13.5)	(146.2)
	including discontinued operations	–	*(3.2)*	*(13.1)*	*(1.4)*	*(17.7)*
	Change in products and work in progress	(5.4)	–	(0.8)	–	(6.2)
	Total	**(3,185.3)**	**(1,730.9)**	**(1,046.5)**	**(246.6)**	**(6,209.3)**
	including continuing operations	***(3,024.7)***	***(1,429.8)***	***(962.7)***	***(211.4)***	***(5,628.6)***
	including discontinued operations	***(160.6)***	***(301.1)***	***(83.8)***	***(35.2)***	***(580.7)***

NOTE	January 1st 2019 – December 31st 2019	COST OF SALES	STORES' OPERATING COSTS	OTHER DISTRIBUTION COSTS	ADMINISTRATIVE EXPENSES	TOTAL
	AUDITED, RESTATED					
	Cost of merchandise sold	(2,685.3)	–	–	–	(2,685.3)
	including discontinued operations	*(157.8)*	–	–	–	*(157.8)*
	Raw material and consumables used	(176.8)	(67.9)	(36.6)	(14.0)	(295.3)
	including discontinued operations	–	*(2.1)*	*(2.7)*	*(2.9)*	*(7.7)*
	Inventory write-downs	(7.2)	–	–	–	(7.2)
	including discontinued operations	*(2.3)*	–	–	–	*(2.3)*
	Salaries, wages and employee benefits	(66.3)	(566.3)	(235.9)	(75.6)	(944.1)
	including reversal of measurement of incentive scheme	–	–	–	12.2	12.2
	including discontinued operations	–	*(127.3)*	*(39.2)*	*(12.4)*	*(178.9)*
	Agency services	–	(5.9)	–	–	(5.9)
	Transport services	(1.8)	(4.6)	(198.8)	(0.3)	(205.5)
	including discontinued operations	–	*(0.1)*	*(7.8)*	–	*(7.9)*
	Other rental costs – utilities and other variable costs	(0.3)	(183.9)	(29.7)	(12.8)	(226.7)
	including discontinued operations	–	*(29.3)*	*(8.7)*	*(3.3)*	*(41.3)*
	Other services	(15.6)	(101.6)	(303.2)	(60.1)	(480.5)
	including discontinued operations	–	*(17.5)*	*6.7*	*(7.4)*	*(31.6)*
	Depreciation/amortisation expense	(4.9)	(647.2)	(32.6)	(31.6)	(716.3)
	including discontinued operations	–	*(101.1)*	*(2.2)*	*(5.8)*	*(109.1)*
	Taxes and charges	(1.1)	(9.4)	6.7	(31.4)	(48.6)
	including discontinued operations	–	*(0.2)*	*(0.7)*	*(0.1)*	*(1.0)*
	Other expenses	(1.4)	(4.6)	(116.0)	(12.6)	(134.6)
	including discontinued operations	–	*(3.1)*	*(12.3)*	*(1.5)*	*(16.9)*
	Change in products and work in progress	(6.9)	–	(0.8)	–	(7.7)
	Total	**(2,967.6)**	**(1,591.4)**	**(960.3)**	**(238.4)**	**(5,757.7)**
	including continuing operations	***(2,807.5)***	***(1,310.7)***	***(880.0)***	***(205.0)***	***(5,203.2)***
	including discontinued operations	***(160.1)***	***(280.7)***	***(80.3)***	***(33.4)***	***(554.5)***

Cost of sales in continuing operations increased 7.8% year on year.[1] This trend is disproportionate to the change in revenue (year-on-year decline). As a result, gross margin (gross profit/revenue) fell from 47.7% in 2019/2020 to 43.5% in 2020/2021. The decline is attributable to the market situation caused by the COVID-19 pandemic and forced closures of the stores, as well as higher e-commerce sales and sales of collectors in the retail segment outside the peak season.

Stores' operating costs fell by 11.3% year on year. This decrease was mainly due to lower salaries and employee benefit expense, resulting from store closures during the lockdown period and received government subsidies, as well as lower depreciation expense due to renegotiation of retail space lease contracts.

In 2020/2021, the total amount of public aid subsidising salaries and employee benefit expense was PLN 67.8m, of which PLN 16.6m was reclassified to discontinued operations. The amounts were disclosed as direct reduction in labour costs.

The 38.6% year-on-year increase in other distribution costs is attributable to the rapid growth of the e-commerce business of the Group. The most significant changes occurred the following types of costs:

- other services (an increase of 34.3% on January 31st 2020), mainly due to logistics and warehouse operating costs, as well as IT maintenance costs. This increase was partially offset by a decrease in stores' operating costs caused by the COVID-19 pandemic, cost discipline and the implemented cost saving programmes,

[1]The data has not been audited.

- other expenses due to higher advertising and marketing spending,
- transport costs as a result of the launch of the e-commerce channel in further markets in 2020 (including Hungary, Romania) and the dynamic development of e-commerce in Poland through CCC S.A., eobuwie.pl and DeeZee.

Components of employee benefits are presented below.

	January 1st 2020 – January 31st 2021	**January 1st 2019 – January 31st 2020**	**January 1st 2019 – December 31st 2019**
	AUDITED	UNAUDITED	AUDITED, RESTATED
Wages and salaries	(725.1)	(837.1)	(773.8)
including discontinued operations	*(105.8)*	*(169.7)*	*(159.9)*
Social security contributions	(130.5)	(148.7)	(140.3)
including discontinued operations	*(15.2)*	*(19.9)*	*(18.6)*
Retirement benefit costs	(0.9)	(0.2)	(1.4)
Other post-employment benefits	(1.7)	(0.3)	(0.3)
Other employee benefit expenses	(22.4)	(32.6)	(28.0)
including discontinued operations	*(0.7)*	*(1.4)*	*(0.4)*
Costs of contributions to PPK	(1.3)	(0.4)	(0.2)
Total:	**(881.9)**	**(1,019.2)**	**(944.1)**
including continuing operations	***(760.2)***	***(828.3)***	***(765.2)***
including discontinued operations	***(121.7)***	***(191.0)***	***(178.9)***

Total employee benefits expense, including:			
Items recognised as cost of sales	(59.6)	(76.9)	(70.9)
Items recognised as stores' operating expenses	(501.2)	(614.0)	(560.2)
including discontinued operations	(106.5)	(134.8)	(127.3)
Items recognised as other expenses	(234.6)	(189.9)	(235.1)
including discontinued operations	(10.7)	(43.1)	(39.2)
Items recognised as administrative expenses	(86.5)	(138.4)	(77.9)
including discontinued operations	(4.5)	(13.1)	(12.4)
Total:	**(881.9)**	**(1,019.2)**	**(944.1)**
including continuing operations	***(760.1)***	***(828.3)***	***(765.2)***
Including discontinued operations	***(121.7)***	***(191.0)***	***(178.9)***

Other costs of employee benefits include but are not limited to costs of training courses, health and safety benefits, and benefits from the Company Social Benefits Fund.

3.3 OTHER INCOME AND EXPENSES, FINANCE INCOME AND COSTS

ACCOUNTING POLICY

Other income and expenses
Other income and expenses include income and expenses from non-core activities, such as gains or losses on disposal of property, plant and equipment, impairment losses on receivables, penalties and fines, donations, grants, etc.

Finance income and costs
Finance income and costs of the Group include interest expense, commission fees, and foreign exchange gains and losses.

Grants

Government grants are recognised using the income method (they reduce expenses). If a grant relates to a specific cost item, it is recognised as a reduction of the costs the grant is intended to compensate. Where a grant relates to an asset, its fair value is recognised as deferred income and is then gradually released to profit or loss over the expected useful life of the asset in equal annual instalments.

NOTE	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED, RESTATED
Other expenses			
Loss on disposal of property, plant and equipment	(13.9)	(7.4)	(5.5)
including discontinued operations	*(2.6)*	*(7.4)*	*(7.4)*
Impairment losses on property, plant and equipment, intangible assets and right-of-use assets	(115.5)	(2.2)	(2.2)
including discontinued operations	*(31.0)*	–	–
Impairment loss on goodwill of Gino Rossi S.A.	(21.8)	–	–
Provision for costs of store closures	(36.4)	–	–
Recognised provisions	–	(37.2)	(37.2)
including discontinued operations	–	*(31.6)*	*(31.6)*
Abandoned investments	–	(2.9)	(2.9)
Prepayments written off	(12.6)	–	–
Interests and penalties	–	(9.9)	(9.9)
Other expenses	(35.5)	(12.9)	(12.2)
including discontinued operations	*(6.1)*	*(3.0)*	*(3.0)*
Foreign exchange losses on items other than debt	–	(5.4)	(1.6)
Total other expenses	**(235.8)**	**(77.8)**	**(71.5)**
including continuing operations	***(196.1)***	***(35.8)***	***(29.5)***
including discontinued operations	***(39.7)***	***(42.0)***	***(42.0)***

Under 'Recognised provisions', the Group recognised a provision for costs it is contractually bound to incur following the closure of stores in Germany. The amount of the provision is PLN 36.4m. The provision was recognised in 2020, and as at the reporting date an amount of

PLN 13.1m had been utilised. The remaining amount of the provision is presented under other current liabilities in 'Accruals and deferrals'. The need to recognise the provision resulted from COVID-19 and worse-than-expected results of the stores, lease guarantees demanded by certain lessors from CCC S.A., the terms and conditions of an agreement concluded between the Company and HRG at the time of disposal of CCC Germany, including provisions concerning compensation by CCC S.A. of losses incurred by HRG. As a result of the COVID-19 pandemic, and thus worse-than-expected results of the stores, CCC S.A. expects HRG, the owner of CCC Germany, to take steps to accelerate early closure of some of the stores and terminate respective lease contracts. Therefore, a provision was recognised for what, in the opinion of CCC, would be the maximum (and, in the opinion of the Management Board, the most likely) amount of landlords' claims for early termination of rental contracts. These claims are related to the early closure of the stores.

On September 30th 2020, the CCC Group was notified that its associate HRG (in which the CCC Group holds a minority interest) had filed for self-supervised bankruptcy proceedings to be commenced with respect to its subsidiary CCC Germany GmbH (which HRG acquired from CCC S.A. at the end of 2018 and in which HRG holds 100 shares). As at January 31st 2021, the carrying amount of shares in HRG held by the Company was PLN 0.0m (December 31st 2019 and January 31st 2020: PLN 0.0m).

Permanent impairment losses on property, plant and equipment and on intangible assets included: PLN 51.0m on property, plant and equipment (leasehold improvements), PLN 49.3m on rights-of-use assets, PLN 3.3m on other property, plant and equipment, and PLN 12.9m on intangible assets.

For detailed disclosure of the impairment loss on Gino Rossi S.A., see Note 5.2.

NOTE	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED, RESTATED
Loss allowances (trade receivables)			
Impairment losses on trade receivables	(80.1)	–	–
including discontinued operations	–	–	–
Total loss allowances (trade receivables)	**(80.1)**	**–**	**–**
including continuing operations	***(80.1)***	**–**	**–**
including discontinued operations	**–**	**–**	**–**

Due to the deterioration of HRG's financial condition caused by COVID-19, the Group identified impairment of trade receivables from and loans to that group, as described below.

The entire credit exposure of the CCC Group to HRG was analysed. Then the amount of the exposure was compared with the present value of forecast cash flows that CCC S.A. expects to receive from the HRG Group, and appropriate allowances were recognised. The Company recognised a PLN 47.5m impairment loss on trade receivables from HRG (January 31st 2020 and December 31st 2019: nil). As at January 31st 2021, the gross carrying amount of trade receivables from HRG was PLN 47.5m (January 31st 2020 and December 31st 2019: PLN 51.6m and PLN 62.2m, respectively).

The Group also recognised a loss allowance of PLN 32.6m on trade receivables which, in the Management Board's opinion, are irrecoverable due to deterioration in the financial condition or bankruptcy of the counterparty. The amount of the allowance equals 100% of the gross carrying amount of the receivables.

Expected credit losses on the other trade receivables are not material.

NOTE		January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
		AUDITED	UNAUDITED	AUDITED, RESTATED
	Other income			
	Gain on disposal of property, plant and equipment	–	5.6	3.5
	Foreign exchange gains on items other than debt	9.7	–	–
	including discontinued operations	*0.5*	*1.6*	*1.6*
	Compensation	11.3	9.9	9.6
	including discontinued operations	*2.8*	–	–
	PFRON wage subsidies	3.6	3.9	3.6
	Gain on disposal of Simple	–	13.4	13.4
	Grants	5.0	4.4	4.4
	Other income	29.4	16.0	23.7
	including discontinued operations	*7.9*	*3.5*	*6.3*
	Total other income	**59.0**	**53.2**	**58.2**
	including continuing operations	***47.8***	***34.7***	***36.9***
	including discontinued operations	***11.2***	***18.5***	***21.3***
	Total other income and expenses	**(176.8)**	**(24.6)**	**(13.3)**
	including continuing operations	***(148.3)***	***(1.1)***	***7.4***
	including discontinued operations	***(28.5)***	***(23.5)***	***(20.7)***

NOTE		January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
		AUDITED	UNAUDITED	AUDITED, RESTATED
	Finance costs			
	Interest on borrowings and bonds	(30.8)	(45.0)	(41.4)
	including discontinued operations	*(2.1)*	–	–
	Interest of leases	(52.5)	(39.3)	(36.2)
	including discontinued operations	*(8.2)*	*(9.3)*	*(10.5)*
	Foreign exchange gains (losses)	(61.4)	(19.1)	(15.0)
	including discontinued operations	*7.7*	–	–
	Commission fees paid	(11.8)	(3.8)	(3.6)
6.1	Valuation of options to buy non-controlling interests	(96.1)	(143.4)	(134.4)
6.1	Valuation of HR Group option	(13.3)	(0.1)	(0.9)
	Costs of bank guarantees	(5.4)	–	–
	Other	(9.7)	(8.0)	(1.7)
	including discontinued operations	–	–	*(0.2)*
	Total finance costs	**(281.0)**	**(250.7)**	**(231.5)**
	including continuing operations	***(278.4)***	***(241.4)***	***(221.0)***
	including discontinued operations	***(2.6)***	***(9.3)***	***(10.5)***

NOTE		January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
		AUDITED	UNAUDITED	AUDITED, RESTATED
	Finance income			
	Interest income on cash in current account and other interest income	18.4	7.7	7.7
	including discontinued operations	*0.5*	*0.4*	*0.5*
	Foreign exchange gains (losses)	–	30.2	22.0
	Measurement of financial instruments	5.7	–	–
	Gain on modification of credit facility agreements	5.6	–	–
	Other	6.7	6.3	5.4
	including discontinued operations	–	*4.8*	*6.2*
6.1	Valuation of options to buy non-controlling interests	61.8	108.3	108.3
	Total finance income	**98.2**	**152.5**	**143.4**
	including continuing operations	***97.7***	***147.5***	***136.7***
	including discontinued operations	***0.5***	***5.2***	***6.7***

NOTE		January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
		AUDITED	UNAUDITED	AUDITED, RESTATED
	Loss allowances (loans)	(130.2)	–	–
	Total loss allowances (loans)	**(130.2)**	**–**	**–**

Due to the COVID-induced deterioration of the financial condition of HRG, the Company identified impairment losses on the loans to the group. These assets were reclassified from Level 1 to Level 3. The entire credit exposure of the CCC Group to HRG was analysed. Then the amount of the exposure was compared with the present value of forecast cash flows that CCC S.A. expects to receive from the HRG Group, and appropriate allowances were recognised. The Company recognised an impairment loss on the loan (with accrued interest) to HRG of PLN 130.2m (January 31st 2020 and December 31st 2019: nil).

As at January 31st 2021, the gross carrying amount of the loans advanced to HRG was PLN 130.2m (January 31st 2020 and December 31st 2019: PLN 82.1m and PLN 82.6m, respectively).

For detailed information on the loans and sureties, broken down by gross carrying amount, credit exposure and impairment losses, see Note 6.1.

3.4. TAXATION

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent changes, with the effect being lack of appropriate points of reference, conflicting interpretations, and scarcity of established precedents which could be followed. Furthermore, the applicable tax laws lack clarity, which leads to differences in opinions and diverse interpretations of tax regulations, both between various public authorities and between public authorities and businesses.

Tax settlements and other areas of activity (e.g., customs or foreign exchange control) may be subject to inspections by the authorities that are entitled to impose high fines and penalties, and any additional tax liabilities resulting from such inspections must be paid with high interest. Consequently, tax risk in Poland is higher than in countries with more mature tax systems.
The amounts presented and disclosed in the financial statements may therefore change in the future as a result of a final decision by a tax inspection authority.

On July 15th 2016, the tax legislation was amended to reflect the provisions of the General Anti-Abuse Rule ("GAAR"). GAAR is intended to prevent the creation and use of abusive arrangements to avoid paying taxes in Poland. GAAR defines tax avoidance as an act done primarily for the purpose of obtaining a tax benefit that is contrary under the circumstances to the object and purpose of tax laws. In accordance with GAAR, no tax advantage can be obtained through an arrangement which is abusive.

Any arrangements involving (i) separation of transactions or operations without a sufficient rationale, (ii) engaging intermediaries where no business or economic rationale exists, (iii) any offsetting elements, and (iv) any arrangements that operate in a similar way may be viewed as an indication of the existence of an abusive arrangement subject to GAAR. The new regulations will require much more judgement to be exercised when assessing the tax consequences of transactions.

GAAR should be applied with respect to arrangements made after its effective date as well as arrangements that were made before its effective date, but the benefit of the tax advantage obtained through the arrangement continued or continues after that date. After the new regulations are implemented, Polish tax inspection authorities will be able to challenge certain legal agreements and arrangements made by taxpayers, such as corporate restructurings. In connection with tax inspection proceedings, conducted by the Head of the Lower Silesian Customs and Fiscal Office in Wroclaw for the years 2014-2015, concerning corporate income tax, and further in connection with the findings of the authority presented in the post-inspection report, having consulted its legal and tax advisers and guided by the principle of prudence, the Management Board of CCC.eu Sp. z o.o. decided to suspend tax amortisation of recognised goodwill starting from 2017.

The Company recognises and measures current and deferred income tax assets or liabilities using the requirements of IAS 12 Income Taxes, based on tax profit (loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainties related to tax settlements.

Whenever there is uncertainty as to whether and to what extent a tax authority would accept a tax settlement, the Company discloses such settlement taking into consideration the assessed uncertainty.

ACCOUNTING POLICY

Mandatory charge on profit comprises current income tax (CIT) and deferred income tax. Current tax expense is calculated on taxable profit for the reporting period in the countries where the company and its subsidiaries operate and generate taxable income, at the rates applicable in that country. Changes in estimates relating to previous years are recognised as an adjustment to the charge for the current year.

Uncertainty over recognition of income tax

If, in the opinion of the Group, it is probable that the Group's approach to a tax issue or group of tax issues will be accepted by the tax authority, the Group determines the taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates taking into account the approach to taxation planned or applied in its tax return. In assessing this probability, the Group assumes that the tax authorities with the power to audit and challenge the tax treatment will conduct such an audit and will have access to all information. If the Group determines that it is not probable that the tax authority will accept the Group's treatment of a tax issue or group of tax issues, the Group reflects the effect of the uncertainty in the accounting treatment of the tax in the period in which it determines it. The Group recognises an income tax liability using one of the following two methods, whichever better reflects the way in which the uncertainty is likely to materialise:

- The Group determines the most likely scenario – this is a single amount from among possible outcomes or
- the Group recognises the expected amount – the sum of probability-weighted amounts from a range of possible outcomes.

Deferred tax assets and liabilities are recognised as a result of differences between the carrying amounts of assets and liabilities and their corresponding tax bases and on unused tax losses. Such differences arise where depreciation/amortisation is accounted for differently for accounting and tax purposes, and also due to the accounting treatment of assets (which for tax purposes will be realised as tax depreciation in future periods) or provisions (which for tax purposes will be recognised when the relevant costs are incurred). Differences (other than acquisitions) related to the initial recognition of an asset or liability that do not affect the taxable profit or loss at the time of recognition of the asset are excluded.

Temporary differences also arise in intra-Group acquisitions and reorganisations. In the case of acquisitions of third parties, temporary differences arise from the measurement of assets and liabilities to their fair value without affecting the tax base of those assets and liabilities – the deferred tax liability or assets arising from those differences adjust goodwill (gain from bargain purchase). In the case of intra-Group reorganisations, deferred tax assets or liabilities arise as a result of recognition of change in the carrying amount of assets or liabilities for tax purposes (e.g. trademark) without their simultaneous recognition in the statement of financial position due to the elimination of the result on intra-group transactions – the effects of recognising the related deferred tax assets and liabilities are taken to profit or loss for the period, unless the related transactions affected other comprehensive income or equity. Taxable temporary differences relating to goodwill are excluded, but if the tax base of goodwill arising in a transaction is higher than its carrying amount then deferred tax assets are recognised on initial recognition of goodwill if it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are calculated using current (or practically effective) tax rates. Deferred tax assets and liabilities are offset at the individual Group companies that have the right to settle current tax on a net basis.
Deferred tax assets are recognised to the extent that it is highly probable that taxable profit will be available to realise deductible temporary differences and tax losses, or when taxable temporary differences are expected to be realised simultaneously. Only amounts in excess of this amount are disclosed.
The Group carefully evaluates the nature and extent of evidence supporting the conclusion that it is highly probable that sufficient future taxable profit will be available to allow the deduction of unused tax losses, unused tax credits or other deductible temporary differences.
When assessing whether it is highly probable that future taxable profit will be achieved (probability above 50%), the Group takes into account all available evidence, both that supporting the existence of probability and that supporting the absence of probability.

TAX ON TRANSACTIONS UNDER CIVIL LAW

On April 11th 2019, CCC.eu Sp. z o.o. received a decision of tax authorities to initiate tax proceedings to determine the amount of tax liability arising from acquisition of an organised part of business. On August 23rd 2019, the Company received a decision from the tax office stating that the Company, in calculating and paying the tax on civil law transactions, understated its amount by PLN 21,160,496.00. The decision was upheld by a higher-instance authority. The Company appealed against the decision. Although the proceedings were not closed, the Company recognised a tax liability in the 2019 accounts of PLN 21,160,496.00 plus interest of PLN 7,040,050.00. The Company filed a complaint against the decision of the Director of the Tax Administration Chamber with the Provincial Administrative Court in Wrocław. The Court overturned the decision of the Tax Chamber. The parties filed cassation complaints. The case is currently being examined by the Supreme Administrative Court. The amount of the provision as at the reporting date was PLN 28,030,597.00.

AMOUNTS OF INCOME TAX RECOGNISED IN PROFIT OR LOSS AND THE STATEMENT OF CASH FLOWS

NOTE	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED, RESTATED
Current tax	(61.4)	(43.5)	(42.1)
Deferred tax	41.2	35.9	32.3
including discontinued operations	*0.4*	*(0.4)*	*(0.1)*
Income tax recognised in the statement of comprehensive income	**(20.2)**	**(7.6)**	**(9.8)**
including discontinued operations	*0.4*	*(0.4)*	*(0.1)*
Current tax recognised in profit or loss	61.8	43.5	42.1
Balance of CIT liabilities/(receivables) at beginning of period	11.4	22.2	22.2
Balance of CIT receivables/(liabilities) at end of period	(17.0)	(8.7)	(11.4)
Other changes	(0.2)	(9.7)	(5.6)
Tax expense recognised in statement of cash flows	**56.0**	**47.3**	**47.3**
including discontinued operations	–	–	–

TAX RATES APPLIED AND RECONCILIATION OF INCOME TAX EXPENSE

The table below shows the countries in which the Group earns highest taxable income, with tax rates applicable in the jurisdictions.

	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED, RESTATED
Poland	19%	19%	19%
Czech Republic	19%	19%	19%
Hungary	10%	10%	10%
Slovakia	22%	22%	22%
Other countries	8.47%–25%	8.47%–25%	8.47%–25%
Weighted average rate of income tax	**18.93%**	**18.37%**	**16.47%**

Income tax on profit before tax of the Group differs from the theoretical amount that would have been assessed using the weighted average tax rate applicable to consolidated profits of the companies.

	January 1st 2020 – January 31st 2021	**January 1st 2019 – January 31st 2020**	**January 1st 2019 – December 31st 2019**
	AUDITED	UNAUDITED	AUDITED, RESTATED
Profit (loss) before tax	**(1,260.1)**	**(111.4)**	**(17.9)**
including profit (loss) from continuing operations	***(968.3)***	***27.0***	***105.3***
including losses from discontinued operations	***(291.8)***	***(138.5)***	***(123.0)***
Weighted average tax rate	18.93%	18.37%	16.47%
Tax calculated at weighted average tax rate	238.6	20.4	2.9
Tax effects of the following items:			
non-taxable income	24.6	14.3	16.5
non-deductible expenses (permanent differences)	(66.3)	(37.0)	(24.1)
recognition of deferred tax on special economic zone relief	22.0	–	–
fair value measurement of Karl Voegele AG	(36.4)	–	–
gain on disposal of Simple	–	2.5	2.2
tax losses and other temporary differences with respect to which no deferred tax assets were recognised	(202.7)	(7.6)	(8.9)
other adjustments	–	(0.2)	1.6
Income tax expense	**(20.2)**	**(7.6)**	**(9.8)**
including continuing operations	***(20.6)***	***(7.2)***	***(9.7)***
including discontinued operations	***0.4***	***(0.4)***	***(0.1)***

The main items of non-taxable income in the financial year 2020/2021 were income from valuation of the options to acquire shares in eobuwie.pl S.A. and KVAG of PLN 61.7m, and public aid subsidies of PLN 67.8m.

Non-deductible expenses in the financial year 2020/21 included permanent differences of PLN 349.1m, consisting of:
- loss allowances PLN 130.3m,
- impairment losses on valuation of the options to acquire shares in eobuwie.pl and DeeZee of PLN 96.0m,
- provision for legal claims of landlords of PLN 35.0m,
- share in loss of an associate of PLN 30.1m,
- impairment loss on goodwill of PLN 21.8m,
- impairment losses on valuation of the option to acquire shares in HR Group of PLN 13.3m,
- write-off of prepayments for deliveries of PLN 12.6m,
- foreign exchange losses of PLN 10.0m.

Tax losses and other temporary differences, for a total amount of totalling PLN 1,066.8m, on which no deferred tax was recognised include:
- tax losses of PLN 578.0m,
- impairment losses on property, plant and equipment, intangible assets, and right-of-use assets of PLN 102.5m,
- impairment loss on receivables of PLN 75.0m,
- recognised provisions and other temporary differences of PLN 311.3m.

BALANCES OF AND CHANGES IN DEFERRED TAX

Changes in deferred tax assets and liabilities during the financial year are presented below.

NOTE	AUDITED	January 31st 2021	TRANSFER TO DISCONTINUED OPERATIONS	RECOGNISED / (CHARGED) ON PROFIT OR LOSS	December 31st 2019	RECOGNISED / (CHARGED) ON PROFIT OR LOSS	January 1st 2019
	Assets						
	Trademarks	17.5	–	(3.0)	20.5	(3.1)	23.6
	Inventories – adjustment of margin on intra-group sales	11.2	–	0.4	10.8	2.3	8.5
	Impairment of assets: inventories and receivables	1.0	–	(2.8)	3.8	0.1	3.7
	Impairment of property, plant and equipment (leasehold improvements), rights-of-use assets and intangible assets	2.7	–	2.7	–	–	–
	Provisions for liabilities	16.4	–	(10.2)	26.6	14.2	12.4
	Special economical zone relief	58.2	–	19.1	39.1	36.5	2.6
	Other	7.1	–	2.1	5.0	(0.8)	5.8
	Tax losses	–	(17.9)	–	17.9	(10.3)	28.2
	Measurement of lease contracts	49.6	–	39.2	10.4	7.1	3.3
	Total before offset	**163.7**	**(17.9)**	**47.5**	**134.1**	**46.0**	**88.1**
	Liabilities						
	Accelerated tax depreciation of property, plant and equipment,	5.5	(12.7)	4.6	13.6	4.0	9.6
	Accrued interest	4.0	–	*4.0*	–	–	–
	Other	2.5	(5.2)	(0.2)	7.9	3.3	4.6
	Purchase of intangible assets disclosed on acquisition of subsidiaries	37.6	–	(2.1)	39.7	6.4	33.3
	Total before offset	**49.6**	**(17.9)**	**6.3**	**61.2**	**13.7**	**47.5**
	Offset	11.6	–	(12.2)	23.8	10.5	13.3
	Balance of deferred tax disclosed in statement of profit or loss						
	Assets	152.1	(17.9)	59.7	110.3	35.5	74.8
	Liabilities	38.0	(17.9)	18.5	37.4	3.2	34.2

NOTE	UNAUDITED	January 31st 2020	RECOGNISED / (CHARGED) ON PROFIT OR LOSS	January 1st 2019
	Assets			
	Trademarks	20.2	(3.4)	23.6
	Inventories – adjustment of margin on intra-group sales	11.8	3.3	8.5
	Impairment of assets: inventories and receivables	3.7	–	3.7
	Provisions for liabilities	17.2	4.8	12.4
	Special economical zone relief	39.1	36.5	2.6
	Other	9.6	3.8	5.8
	Tax losses	22.6	(5.6)	28.2
	Measurement of lease contracts	13.6	10.3	3.3
	Total before offset	**137.8**	**49.7**	**88.1**
	Liabilities			
	Accelerated tax depreciation of property, plant and equipment	13.6	4.0	9.6
	Other	8.0	3.4	4.6
	Purchase of intangible assets disclosed on acquisition of subsidiaries	39.7	6.4	33.3
	Total before offset	**61.3**	**13.8**	**47.5**
	Offset	24.1	10.8	13.3
	Balance of deferred tax disclosed in statement of profit or loss			
	Assets	113.7	38.9	74.8
	Liabilities	37.2	3.0	34.2

SIGNIFICANT ESTIMATES REGARDING RECOGNITION OF DEFERRED TAX ASSETS. UNRECOGNISED DEFERRED TAX ASSETS

Realisation and reversal of temporary differences requires the Management Board to make significant estimates in respect of the expected taxable results of each Group entity. Recognition of deferred tax assets in excess of the recognised deferred tax liabilities indicates that it is probable that the Group will be able to realise future economic benefits.
Periods when the recognised deferred tax assets and liabilities are expected to be realised are presented below.

PERIODS WHEN RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES ARE EXPECTED TO BE REALISED	January 31st 2021 AUDITED		January 31st 2020 UNAUDITED		December 31st 2019 AUDITED, RESTATED	
	ASSETS	LIABILITIES UNDER BORROWINGS	ASSETS	LIABILITIES UNDER BORROWINGS	ASSETS	LIABILITIES UNDER BORROWINGS
up to 1 year	43.6	8.5	40.3	7.7	38.8	8.0
1-2 years	20.1	2.0	12.8	2.0	12.4	2.0
2-3 years	16.9	2.0	10.6	2.0	10.4	2.0
3-5 years	28.5	4.9	22.1	4.9	21.2	4.9
over 5 years	43.0	20.6	27.8	20.5	27.5	20.5
Total	**152.1**	**38.0**	**113.7**	**37.2**	**110.3**	**37.4**
Unrecognised	121.5	–	25.8	–	28.2	–
Deferred tax assets related to tax losses	121.5	–	25.8	–	28.2	–

The Management Board of CCC S.A. estimated the recoverable amount of deferred tax assets in the current and previous years. The assessment primarily included an analysis of taxable profit based on from historical data and an analysis of the growth forecasts for the Group companies. Following an assessment of the potential use of tax losses at CCC.eu sp. z o.o. and CCC Rosja OOO, the Management Board decided not to recognise deferred tax assets on tax losses incurred by the companies in the current year and in previous years. The amount of unrecognised deferred tax asset in the current year was PLN 110.1m, of which PLN 104.4m at CCC.eu sp. z o.o. and PLN 5.7m at CCC Russia OOO. The amount of tax loss incurred in the current period by CCC.eu Ltd. was PLN 549.3m, and by CCC Russia OOO – PLN 28.7m. Under the applicable tax laws, the tax losses of these companies can be used over the period of five years.

In 2018 and 2019, the Group, indirectly through eobuwie. pl Logistics Sp. z o.o., incurred capital expenditure on the construction of a logistics centre in the Kostrzyń–Słubice Special Economic Zone. Pursuant to Support Decision No. 01/2018 of October 15th 2018 issued by the Minister of Entrepreneurship and Technology, the Group benefits from regional incentive in the form of a corporate income tax relief. The Support decision was issued for a period 15 years following the decision date. The amount of the relief is equal to 35% of eligible capital expenditure, with the maximum amount of such expenditure specified in the decision at PLN 184.6m. To obtain the zone relief, the Group must satisfy the following conditions:

- incur eligible capital expenditure of at least PLN 142.0m;
- increase in the average annualised employment by at least 125 new employees by December 31st 2020, and increase the total employment by at least 259.8 employees by December 31st 2025;
- to qualify as eligible expenditure, investments costs must be incurred by December 31st 2020.

Upon fulfilment of the capital expenditure requirements as at January 31st 2021, deferred tax assets related to the zone relief were recognised at eobuwie.pl S.A for a total amount of at PLN 57.5m. The amount of the assets recognised in the current period was PLN 22.0m. The balance of the zone relief asset was related to CCC Factory Sp. zo.o. (PLN 0.7m).

4. DEBT. CAPITAL AND LIQUIDITY MANAGEMENT

4.1. CAPITAL MANAGEMENT

The purpose of capital risk management is to protect the Group's ability to continue its operations so as to ensure a return on capital for the shareholders and benefits for other stakeholders, and to maintain a cost-optimised capital structure. In accordance with the Group's policy, the amount of dividend may not be lower than 33% or higher than 66% of the Group's consolidated net profit attributable to owners of the parent, provided that the ratio of net debt to EBITDA as at the end of the financial year for which the dividend is to be distributed is less than 3.0. For detailed information on the dividend policy, see section 7.2 of the Directors' Report. To maintain or adjust the capital structure, the Group may adjust the amount of dividends declared to be paid to shareholders, return capital to shareholders, issue new shares or sell assets in order to reduce debt.
Similarly, to other entities in the industry, the Group monitors its capital using the debt ratio. The ratio is calculated as net debt to total equity. Net debt is calculated as total borrowings (comprising short- and long-term credit facilities and bonds issued as disclosed in the separate statement of financial position) less cash and cash equivalents. The total amount of capital is calculated as the sum of the equity disclosed in the statement of financial position and the net debt.

EQUITY

ACCOUNTING POLICY

Equity is recognised with a breakdown into specific components, in accordance with legal regulations and the relevant provisions of the Articles of Association. Components of equity:

- share capital of the parent is recognised at the amount specified in the Articles of Association and disclosed in the court register,
- share premium,
- retained earnings created from distribution of profit or loss, retained earnings, and net profit (loss) for the reporting period, and based on the existing employee stock option plan.

Dividend payments to owners of the parent are recognised as a liability in the Group's consolidated financial statements in the period in which they were approved by shareholders of the parent.

SHARE CAPITAL
As at January 31st 2021, the share capital of the Company consisted of 54.87m shares (January 31st 2020: 41.16m shares) with par value of PLN 0.10 per share, including 48.22m ordinary shares and 6.65m shares carrying voting preference. As at January 31st 2021, the share capital was PLN 5.5m (January 31st 2020 and December 31st 2019: PLN 4.1m). As at the reporting date, the share capital was fully paid up and registered. Shareholders have the pre-emptive right to acquire registered preference shares intended for sale. ULTRO s.a.r.l. of Luxembourg has a significant influence over the parent, with a 31.12% equity interest and a 38.32% voting interest. This entity is dependent on Dariusz Miłek, Chairman of the Supervisory Board of CCC S.A. Other shareholder information is presented in the Directors' Report.

SHARE PREMIUM
Capital reserves comprise mainly share premium and amounts from settlement of equity-settled share-based employee benefit plans. As at January 31st 2021, the statutory reserve funds were PLN 1,148.0m (as at January 31st 2020 and December 31st 2019: PLN 645.1m).

RETAINED EARNINGS
Retained earnings include retained earnings (loss) from previous years (including amounts transferred to statutory reserve funds as required under the Code Commercial Companies) and net profit of the year. As at January 31st 2021, retained earnings were PLN -969.1m (January 31st 2020: PLN 249.9m; December 31st 2019: PLN 312.8).

EARNINGS PER SHARE

Earnings per share are calculated as the quotient of net profit for the reporting period attributable to holders of ordinary shares of the parent and the weighted average number of ordinary shares outstanding in the period. Diluted earnings per share are calculated as the quotient of net profit for the reporting period attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding in the period adjusted for the weighted average number of ordinary shares that would be issued upon conversion of all potentially dilutive equity instruments into ordinary shares.
In the 13 months ended January 31st 2021 (financial year 2020/2021), basic and diluted loss per share was PLN 25.65. In the 13 months ended January 31st 2020, basic and diluted loss per share was PLN 2.33. In the 12 months ended December 31st 2019, basic and diluted loss per share was PLN 0.67.

DIVIDEND

On June 24th 2020, the Annual General Meeting of CCC S.A. passed Resolution No. 5/AGM/2020 on set-off of loss for the financial year 2019 of PLN 51.0m against statutory reserve funds.
On June 18th 2019, the Annual General Meeting of CCC S.A. passed Resolution No. 6/AGM/2019 on allocation of PLN 19.8m from statutory reserve funds to dividend fro shareholders. The Annual General Meeting set September 17th 2019 as the dividend record date and October 1st 2019 as the dividend payment date (with respect to the dividend for 2018). As at the date of the resolution, the number of CCC shares entitled to dividend was 41,168,000, the amount of dividend per CCC share was 0.48 PLN.

ISSUE OF SHARES

On May 19th 2020, the District Court for Wrocław-Fabryczna in Wrocław, 9th Commercial Division of the National Court Register, recorded in the Business Register an increase in the Company's share capital from PLN 4,116,800.00 to PLN 5,486,800.00 through the issue of 6,850,000 Series I ordinary bearer shares with a par value of PLN 0.10 per share and 6,850,000 Series J ordinary registered shares with a par value of PLN 0.10 per share, both series having been issued pursuant to Resolution No. 3/NWZA/2020 of the Extraordinary General Meeting of April 17th 2020 on increase in the Company's share capital through the issue of Series I and Series J ordinary bearer shares, waiver of the shareholders' pre-emptive rights to all Series I and Series J shares, seeking admission and introduction of Series I shares, allotment certificates to Series I shares and Series J shares to trading on the regulated market operated by the Warsaw Stock Exchange, conversion into book-entry form of Series I shares, allotment certificates for Series I shares and Series J shares, authorization to conclude an agreement for the registration of Series I shares, allotment certificates for series I shares and series J shares with the deposit of securities, and relevant amendments to the Company's Articles of Association.

As at the reporting date, the total number of voting rights from all outstanding Company shares (after the registration) was 61,518,000, with the share capital consisting of 54,868,000 Company shares with a par value of PLN 0.10 (ten grosz) per share, including:
– 6,650,000 Series A1 preferred registered shares;
– 13,600,000 Series A2 ordinary bearer shares;
– 9,750,000 Series B ordinary bearer shares;
– 2,000,000 Series C ordinary bearer shares;
– 6,400,000 Series D ordinary bearer shares;
– 768,000 Series E ordinary bearer shares;
– 2,000,000 Series H ordinary bearer shares;
– 6,850,000 Series I ordinary bearer shares; and
– 6,850,000 Series J ordinary registered shares.

All 13.7m new shares were subscribed for. The issue price was PLN 37 per share, with a total amount of issued proceeds raised by the Company of PLN 506.9m. The new funds were used to increase the Company's working capital, including the purchase of products for the AW 2020 season.

The transaction costs were PLN 2.6m, and the amount reduced the share premium.
Post-issue, the Company's share capital amounts to PLN 5,486,800.00 and is divided into 54,868,000 shares with a par value of PLN 0.10 per share, including 6,650,000 registered preference shares, each conferring two voting rights.

SUBSIDIARIES WHERE NON-CONTROLLING INTERESTS ARE MATERIAL

Financial information on subsidiaries that hold non-controlling interests that are material to the Group is presented below.

Name	Place of business	January 31st 2021	January 31st 2020	December 31st 2019
CCC Russia OOO	Russia	25.0%	25.0%	25.0%
eobuwie.pl Group	Poland	25.01%	25.01%	25.01%
DeeZee Sp. z o.o.	Poland	25.0%	25.0%	49.0%
Karl Voegele AG	Switzerland	30.0%	30.0%	30.0%
C-AirOp Ltd (formerly: CCC Isle of Man Ltd)	Isle of Man	50.0%	50.0%	50.0%

CONDENSED FINANCIAL INFORMATION ON SUBSIDIARIES WHOSE NON-CONTROLLING INTERESTS ARE MATERIAL

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	CCC Russia OOO	eobuwie.pl Group	DeeZee Sp. z o.o.	Karl Voegele AG	C-AirOP Ltd.
AUDITED	**January 1st 2020 – January 31st 2021**				
Revenue	83.3	2,414.8	73.6	343.9	23.2
Cost of sales	(47.4)	(1,373.6)	(38.8)	(177.7)	–
Gross profit (loss)	35.9	1,041.2	34.9	166.2	23.2
Stores' operating costs	(44.9)	(56.8)	0.1	(224.6)	–
Other distribution costs	(1.3)	(799.7)	(26.8)	(43.2)	–
Administrative expenses	(7.2)	(39.7)	(3.2)	(19.0)	(20.9)
Other income and expenses	(6.0)	4.4	6.3	(29.6)	0.5
Operating profit (loss)	(23.5)	149.5	11.3	(150.3)	2.9
Finance income	0.5	5.0	0.1	8.6	–
Finance costs	(24.5)	(22.1)	(0.0)	(11.0)	(0.1)
Profit (loss) before tax	(47.4)	132.4	11.4	(152.8)	2.8
Income tax	6.1	0.3	(0.4)	1.4	–
Net profit (loss)	(41.2)	132.7	11.0	(151.4)	2.8
Total comprehensive income	(41.2)	132.7	11.0	(151.4)	2.8

Karl Voegele AG's loss for the 13 months ended January 31st 2021 was PLN 151.4m, of which PLN 19.5m was allocated to non-controlling interests. As a result, the carrying amount of the non-controlling interests in Karl Voegele AG as of January 31st 2021 was nil. Further losses incurred by Karl Voegele are entirely attributable to the owners of the parent, as in the opinion of the Management Board they will be covered by CCC S.A.

STATEMENT OF COMPREHENSIVE INCOME	CCC Russia OOO	eobuwie.pl Group	DeeZee Sp. z o.o.	Karl Voegele AG	C-AirOP Ltd.
UNAUDITED	**January 1st 2019 – January 31st 2020**				
Revenue	129.0	1,567.7	41.8	521.3	14.2
Cost of sales	(69.5)	(912.6)	(24.9)	(214.8)	–
Gross profit (loss)	59.5	655.1	16.8	306.6	14.2
Stores' operating costs	(67.8)	(37.5)	0.0	(280.5)	–
Other distribution costs	(1.8)	(522.5)	(13.9)	(82.8)	–
Administrative expenses	(8.9)	(27.0)	(3.6)	(33.5)	(11.6)
Other income and expenses	0.2	(3.6)	0.0	0.4	(0.9)
Operating profit (loss)	(18.8)	64.5	(0.7)	(89.8)	1.7
Finance income	11.2	1.0	0.0	6.3	–
Finance costs	(9.2)	(9.0)	(0.0)	(12.8)	(0.1)
Profit (loss) before tax	(16.8)	56.5	(0.7)	(96.4)	1.6
Income tax	1.3	26.3	0.0	(0.1)	–
Net profit (loss)	(15.5)	82.9	(0.6)	(96.5)	1.6
Total comprehensive income	(15.5)	82.9	(0.6)	(96.5)	1.6

STATEMENT OF COMPREHENSIVE INCOME	CCC Russia OOO	eobuwie.pl Group	DeeZee Sp. z o.o.	Karl Voegele AG	C-AirOP Ltd.
AUDITED, RESTATED	**January 1st 2019 – December 31st 2019**				
Revenue	119.9	1,431.7	38.0	494.0	12.4
Cost of sales	(62.6)	(830.2)	(22.7)	(200.7)	–
Gross profit (loss)	57.3	601.5	15.3	293.2	12.4
Stores' operating costs	(63.4)	(30.0)	0.0	(267.5)	–
Other distribution costs	(1.7)	(471.1)	(14.5)	(79.2)	–
Administrative expenses	(7.9)	(34.0)	(3.3)	(31.7)	(10.8)
Other income and expenses	0.1	(0.4)	(0.0)	1.3	(0.8)
Operating profit (loss)	(15.6)	65.9	(2.5)	(83.8)	0.8
Finance income	9.9	0.8	0.0	0.5	–
Finance costs	(3.1)	(7.3)	(0.0)	(3.6)	(0.1)
Profit (loss) before tax	(8.8)	59.5	(2.5)	(86.9)	0.7
Income tax	0.1	26.9	–	–	–
Net profit (loss)	(8.9)	86.4	(2.5)	(86.9)	0.7
Total comprehensive income	(8.9)	86.4	(1.2)	(85.3)	1.3

CONDENSED STATEMENT OF FINANCIAL POSITION

Condensed statement of financial position	CCC Russia OOO	eobuwie.pl Group	DeeZee Sp. z o.o.	Karl Voegele AG	C-AirOP Ltd.
AUDITED	January 31st 2021				
Non-current assets	93.8	612.3	10.1	265.8	–
Current assets	54.3	836.3	28.0	114.3	22.2
Non-current liabilities	67.6	206.0	2.2	152.3	–
Current liabilities	142.4	730.0	10.3	332.7	5.2
Net assets	(62.0)	514.6	25.6	(104.9)	17.0
Total non-controlling interests	(15.5)	128.7	6.4	–	8.5

Condensed statement of financial position	CCC Russia OOO	eobuwie.pl Group	DeeZee Sp. z o.o.	Karl Voegele AG	C-AirOP Ltd.
UNAUDITED	January 31st 2020				
Non-current assets	165.2	533.7	6.9	341.9	–
Current assets	68.1	672.8	17.2	197.9	16.4
Non-current liabilities	112.3	241.9	–	165.8	–
Current liabilities	156.6	584.4	9.4	320.9	1.2
Net assets	(35.7)	382.1	14.7	53.1	15.1
Total non-controlling interests	(8.9)	95.6	3.7	–	7.6

Condensed statement of financial position	CCC Russia OOO	eobuwie.pl Group	DeeZee Sp. z o.o.	Karl Voegele AG	C-AirOP Ltd.
AUDITED, RESTATED	December 31st 2019				
Non-current assets	39.2	324.1	7.6	100.0	–
Current assets	66.9	675.8	18.0	208.6	15.3
Non-current liabilities	0.6	174.5	–	110.3	–
Current liabilities	130.9	570.5	10.0	235.9	1.5
Net assets	(25.2)	254.8	15.4	(37.6)	13.9
Total non-controlling interests	(7.0)	102.3	10.0	20.7	–

4.2. BANK BORROWINGS AND BONDS

ACCOUNTING POLICY

Financing liabilities include mainly bank borrowings, lease liabilities and bonds issued. Financing liabilities are initially recognised at fair value less transaction costs incurred to obtain financing. After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method. Finance costs are recognised in profit or loss except for costs of financing production/development of non-current assets (as per the policy described in Note 5.3).
Cash flows relating to financial liabilities may change as a result of a modification of contractual terms and conditions or expectations regarding estimated cash flows for the purposes of measurement of financial liabilities at amortised cost.

A) **Change in contract terms**

If the contractual terms of a financial liability have changed,
the Group analyses whether the modification of cash flows was material or not. The Group applies both quantitative and qualitative criteria to identify a material modification leading to derecognition of an existing financial liability. The Group considers a material modification to be a change in the discounted present value of the cash flows resulting from the new terms, including any payments made less payments received and discounted using the original effective interest rate, of not less than 10% from the discounted present value of the remaining cash flows of the original financial liability. Notwithstanding the quantitative criterion, the modification is considered material in the following cases:

a) reclassification of a financial liability, unless specified in advance in the terms of the contract,
b) change of the lender,
c) significant extension of the financing period from the original financing period,
d) change in the interest rate, from variable to fixed and vice versa,
e) change in the legal form/type of the financial instrument.

A significant modification of a financial liability is recognised by the Group as expiry of the original financial liability and recognition of a new financial liability. If contractual terms of a financial liability are modified in a way that does not result in derecognition of the existing liability, any gain or loss is immediately recognised in profit or loss. Profit or loss is calculated as the difference between the present value of modified and original cash flows, discounted using the original effective interest rate of the liability.

B) **Change in expected cash flows**

For floating-rate financial liabilities, periodic re-estimation of cash flows to reflect the movements in the market interest rates alters the effective interest rate. Where the Group changes its estimates of payments under a financial liability (except changes relating to a modification of contractual cash flows), the carrying amount of the financial liability is adjusted to reflect the actual and modified estimated contractual cash flows. The Group determines the carrying amount of a financial liability at amortised cost as the present value of estimated future contractual cash flows that are discounted at the original effective interest rate of the financial instrument. The difference in measurement is recognised as income or expense in profit or loss.

BANK BORROWINGS AND BONDS

AUDITED	LIABILITIES UNDER BANK AND NON-BANK BORROWINGS, AND BONDS				
	LONG-TERM CREDIT FACILITY	SHORT-TERM CREDIT FACILITY	OVERDRAFT FACILITY	LIABILITIES UNDER BONDS	TOTAL
As at January 1st 2019	**–**	**176.0**	**624.0**	**216.8**	**1,016.8**
Proceeds from debt contracted					
- financing received	371.6	28.4	–	–	400.0
- transaction costs	0.4	–	3.2	–	3.6
Interest accrued	–	2.7	28.4	6.6	37.7
Debt-related payments					
- principal payments	–	(75.0)	–	(6.8)	(81.8)
- interest paid	–	(2.7)	(31.4)	(6.6)	(40.7)
Increase due to change in overdraft facility amount	–	–	169.6	–	169.6
Change in presentation from current to non-current	101.0	(101.0)	–	–	–
Other non-cash changes	–	–	8.2	–	8.2
As at December 31st 2019	**473.0**	**28.4**	**802.0**	**210.0**	**1,513.4**
Proceeds from debt contracted					
- financing received	252.1	–	–	–	252.1
- transaction costs	–	–	–	–	–
Interest accrued	2.2	14.2	11.5	5.2	33.1
Debt-related payments					
- principal payments	–	–	–	–	–
- interest paid	(2.2)	(14.6)	(8.9)	(4.8)	(30.5)
Decrease due to change in overdraft facility amount	–	–	(77.5)	–	(77.5)
Change in presentation from non-current to current	(243.6)	243.6	–	–	–
Reclassification to liabilities related to disposal group	–	–	–	–	–
Other non-cash changes	(8.8)	(1.6)	(10.6)	–	(21.0)
As at January 31st 2021	**472.7**	**270.0**	**716.5**	**210.4**	**1,669.6**

UNAUDITED	LIABILITIES UNDER BANK AND NON-BANK BORROWINGS, AND BONDS				
	LONG-TERM CREDIT FACILITY	SHORT-TERM CREDIT FACILITY	OVERDRAFT FACILITY	LIABILITIES UNDER BONDS	TOTAL
As at January 1st 2019	**–**	**176.0**	**624.0**	**216.8**	**1,016.8**
Proceeds from debt contracted	–	–	–	–	–
- financing received	374.5	31.8	52.9	–	459.2
- transaction costs	0.4	3.6	0.2	–	4.2
Interest accrued	–	8.2	28.0	7.2	43.4
Debt-related payments					
- principal payments	–	(79.7)	–	(6.9)	(86.6)
- interest paid	–	(10.2)	(27.1)	(6.6)	(43.9)
Increase due to change in overdraft facility amount	–	–	213.3	–	213.3
Decrease due to change in overdraft facility amount	–	–	–	–	–
Change in presentation from non-current to current	101.0	(101.0)	–	–	–
Increase due to acquisition of subsidiary	–	–	–	–	–
Other non-cash changes	–	–	16.6	–	16.6
As at January 31st 2020	**475.9**	**28.7**	**907.9**	**210.5**	**1,623.0**

As a result of the coronavirus pandemic, the CCC Group concluded an agreement with the financing banks ensuring a stable level of financing for at least the next 12 months until April 30th 2021 (after the reporting date, the term of the agreement was extended to June 29th 2021 by which date new facility agreements must bye executed, as reported by the Company in Current Report No. 21/2021 of April 30th 2021 and Current Report No. 25/2021 of May 14th 2021, in which the Company announced the signing by the Company and the bank syndicate of a non-binding Term Sheet confirming the terms of the new syndicated financing; execution of the Term Sheet concluded the stage of negotiating the key financing terms (including product structure, repayment dates, collateral, events of default, disclosure obligations, financing costs)). The new financing will be provided by the banks subject, in principle, to the full financing documentation being agreed to the satisfaction of the Parties, with the terms of the documentation substantially the same as those set out in the Term Sheet signed by the Parties. The banks and the Company are currently in advanced stages of drafting the financing documentation with a view to executing the documents by June 29th 2021. For more information, see 'Going concern' in Note 1 to these financial statements. The effect of the modification was recognised as a non-cash change of PLN 5.6m. The costs related to the execution of the arrangement are accounted for over the entire term of financing. The balance which remains to be accounted for is PLN 1.6m and was disclosed as non-cash changes.

A significant portion of the financing was contracted in the Polish zloty. Interest on the entire financing (credit facility and bond) is based on variable interest rates (WIBOR plus bank margin). The existing debt is exposed to the interest rate risk and the currency risk. For a description of the financial risks, see Note 6.1.

On December 20th 2019, CCC Russia, with its registered office in Moscow, executed a credit facility agreement with AO Citibank with its registered office in Moscow, ul. Gasheka 8-10, 125047 Moscow, in the form of a credit facility limit of RUB 1,124.6m, valid until October 19th 2020, which was subsequently extended until April 24th 2020. As at the reporting date, the amount drawn under the facility was RUB 1,124.6m, an equivalent of PLN 55.2m. The effect of exchange rate differences on the amount of the of liability as at the reporting date, of PLN -13.3 m, was disclosed as a non-cash change.

On November 21st 2019,CCC S.A., CCC.eu Sp. z o.o., eobuwie.pl S.A. and Gino Rossi S.A. executed a multi-purpose credit facility agreement with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw, with its registered office at ul. Puławska 15, 02-515 Warsaw, Poland. Under the agreement, the bank provided a multi-purpose credit facility of PLN 530.0m for a period of 36 months, i.e., from November 21st 2019 to November 21st 2022. The facility will remain available until November 21st 2022. Within the limit, the bank provided sublimits to the borrowers:

1. a non-revolving facility of up to PLN 400.0m to finance liabilities arising in the ordinary course of business and to repay a multi-purpose credit facility of May 30th 2016 provided by the Bank to CCC.eu Sp. z o.o. (amount drawn as at the reporting date: PLN 400.0m);
2. an overdraft facility, a bank guarantee and letter of credit limit of up to PLN 130.0m (amount drawn as at the reporting date: PLN 49.2m).

On April 29th 2021, CCC S.A., acting in its capacity of the parent, submitted a request for extension of the overdraft facility for eobuwie.pl S.A. and Bank PKO BP S.A. extended the term of the facility until April 30th 2022.

On October 26th 2017, eobuwie.pl S.A. executed a multi-purpose credit limit agreement with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw at Grzybowska 53/57, 00-950 Warsaw. Under the agreement, the bank provided a multi-purpose credit facility of PLN 260.0m. On April 30th 2021, eobuwie.pl S.A. concluded with Pekao S.A. Bank annex no. 11 extending the term of the agreement until April 30th 2022.

On October 21st 2019, CCC S.A. and Karl Vögele AG executed an overdraft facility agreement with BNP Paribas Bank Polski S.A., with its registered office at ul. Kasprzaka 10/16, 01-211 Warsaw, Poland. Under the agreement, the bank provided a CHF 17.0m credit facility to finance day-to-day operations. The facility was granted for a period of 12 months, i.e., until October 19th 2020, and the term of the agreement of April 24th 2020 was extended until April 30th 2021. As at the reporting date, the amount drawn under the facility was CHF 16.7m, an equivalent of PLN 70.3m. On March 31st 2021, annex 1 was executed, whereby the amount of the credit facility was reduced to CHF 11.4m. At the same time, CCC Factory Sp. z o.o. signed with BNP Paribas Bank a PLN 23.2m overdraft facility agreement until March 31st 2023; the facility was supported with a PLN 18.6m guarantee provided by the BGK Liquidity Guarantee Fund until June 30th 2023. On April 21st 2021, annex 2 was executed, whereby Karl Vögele AG was excluded from the overdraft agreement and the currency of the facility was converted from CHF to PLN. As of April 21st 2021, the BNP Paribas facility is available only to CCC S.A., and the facility amount is PLN 47.2m.

On October 15th 2014, eobuwie.pl S.A. executed a multi-purpose credit limit agreement with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw at Grzybowska 53/57, 00-950 Warsaw. Under the agreement, the bank provided a multi-purpose credit facility of PLN 300.0m. On April 1st 2021, CCC.eu executed with Pekao S.A. annex no. 20, which reduced the amount of the facility to PLN 293.1m and extended the PLN 92.2m limit until March 9th 2023; the facility was supported with a PLN 73.7m guarantee provided by the BGK Liquidity Guarantee Fund until June 9th 2023. At the same time, CCC Factory Sp. z o.o. signed with Pekao S.A. a PLN 6.9m overdraft facility agreement until March 9th 2023; the facility was supported with a PLN 5.5m guarantee provided by the BGK Liquidity Guarantee Fund until June 9th 2023.

On June 29th 2018, CCC S.A. issued Series 1/2018 bonds under a bond issue programme established by the Company. The bonds were not offered to the public. The key terms of the bonds:
1. Nominal value: PLN 1 000 per bond;
2. Form: book-entry bearer bonds;
3. Issue price: equal to the nominal value;
4. Number of Bonds: 210,000;
5. Total nominal value of Bonds: PLN 210,000,000;
6. Redemption: one-off, at nominal value, on June 29th 2021;
7. Interest rate: variable, 6M WIBOR plus fixed margin, payable on a six-monthly basis;
8. Security: surety provided by the Company's subsidiaries, i.e. CCC.eu Sp. z o.o. of Polkowice and CCC Shoes & Bags Sp. z o.o. of Polkowice.

On May 17th 2021, the Bondholders Meeting passed a resolution approving appropriate amendments to the terms and conditions of the bonds to ensure that the redemption date for the bonds is extended by five years from the original redemption date of the bonds, as announced by the Company in Current Report No. 27/2021 of May 17th 2021. In addition to the extension of the redemption date, the resolution to amend the terms the bonds provides for the creation of additional security interest in shares of a subsidiary, provision of additional sureties by certain subsidiaries of the borrower, and submission by those companies of a declaration on voluntary submission to enforcement, issue of promissory notes with a promissory note agreement, and submission of a declaration on voluntary submission to enforcement of the promissory notes, amendment of certain Events of Default entitling the bondholders to accelerate repayment of the bonds, increase in the interest rate, and introduction of new cash benefits for the bondholders. For more information, see 'Going concern' in Note 1 to these financial statements.

On November 5th 2020, the Company executed the Common Terms Agreement with the Group's lending banks, enabling the Group to take out revolving facilities of up to PLN 250.0m in agreed proportions, secured, among other things, with the BGK Liquidity Guarantee Fund guarantees. . The the facility was disbursed in the amount of PLN 250m on December 23rd 2020. The loan matures on October 30th 2022.

On April 30, 2021, annex No. 8 was executed to the Agreement on special terms of continued financing dated April 24, 2020, according to which the term of the Agreement was extended to the earlier of: (i) May 17, 2021, unless by that date CCC S.A. delivers to the Financing Institutions a Term Sheet signed by CCC S.A. and the Financing Institutions summarizing the key terms of the new financing for CCC S.A. and the Group companies, (ii) the date on which the first disbursement is made or any funds available to CCC S.A. and the Group companies are used, in accordance with the terms and conditions set out in the new financing agreement (if such agreement is concluded), (iii) the date on which any of the investors intending to acquire shares in eobuwie.pl S.A, i.e., Cyfrowy Polsat S.A. or A&R Investments Limited, submits a declaration on withdrawal from or termination of any of the agreements documenting their planned acquisition of shares in eobuwie.pl S.A., or (iv) June 29th 2021. On May 14th 2021, CCC S.A. and the Financial Institutions signed terms and conditions of the new financing (the term sheet), as announced by the Company in Current Report No. 24/2021 of May 14th 2021.

Collateral for the liabilities is presented below.

	January 31st 2021	January 31st 2020	December 31st 2019
AMOUNT AND/OR CARRYING AMOUNT OF COLLATERAL	**AUDITED**	**UNAUDITED**	**AUDITED**
Sureties	360.0	194.7	194.7
Security mortgages on real estate	2,189.7	795.0	795.0
Registered pledge on movable property	928.7	1,322.9	1,322.9
Blanco promissory notes	1,447.6	–	–

4.3. CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES AND LIQUIDITY MANAGEMENT POLICY

Prudent liquidity management implies that sufficient cash resources and cash equivalents are maintained and that further funding is available through secured credit lines.

The table below presents, as at the date of these financial statements, results of an analysis of contractual maturities of the financial liabilities, undiscounted payments under the existing financing liabilities, and the contractual maturities of the instruments used by the CCC Group.
The CCC Group recognises revenue from its principal business consisting in retail sale of merchandise. As a rule, cash revenue is received on the date of retail sale transactions; accordingly, the CCC Group companies do not bear any significant risk of receipt of payment from retail customers. In most cases, the Group companies recognise cash revenue from retail transactions at the time of sale.
Pursuant to the terms of the financing agreements, cash revenue from retail transactions is first applied towards timely payment of the financing liabilities of the CCC Group. Under the financing agreements, the Group generally makes use of the possibility to zero out balances in current accounts and accounts in which funds are made available by the lenders to finance current operations (including the accounts used for working capital and reverse factoring facilities), in periods from two to six months. Delayed maturity of current financial liabilities, generally by three months relative to the date on which the funds provided by the lenders were used, allows the Group to reasonably manage its sales and ensure timely payment of financial liabilities by the CCC Group. In accordance with historical financial data, the volumes of merchandise sold in the course of its retail business allowed the CCC Group to cover its entire financial liabilities on a timely basis in each period. Also, the planned future retail and wholesale revenue generally allows the Group to fully cover the expected future financing liabilities over the periods covered by the liquidity risk analyses prepared by the Group. The only period when the CCC Group recognised a material risk of default on its financial liabilities (for one- to three-month intervals) was the time of lockdown and administrative restrictions imposed on retail activities at shopping centres as a result of the COVID-19 outbreak. However, this was an exceptional and non-recurring situation which could not have been foreseen in regular business risk assessment.
Another systemic factor which mitigates the liquidity risk associated with servicing the financial liabilities is the use by the CCC Group of deferred payment terms in transactions with suppliers of merchandise for resale or goods for further processing and resale. Such arrangement allows the Group in each period to accumulate inventory of merchandise the sale of which primarily serves to service almost the entire amount of the financial liabilities contracted to finance the trading activities and sales of the CCC Group. The seasonality of purchases of merchandise which is material to the CCC Group's liquidity does not significantly increase the liquidity risk. Save for extraordinary events or events that cannot be foreseen in the course of a regular business risk assessment processes, with the liquidity reserve resulting from the use of the mechanism of deferred payments for purchased goods the CCC Group is able to maintain a safe revenue buffer in excess of the amount of current payments made to service the financial liabilities.

Prudent liquidity management also implies that the CCC Group maintains sufficient cash and cash equivalents at all times to cover all maturing current liabilities at their due dates and to take pre-emptive action to secure availability of further financing in the form of lines of credit and revolving lines of credit and to monitor the timing of their availability to CCC Group companies.

In the opinion of the Management Board, the liquidity risk management disclosures contained in these consolidated financial statements provide key relevant information in this respect. However, the issue of liquidity risk management is constantly analysed by the Management Board of the parent, which is aware of the materiality of the information provided in these reports.

The table below presents information on undiscounted contractual payments under the debt instruments currently used by the Group.

As at January 31st 2021	CONTRACTUAL MATURITIES FROM THE END OF THE REPORTING PERIOD					TOTAL UNDISCOUNTED	CARRYING AMOUNT
	UP TO 3 MONTHS	3–12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
AUDITED							
Bank borrowings	902.9	86.9	482.8	–	–	1,472.6	1,459.1
Bonds	–	212.9	–	–	–	212.9	210.5
Trade payables	1,214.4	58.2	–	–	–	1,272.6	1,269.3
Returns liabilities	57.8	–	–	–	–	57.8	57.8
Liabilities arising from obligation to purchase non-controlling interests	–	–	792.3	96.5	–	888.8	828.6
Lease liabilities	154.2	339.2	726.5	484.3	248.3	1,952.5	1,865.9
Total financial liabilities	**2,329.3**	**697.2**	**2,001.6**	**580.8**	**248.3**	**5,857.2**	**5,691.2**

As at January 31st 2020	CONTRACTUAL MATURITIES FROM THE END OF THE REPORTING PERIOD					TOTAL UNDISCOUNTED	CARRYING AMOUNT
	UP TO 3 MONTHS	3–12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
UNAUDITED							
Bank borrowings	805.9	38.4	488.2	–	–	1,332.5	1,412.5
Bonds	–	212.5	–	–	–	212.5	210.5
Trade payables	886.1	292.4	–	–	–	1,178.5	1,178.5
Returns liabilities	25.8	–	–	–	–	25.8	25.8
Liabilities arising from obligation to purchase non-controlling interests	–	–	843.7	18.7	–	862.4	796.4
Lease liabilities	147.2	426.8	842.3	561.6	315.6	2,293.5	2,075.7
Obligation to pay to associate	–	21.6	–	–	–	21.6	21.6
Total financial liabilities	**1,865.0**	**991.7**	**2,174.2**	**580.3**	**315.6**	**5,926.8**	**5,721.0**

As at December 31st 2019	CONTRACTUAL MATURITIES FROM THE END OF THE REPORTING PERIOD					TOTAL UNDISCOUNTED	CARRYING AMOUNT
	UP TO 3 MONTHS	3–12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
AUDITED							
Bank borrowings	805.3	38.4	488.2	–	–	1,331.9	1,303.4
Bonds	–	6.4	213.2	–	–	219.6	210.0
Trade payables	847.5	310.7	–	–	–	1,158.2	1,158.2
Returns liabilities	40.2	–	–	–	–	40.2	40.2
Liabilities arising from obligation to purchase non-controlling interests	–	7.0	843.7	18.8	–	869.5	801.1
Lease liabilities	145.2	418.4	713.7	675.1	325.8	2,278.2	2,085.8
Obligation to pay for acquired business (Adler)	–	2.5	-	–	–	2.5	2.5
Obligation to pay to associate	–	32.7	-	–	–	32.7	32.7
Total financial liabilities	**1,838.2**	**816.1**	**2,258.8**	**693.9**	**325.8**	**5,932.8**	**5,633.9**

4.4 ADDITIONAL INFORMATION ON SELECTED ITEMS OF THE STATEMENT OF CASH FLOWS

	TRADE AND OTHER RECEIVABLES	TRADE AND OTHER PAYABLES
As at January 1st 2020	442.3	1,536.2
As at January 31st 2021	406.4	1,655.5
Change in the statement of financial position	**35.9**	**119.3**
Difference due to:		
Changes in investment liabilities / receivables	(5.4)	2.2
Adjustment for change in long-term receivables	–	–
Obligation to pay to associate	–	32.7
Other	(1.2)	(0.9)
Change recognised in statement of cash flows	**29.3**	**153.3**
As at January 1st 2019	430.8	1,151.2
As at December 31st 2019	442.3	1,536.2
Change in the statement of financial position	**(11.5)**	**385.0**
Difference due to:		
Changes in investment liabilities / receivables	(0.4)	2.0
Adjustment for change in balances due to acquisition of subsidiaries	(10.2)	(93.6)
Liabilities due to purchase of organized part of business	–	16.5
Adjustment for change due to disposal of subsidiary	(6.5)	7.2
Other	(45.2)	(0.4)
Change recognised in statement of cash flows	**(73.8)**	**316.7**

Change recognised in statement of cash flows		
As at January 1st 2019	430.8	1,151.2
As at January 31st 2020	474.1	1,451.9
Change in the statement of financial position	**(43.3)**	**300.7**
Difference due to:		
Changes in investment liabilities / receivables	(0.4)	18.0
Adjustment for change in balances due to acquisition of subsidiaries	(9.9)	(93.6)
Liabilities due to purchase of organized part of business	–	16.5
Adjustment for change due to disposal of subsidiary	(6.5)	7.2
Other	(45.5)	4.6
Change recognised in statement of cash flows	**(105.6)**	**253.4**

	January 1st 2020 – January 31st 2021	**January 1st 2019 – January 31st 2020**	**January 1st 2019 – December 31st 2019**
	AUDITED	**UNAUDITED**	**AUDITED, RESTATED**
Other adjustments to profit before tax:			
Accrued interest and exchange differences	8.6	2.5	3.3
Change in provisions	(7.6)	(8.3)	(8.6)
Adjustment to measurement of negative fair value of CCC Germany	–	(3.1)	(3.1)
Measurement of employee option plan	–	(12.2)	(12.2)
Valuation of options to buy non-controlling interests in eObuwie, Karl Voegele and DeeZee	34.3	–	–
Valuation of HRG option	13.3	–	–
Loss allowances (loans)	130.3	–	–
Foreign exchange differences and changes in right-of-use asset and lease liability	130.7	–	–
Liabilities due to acquisition of shares in subsidiaries	–	14.5	1.1
Gain from bargain purchase	–	–	–
Measurement of derivative instruments	(5.8)	0.3	0.3
Measurement of shares in associate	–	60.5	70.9
Goodwill	–	(15.9)	(15.4)
Other	(20.9)	14.4	44.1
Total	**282.9**	**52.7**	**80.4**

5. NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.1 INTANGIBLE ASSETS

ACCOUNTING POLICY

The Group measures intangible assets at cost less amortisation and impairment losses.
Intangible assets are amortised on a straight-line basis by estimating their useful lives, which are:

- patents and licences – from 5 to 10 years
- trademarks - not amortised
- other intangible assets - from 5 to 10 years.

If events or changes have occurred that indicate that the carrying amount of intangible assets may not be recoverable, the assets are reviewed for impairment in accordance with the policy described in Note 5.2.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually, either individually or at the cash-generating unit level.

AUDITED	PATENTS AND LICENCES	TRADEMARKS	CUSTOMER RELATIONS	INTANGIBLE ASSETS UNDER DEVELOPMENT	TOTAL
Gross carrying amount as at January 1st 2019	**26.2**	**178.1**	**18.5**	**68.4**	**291.2**
Accumulated amortisation	(18.4)	(0.5)	(10.6)	–	(29.5)
Net carrying amount as at January 1st 2019	**7.8**	**177.6**	**7.9**	**68.4**	**261.7**
Exchange differences on translation – gross carrying amount	(0.1)	0.2	0.4	–	0.5
Amortisation	(4.5)	0.5	(3.0)	–	(7.0)
Acquisition	6.2	(4.5)	0.6	57.3	59.6
Retirement, disposal	(8.7)	–	–	(3.0)	(11.7)
Accumulated amortisation (retirement and disposal)	3.6	–	–	–	3.6
Transfer between groups	101.3	–	–	(103.3)	(2.0)
Transfer between groups – accumulated amortisation	2.7	–	(2.7)	–	–
Increase due to acquisition of subsidiaries	(1.1)	22.8	–	–	21.7
Gross carrying amount December 31st 2019 (January 1st 2020)	**123.8**	**196.6**	**19.5**	**19.4**	**359.3**
Accumulated amortisation	(16.6)	–	(16.3)	–	(32.9)
Impairment loss	–	–	–	–	–
Net carrying amount as at December 31st 2019 (January 1st 2020)	**107.2**	**196.6**	**3.2**	**19.4**	**326.4**
Exchange differences on translation – gross carrying amount	1.7	0.5	–	–	2.2
Amortisation expense	(28.1)	–	(0.2)	–	(28.3)
Acquisition	1.8	–	–	22.4	24.2
Retirement, disposal	(5.6)	–	–	–	(5.6)
Accumulated amortisation (retirement and disposal)	1.0	–	–	–	1.0
Impairment losses on shares	(1.6)	(8.4)	(2.9)	–	(12.9)
Transfer between groups	28.8	–	–	(27.5)	1.3
Reclassification to assets held for sale (gross amount)	(25.2)	(8.4)	(8.3)	–	(41.9)
Reclassification to assets held for sale (accumulated depreciation)	23.6	–	5.4	–	29.0
Reclassification to assets held for sale (impairment losses)	1.6	8.4	2.9	–	12.9
Gross carrying amount as at January 31st 2021	**125.3**	**188.7**	**11.2**	**14.3**	**339.5**
Accumulated amortisation	(20.1)	–	(11.1)	–	(31.2)
Net carrying amount as at January 31st 2021	**105.2**	**188.7**	**0.1**	**14.3**	**308.3**

UNAUDITED	PATENTS AND LICENCES	TRADEMARKS	CUSTOMER RELATIONS	INTANGIBLE ASSETS UNDER DEVELOPMENT	TOTAL
Gross carrying amount as at January 1st 2019	**26.2**	**178.1**	**18.5**	**68.4**	**291.2**
Accumulated amortisation	(18.4)	(0.5)	(10.6)	–	(29.5)
Net carrying amount as at January 1st 2019	**7.8**	**177.6**	**7.9**	**68.4**	**261.7**
Exchange differences on translation – gross carrying amount	0.1	0.4	0.9	–	1.4
Amortisation expense	(7.0)	0.5	(3.2)	–	(9.7)
Acquisition	7.1	(4.5)	0.6	57.7	60.9
Retirement, disposal	(8.7)	–	–	(2.9)	(11.6)
Accumulated amortisation (retirement and disposal)	3.6	–	–	–	3.6
Transfer between groups	100.8	–	–	(104.2)	(3.4)
Transfer between groups – accumulated amortisation	2.9	–	(2.9)	–	–
Increase due to acquisition of subsidiaries	(1.1)	22.8	–	–	21.7
Gross carrying amount as at January 31st 2020	**124.4**	**196.8**	**20.0**	**19.0**	**360.2**
Accumulated amortisation	(18.9)	–	(16.7)	–	(35.6)
Net carrying amount as at January 31st 2020	**105.5**	**196.8**	**3.3**	**19.0**	**324.6**

As at January 31st 2021, intangible assets under development comprised expenditure incurred, among other things, on projects continued from 2019. The Group expects these projects to be finalised in the next financial year. The Group did not identify any impairment losses on these assets.

TRADEMARKS	eobuwie.pl S.A.	Karl Voegele AG	DeeZee Sp. z o.o.	Gino Rossi S.A.	TOTAL
Useful life/amortisation method	**Unspecified**	**Unspecified**	**Unspecified**	**Unspecified**	
AUDITED					
Gross carrying amount as at January 1st 2019	**161.2**	**7.7**	**9.2**	**–**	**178.1**
Accumulated amortisation	–	–	(0.5)	–	(0.5)
Net carrying amount as at January 1st 2019	**161.2**	**7.7**	**8.7**	**–**	**177.6**
Exchange differences on translation – gross carrying amount		0.2			0.2
Depreciation/amortisation expense	–	–	0.5		0.5
Acquisition			(4.5)		(4.5)
Increase due to acquisition of subsidiaries	–	–	–	22.8	22.8
Gross carrying amount December 31st 2019 (January 1st 2020)	**161.2**	**7.9**	**4.7**	**22.8**	**196.6**
Accumulated amortisation	-	–	–	–	–
Net carrying amount as at December 31st 2019 (January 1st 2020)	**161.2**	**7.9**	**4.7**	**22.8**	**196.6**
Exchange differences on translation – gross carrying amount	–	0.5	–	–	0.5
Impairment losses on shares	–	(8.4)	–	–	(8.4)
Reclassification to assets held for sale (gross amount)	–	(8.4)	–	–	(8.4)
Reclassification to assets held for sale (impairment losses)	–	8.4	–	–	8.4
Gross carrying amount as at January 31st 2021	**161.2**	**–**	**4.7**	**22.8**	**188.7**
Accumulated amortisation	–	–	–	–	–
Net carrying amount as at January 31st 2021	**161.2**	**–**	**4.7**	**22.8**	**188.7**

TRADEMARKS	eobuwie.pl S.A.	Karl Voegele AG	DeeZee Sp. z o.o.	Gino Rossi S.A.	TOTAL
Useful life/amortisation method	**Unspecified**	**Unspecified**	**Unspecified**	**Unspecified**	
UNAUDITED					
Gross carrying amount as at January 1st 2019	**161.2**	**7.7**	**9.2**	**–**	**178.1**
Accumulated amortisation	–	–	(0.5)	–	(0.5)
Net carrying amount as at January 1st 2019	**161.2**	**7.7**	**8.7**	**–**	**177.6**
Exchange differences on translation – gross carrying amount	–	0.4	–	–	0.4
Amortisation expense	–	–	0.5	–	0.5
Acquisition	–	–	(4.5)	–	(4.5)
Increase due to acquisition of subsidiaries	–	–	–	22.8	22.8
Gross carrying amount as at January 31st 2020	**161.2**	**8.1**	**4.7**	**22.8**	**196.8**
Accumulated amortisation	–	–	–	–	–
Net carrying amount as at January 31st 2020	**161.2**	**8.1**	**4.7**	**22.8**	**196.8**

The Group recognises trademarks with indefinite useful lives under intangible assets. The Group considers that its trademarks are recognisable on the market and intends to use them for an indefinite period.
Therefore, the Group assumes that trademarks have an indefinite useful life and are not amortised. All trademarks are tested for impairment annually. For details of impairment tests for eobuwie.pl S.A. and DeeZee Sp. z o.o., see Note 5.2 below

The recoverable amount of shares in Gino Rossi S.A. was measured at fair value less costs to sell. The valuation was prepared by an independent expert. The fair value of the Gino Rossi trademark was determined as at January 31st 2021 as the weighted sum of results of simulation prepared with two valuation methods. The fair value of the trademark was determined by assigning a 30% weight to the Relief from Royalty Method and a 70% weight to the Multiplier Method. The following assumptions were made for the valuation:

- RFR Method:
  - WACC – 11.73%
  - Licence fee – 1.68%
  - Revenue CAGR – 20.90%
- Multiplier Method:
  - Revenue multiplier – 38.80%
  - Invested capital multiplier – 20.87%
  - Asset value multiplier – 21.92%

The fair value measurement was prepared based on Level 3 of the hierarchy for the RFR and the Multiplier methods. The valuation assumptions are consistent with data from external sources.

The tests did not indicate any need to recognise impairment losses on the Gino Rossi trademark. The management believes that no reasonably possible change to any of the key assumptions of the tests will result in the carrying amount of the tested trademark exceeding significantly its recoverable amount.

5.2 GOODWILL

ACCOUNTING POLICY

Goodwill arising on acquisition is initially recognised at cost, equal to the excess of:

- the consideration paid,
- the amount of any non-controlling interest in the acquiree, and
- in the case of a step acquisition – the fair value at the acquisition date of the share in the equity of the acquiree previously held by the acquirer over the net amount determined at the acquisition date of the amount of identifiable assets acquired and liabilities assumed.

Following initial recognition, goodwill is carried at cost less cumulative impairment losses. Goodwill is tested for impairment annually, or more frequently if there is any indication of impairment. Goodwill is not amortised.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the business combination. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the Group at which goodwill is monitored for internal management purposes and is not larger than one operating segment defined in accordance with IFRS 8 Operating Segments.

An impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which goodwill has been allocated.

Where the recoverable amount of a cash-generating unit is less than its carrying amount, an impairment loss is recognised. If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. In such a case the goodwill disposed of is measured on the basis of the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Company	Acquisition date	As at January 1st 2020	Impairment	Negative adjustments – final settlement	Acquisition	Exchange differences on translation	As at January 31st 2021	Segment – CGU
AUDITED								
eobuwie.pl S.A.	Jan 2016	106.2	–	–	–	–	106.2	Distribution - Retail - Poland and e-commerce
Shoe Express S.A.	Apr 2018	40.5	–	–	–	1.8	42.3	Distribution activities – Retail – EU – Central and Eastern Europe
Adler International Sp. z	Jul 2018	48.8	–	–	–	–	48.8	Distribution - Retail - Poland and e-commerce
DeeZee Sp. z o.o.	Oct 2018	0.6	–	–	–	–	0.6	Distribution - Retail - Poland and e-commerce
Gino Rossi S.A.	Feb 2019	21.8	(21.8)		–	–	–	Distribution - Retail – Poland and e-commerce
Goodwill		**217.9**	**(21.8)**		**–**	**1.8**	**197.9**	

Company	Acquisition date	As at January 1st 2019	Impairment	Negative adjustments – final settlement	Acquisition	Exchange differences on translation	As at January 31st 2020	Segment – CGU
UNAUDITED								
eobuwie.pl S.A.	Jan 2016	106.2	–	–	–	–	106.2	Distribution - Retail - Poland and e-commerce
Shoe Express S.A.	Apr 2018	41.2	–	–	–	(0.2)	41.0	Distribution activities – Retail – EU – Central and Eastern Europe
Adler International Sp. z	Jul 2018	48.8	–	–	–	–	48.8	Distribution - Retail - Poland and e-commerce
DeeZee Sp. z o.o.	Oct 2018	6.3	–	(5.6)	–	–	0.6	Distribution - Retail - Poland and e-commerce
Gino Rossi S.A.	Feb 2019	–	–	–	21.8	–	21.8	Distribution - Retail - Poland and e-commerce
Goodwill		**202.5**	**–**	**(5.6)**	**21.8**	**(0.2)**	**218.4**	

Company	Acquisition date	As at January 1st 2019	Impairment	Negative adjustments – final settlement	Acquisition	Exchange differences on translation	As at December 31st 2019	Segment – CGU
AUDITED								
eobuwie.pl S.A.	Jan 2016	106.2	–	–	–	–	106.2	Distribution - Retail - Poland and e-commerce
Shoe Express S.A.	Apr 2018	41.2	–	–	–	(0.7)	40.5	Distribution activities – Retail – EU – Central and Eastern Europe
Adler International Sp. z	Jul 2018	48.8	–	–	–	–	48.8	Distribution - Retail - Poland and e-commerce
DeeZee Sp. z o.o.	Oct 2018	6.3	–	(5.6)	–	–	0.6	Distribution - Retail - Poland and e-commerce
Gino Rossi S.A.	Feb 2019	–	–	–	21.8	–	21.8	Distribution - Retail - Poland and e-commerce
Goodwill		**202.5**	**–**	**(5.6)**	**21.8**	**(0.7)**	**217.9**	

For detailed information on accounting for the acquisition and determination of goodwill of Shoe Express S.A., DeeZee Sp. z o.o., Gino Rossi S.A., see Note 6.2 to the full-year consolidated financial statements of the CCC Group for 2019.

As at January 31 2021, the Group tested for impairment cash-generating units to which a material goodwill or trademark with indefinite useful life has been allocated, i.e. the subsidiaries eobuwie.pl S.A., Shoe Express S.A., Adler International Sp. z o.o. sp.k. and DeeZee Sp. z o.o. The tests did not indicate any need to recognise impairment loss on goodwill. Management believes that no reasonably possible change to any of the key assumptions of the tests will result in the carrying amount of the tested units exceeding significantly its recoverable amount.

The recoverable amount was determined based on the value in use calculated on the basis of a cash flow forecast derived from five-year financial budgets approved by the senior management.

The main assumptions used to determine the value in use were:
- the level of distribution costs,
- impact of changes in revenue on direct costs,
- the amount of investment expenditure,
- a discount rate based on the weighted average cost of capital and reflecting the current market assessment of the time value of money and the business risk of the cash generating unit.

The amounts assigned to each of these parameters reflect the Group's experience adjusted for expected changes in the forecast period. eobuwie.pl S.A. and DeeZee Sp. z o.o. operate in the online segment, which is the main source of revenue for those entities.

The COVID-19 pandemic resulted in a change in consumer behaviour, with customers moving away from offline shopping to online channels. As eobuwie.pl S.A. and DeeZee Sp. z o.o. generate a significant part of their revenue in the online segment, the pandemic has not adversely affected their operations. It was assumed that these companies will increase their share in total revenue as their profitability increases. In the case of eobuwie.pl S.A., the projected EBITDA CAGR decreased compared to results of the tests carried out at December 31st 2019 due to the higher-than-expected results in 2020, which translated into lower dynamics of the growth. The results for 2021-2025 are comparable to those from the test for December 31st 2019.

The amount of revenue of the Adler business during the forecast period was assumed at a more conservative level compared with the tests carried out as at December 31st 2019. According to the Company's projections, the stores will generate positive cash flows despite the traffic expected for 2021 and 2022 being lower than in 2019 due to the pandemic. Deferred demand as well as sound margin and cost management will enable the Company to deliver positive results from these shops.

The amount of revenue over the projection period for Shoe Express was assumed to be at a level comparable to the revenue assumed in the test as at December 31st 2019. The reduced retail revenue is offset by revenue from the online segment which will be launched in 2021.

The assumptions made for Shoe Express and the Adler business take into account the effect of the COVID-19 pandemic on store performance, in particular slow demand recovery, reduced traffic in 2021 due to sanitary restrictions, and customers' lower propensity to visit offline stores.

The cumulative annual EBITDA for the Adler business and for Shoe Express is higher compared to the December 31st 2019 tests (13.5% vs 3.6% and 43.3% vs 5.0%, respectively). This is due to a change in the base used to calculate the EBITDA growth rate; in the tests carried out as at January 31st 2021, the base was the EBITDA earned in the reporting period, i.e. the financial year affected by the pandemic, while the tests as at December 31st 2019 were based on the 2019 EBITDA, which was not affected by the pandemic.

The underlying assumptions of the impairment test are presented below.

January 31st 2021	**eobuwie.pl**	**Shoe Express**	**Adler**	**DeeZee**
Discount rate	7.7%	10.2%	7.7%	7.7%
Average EBITDA margin	10.2%	23.0%	27.8%	12.8%
Expected EBITDA CAGR	35.9%	43.3%	13.5%	66.1%
Residual growth rate	2.0%	2.0%	2.0%	2.0%

December 31st 2019	**eobuwie.pl**	**Shoe Express**	**Adler**	**DeeZee**	**Gino Rossi**
Discount rate	9.8%	13.2%	9.8%	9.8%	9.8%
Average EBITDA margin	11.2%	27.7%	30.2%	2.1%	6.3%
Expected EBITDA CAGR	47.5%	5.0%	3.6%	25.0%	16.0%
Residual growth rate	2.0%	2.0%	2.0%	2.0%	2.0%

The growth rate used to extrapolate cash flows beyond the five-year period is 2% (2019: 2%).

The COVID-19 pandemic adversely affected the financial condition of Gino Rossi S.A. The Company generated material losses and negative operating cash flows. In the opinion of the Management Board, this situation is permanent and there are no prospects for improvement in the foreseeable future. Accordingly, an impairment charge of PLN 21.8m was recognised on goodwill of Gino Rossi. In the opinion of the Management Board, there are no prospects for improvement in the future. As a result of the decisions made, 2020 saw the gradual closing of the stores operating under the Gino Rossi brand. The last store will cease to operate in 2021. The Gino Rossi brand products will be sold in CCC stores and through the e-commerce channels of CCC and eobuwie.pl. Furthermore, after the reporting date a decision was made to close down the Gino Rossi production facility in Słupsk and to outsource the operations. See Note 5.3 for details.

5.3 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment include leasehold improvements (i.e. expenditure on leased premises used in the retail business); property, plant and equipment used in the manufacturing, distribution and other activities.
Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Land and property, plant and equipment under construction are not depreciated.
Subsequent expenditure increases the carrying amount of an item of property, plant and equipment or is recognised as a separate item of property, plant and equipment (where appropriate) only when it is probable that future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. If an item of property, plant and equipment is replaced, its carrying amount is derecognised from the statement of financial position. Any other expenditure on repairs and maintenance is charged to profit or loss in the period in which it is incurred.
Borrowing costs are capitalized and disclosed as an increase in the carrying amount of an item of property, plant and equipment.
Intangible assets are amortised on a straight-line basis by estimating their useful lives, which are:

ASSET GROUP	DEPRECIATION PERIOD	REMAINING USEFUL LIFE
Leasehold improvements	The depreciation period depends on two factors and takes the lesser of two values: * useful life of a leasehold improvement (typically 10 years) * duration of the lease contract for the store in which the leasehold improvement was made (usually 10 years)	
Manufacturing and distribution	* buildings * machinery and equipment * vehicles * other property, plant and equipment	* from 10 to 40 years * from 10 to 40 years * from 5 to 10 years * from 5 to 10 years
Other	* machinery and equipment * vehicles * other property, plant and equipment	* from 3 to 15 years * from 5 to 10 years * from 5 to 10 years

The depreciation method and the useful lives are reviewed as at the end of each reporting period.

Impairment of non-financial non-current assets

The Group assesses as at the reporting date whether any objective evidence exists that an item of property, plant and equipment may be impaired. Depreciable assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell or value in use. For the purpose of impairment analysis, assets are grouped at the lowest level for which there are identifiable separate cash flows (cash-generating units). Non-financial assets for which impairment has been previously identified are assessed as at each reporting date for indications of reversal of the impairment loss.

In the retail business, each store is a separate cash-generating unit. In accordance with the principles described above, as at each reporting date the Group analyses its leasehold improvements for impairment. Operating profit (loss) reported by each retail unit is assessed. For an impairment loss on non-financial non-current assets to be recognised by the Group, the following conditions must be met:
• A store must be in operation for at least 30 months.
• The store has generated a gross loss in each of the last two years of operation.
• An analysis of the present value of future cash flows indicates that it is not possible to cover the amount of capital expenditure incurred on leasehold improvements.

If an asset is considered unrecoverable, the Group recognises an impairment loss equal to the excess of the capital expenditure incurred over the recoverable amount. The impairment loss is recognised in other expenses. For Group companies that start or conduct business in developed economies, additional market acquisition considerations are taken into account.

Grants received

Grants for the purchase or construction of property, plant and equipment are recognised by the Group when they are received or likely to be received in the future (e.g. the Group obtains an endorsement letter, lease incentives), if there is reasonable assurance that the Group will satisfy the conditions necessary to obtain the grant. Grants are recognised as deferred income (line item 'Grants received'). Amounts of grants carried as deferred income are gradually recognised as other income, in line with depreciation property, plant and equipment financed with such grants.

Certain assets relating to individual outlets may be permanently attached to the leased premises (leasehold improvements), which makes it impossible to use them for other purposes or to sell them. Their useful lives are not always linked to the lease term as lease contracts may contain a lease extension option. The adopted useful lives are described above.
Accordingly, the amount of depreciation expense may no correspond with the estimated term of the store lease contract. Changes in lease duration may affect the amount of impairment losses.
Property, plant and equipment under construction include mainly current capital expenditure on leasehold improvements.

For information on property, plant and equipment pledged as security for borrowings, see Note 4.2.

On December 23rd 2009, CCC S.A. and Polska Agencja Rozwoju Przedsiębiorczości signed an agreement for the co-financing of investments in property, plant and equipment. The Company applied for a subsidy from the Operational Program Innovative Economy for the investment in the construction of a high storage warehouse in Polkowice. The final amount of the subsidy was PLN 38.5m. As at the reporting date, the unsettled amount of the grant was PLN 17.7m. In accordance with the Group's accounting policy, this grant is presented in the line item 'Grants received' in the statement of financial position.

		MANUFACTURING AND DISTRIBUTION				OTHER PROPERTY, PLANT AND EQUIPMENT				TOTAL
AUDITED	**LEASEHOLD IMPROVEMENTS**	**LAND, BUILDINGS AND STRUCTURES**	**MACHINERY AND EQUIPMENT**	**PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION**	**TOTAL**	**LAND AND BUILDINGS**	**MACHINERY AND EQUIPMENT**	**OTHER**	**TOTAL**	
Gross carrying amount as at January 1st 2019	**920.3**	**343.7**	**189.4**	**14.2**	**547.3**	**55.1**	**77.8**	**42.9**	**175.8**	**1,643.4**
Including: gross carrying amount of property, plant and equipment in a disposal group with recognised impairment loss (CCC Germany)	52.9	–	–	–	–	–	–	–	–	52.9
Accumulated depreciation	**(242.3)**	**(32.7)**	**(85.8)**	**(1.6)**	**(120.1)**	**(4.1)**	**(47.4)**	**(21.1)**	**(72.9)**	**435.3**
Impairment loss	(62.6)	–	–	–	–	–	–	(1.2)	(1.2)	(63.8)
Net carrying amount as at January 1st 2019	**615.4**	**311.0**	**103.6**	**12.6**	**427.2**	**51.0**	**30.0**	**20.7**	**101.7**	**1,144.3**
Exchange differences on translation	(5.3)	–	12.1	(12.3)	(0.2)	(0.1)	4.2	(0.3)	3.8	(1.7)
Acquisition	185.3	78.1	72.3	80.9	231.3	0.7	15.8	9.9	26.4	443.0
Depreciation	(116.4)	(11.2)	(43.5)	(2.9)	(57.6)	(2.5)	(12.1)	(6.2)	(20.8)	(194.8)
Retirement and disposal	(148.6)	(8.0)	(3.8)	(1.3)	(13.1)	–	(4.5)	(6.0)	(10.5)	(172.2)
Retirement and disposal (depreciation)	63.1	0.2	1.2	0.2	1.6	–	2.8	4.8	7.6	72.3
Transfers	–	–	16.5	(19.4)	(2.9)	–	0.1	–	0.1	(2.8)
Impairment loss	(2.1)	–	–	–	–	–	–	–	–	(2.1)
Use of impairment loss on disposal of subsidiary (CCC Germany)	52.9	–	–	–	–	–	–	–	–	52.9
Use of impairment loss recognised before acquisition of subsidiary	10.0	–	–	–	–	–	–	–	–	10.0
Increase due to acquisition of subsidiaries	1.6	12.3	12.1	5.1	29.5	–	–	–	–	31.1
Gross carrying amount as at December 31st 2019	**1,169.0**	**426.1**	**300.0**	**65.6**	**791.6**	**55.7**	**137.0**	**52.3**	**245.0**	**2,205.6**
Accumulated depreciation	(501.2)	(43.7)	(129.5)	(2.7)	(175.8)	(6.6)	(100.7)	(28.3)	(135.6)	(812.6)
Impairment loss	(11.9)	–	–	–	–	–	–	(1.1)	(1.1)	(13.0)
Net carrying amount as at December 31st 2019	**655.9**	**382.4**	**170.5**	**62.9**	**615.8**	**49.1**	**36.3**	**22.9**	**108.3**	**1,380.0**
Exchange differences on translation	10.4	–	–	–	–	0.2	1.5	(1.7)	–	10.4
Acquisition	114.4	20.3	73.2	2.5	96.0	0.1	2.7	4.7	7.5	217.9
Depreciation expense	(141.7)	(15.0)	(82.8)	–	(97.8)	(5.7)	(11.5)	(6.5)	(23.7)	(263.2)
Retirement and disposal	(73.0)	(2.7)	(3.3)	–	(6.0)	(0.2)	(16.7)	(16.7)	(33.6)	(112.6)
Retirement and disposal (depreciation)	56.1	0.3	2.8	0.8	3.9	–	16.1	14.8	30.9	90.9
Transfer between groups (gross amount)	13.0	13.5	14.5	(30.5)	(2.5)	3.6	(20.1)	1.2	(15.3)	(4.8)
Transfer between groups (accumulated depreciation)	(11.3)	(0.5)	(5.8)	–	(6.3)	2.9	17.3	0.9	21.1	3.5

Impairment loss	(51.0)	–	–	–	–	–	–	(3.3)	(3.3)	(54.3)
Reversal of impairment loss	1.1	–	–	–	–	–	–	–	–	1.1
Use of impairment losses	7.6	–	–	–	–	–	–	1.1	1.1	8.7
Reclassification to assets held for sale (gross amount)	(206.1)	–	–	–	–	–	(36.4)	(3.0)	(39.4)	(245.5)
Reclassification to assets held for sale (accumulated depreciation)	154.3	–	–	–	–	–	33.7	2.4	36.1	190.4
Reclassification to assets held for sale (impairment losses)	12.1	–	–	–	–	–	–	3.3	3.3	15.4
Gross carrying amount as at January 31st 2021	**1,027.7**	**457.1**	**384.5**	**37.7**	**879.2**	**59.4**	**68.1**	**36.8**	**164.2**	**2,071.0**
Accumulated depreciation	(443.8)	(58.9)	(215.3)	(2.0)	(276.2)	(9.4)	(45.1)	(16.7)	(71.1)	(791.0)
Impairment loss	(42.1)	–	–	–	–	–	–	–	–	(42.1)
Net carrying amount as at January 31st 2021	**541.8**	**398.2**	**169.2**	**35.7**	**603.0**	**50.0**	**23.0**	**20.1**	**93.1**	**1,237.9**

UNAUDITED	LEASEHOLD IMPROVEMENTS	MANUFACTURING AND DISTRIBUTION				OTHER PROPERTY, PLANT AND EQUIPMENT				TOTAL
		LAND, BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER	TOTAL	
Gross carrying amount as at January 1st 2019	**920.3**	**343.7**	**189.4**	**14.2**	**547.3**	**55.1**	**77.8**	**42.9**	**175.8**	**1,643.4**
Including: gross carrying amount of property, plant and equipment in a disposal group with recognised impairment loss	52.9	–	–	–	–	–	–	–	–	52.9
Accumulated depreciation as at January 1st 2019	**(242.3)**	**(32.7)**	**(85.8)**	**(1.6)**	**(120.1)**	**(4.1)**	**(47.7)**	**(21.1)**	**(72.9)**	**(435.3)**
Impairment loss as at January 1st 2019	(62.6)	–	–	–	–	–	–	(1.2)	(1.2)	(63.8)
Net carrying amount as at January 1st 2019	**615.4**	**311.0**	**103.6**	**12.6**	**427.2**	**51.0**	**30.0**	**20.7**	**101.7**	**1,144.3**
Exchange differences on translation	0.4	0.5	0.8	(0.4)	0.9	(0.1)	4.9	(0.4)	4.4	5.7
Acquisition	192.8	98.3	116.2	25.9	240.4	1.3	16.4	10.9	28.6	461.8
Depreciation expense	(132.9)	(12.4)	(47.5)	(2.9)	(62.8)	(3.0)	(13.7)	6.7	(23.4)	(219.1)
Retirement and disposal	(149.1)	(8.4)	(3.7)	(1.3)	(13.4)	–	(4.5)	(6.0)	(10.5)	(173.0)
Retirement and disposal (depreciation)	63.4	–	1.1	0.1	1.2	–	2.8	4.8	7.6	72.2
Transfers	–	–	(58.1)	55.1	(3.0)	–	0.1	–	0.1	(2.9)
Impairment loss	(2.2)	–	–	–	–	–	–	–	–	(2.2)
Use of impairment loss on disposal of subsidiary	52.9	–	–	–	–	–	–	–	–	52.9
Use of impairment loss recognised before acquisition of subsidiary	10.1	–	–	–	–	–	–	–	–	10.1
Increase due to acquisition of subsidiaries	1.5	12.3	12.1	5.3	29.7	–	–	–	–	31.2
Gross carrying amount as at January 31st 2020	**1,182.4**	**445.7**	**255.5**	**98.7**	**799.9**	**44.5**	**139.5**	**53.2**	**237.2**	**2,219.5**
Accumulated depreciation as at January 31st 2020 (unaudited)	(518.0)	(44.4)	(130.9)	(4.3)	(179.6)	(6.8)	(103.5)	(28.8)	(139.1)	(836.7)
Impairment loss	(12.1)	–	–	–	–	11.5	–	(1.1)	10.4	(1.7)
Net carrying amount as at January 31st 2020	**652.3**	**401.3**	**124.5**	**94.4**	**620.2**	**49.2**	**36.0**	**23.3**	**108.5**	**1,381.0**

The Covid-19 pandemic impacted the Group's financial results in the current period and has had an effect on its budgeted future results. As at January 31st 2021, the Group identified indications of asset impairment for those stores that were loss-making in 2019 and 2020. As a result, a total of 67 stores were tested for impairment (each store is a separate cash-generating unit and was tested for impairment separately). For the remaining stores, the Group analysed the results for the period February to April 2021, as well as the projected future results. These stores were profitable in 2019, and their worse performance in 2020 was mainly attributable to the forced closure of the

stores at the time of lockdown. In line with the adopted budgets, based on the assumptions used to estimate the revenue indicated below, positive results are forecast for this group of assets and therefore the Group did not identify any indications of its impairment.
The forecast for each tested store covered the duration of the existing lease contracts to correctly calculate recoverable amounts. The discount rates for each market are presented in the table below.
The main assumptions used to determine the value in use were:

- the level of distribution costs,
- impact of changes in revenue on direct costs,
- a discount rate based on the weighted average cost of capital and reflecting the current market assessment of the time value of money and the business risk of the cash generating unit.

The assumptions adopted to estimate revenues were based on conservative assumptions concerning demand recovery and gradual delivery of the GO.22 strategy. The planned revenue in 2021 is based on conservative assumption that the 2019 sales and margins would be maintained and that the Company will gradually return to the GO.22 strategy as of 2022. This approach is to take into account the current market situation and the impact of COVID-19 on the Company's business.
The revenue growth in 2021-2022 is based on a budget officially approved by the Supervisory Board and varies by market; a growth rate of 5% was assumed for 2023 and 2024.

Details of the assumptions are presented in the table below, where the percentage change in 2021 refers to 2019 and the change in subsequent years is the change over the previous year.

Revenue	Δ % 2021	Δ % 2022	Δ % 2023	Δ % 2024
Poland	0.0%	15.0%	5.0%	5.0%
Czech Republic	0.0%	10.0%	5.0%	5.0%
Romania	(10.0)%	5.0%	5.0%	5.0%
Hungary	(7.0)%	5.0%	5.0%	5.0%
Slovakia	0.0%	5.0%	5.0%	5.0%
Croatia	(5.0)%	15.0%	5.0%	5.0%
Slovenia	(15.0)%	25.0%	5.0%	5.0%
Bulgaria	0.0%	15.0%	5.0%	5.0%
Serbia	10.0%	15.0%	5.0%	5.0%
Russia	10.0%	15.0%	5.0%	5.0%

Personnel costs	Δ % 2021	Δ % 2022	Δ % 2023	Δ % 2024
Poland	5.0%	3.0%	1.0%	1.0%
Czech Republic	5.0%	3.0%	1.0%	1.0%
Romania	5.0%	3.0%	1.0%	1.0%
Hungary	5.0%	3.0%	1.0%	1.0%
Slovakia	5.0%	3.0%	1.0%	1.0%
Croatia	5.0%	3.0%	1.0%	1.0%
Slovenia	5.0%	3.0%	1.0%	1.0%
Bulgaria	5.0%	3.0%	1.0%	1.0%
Serbia	5.0%	3.0%	1.0%	1.0%
Russia	5.0%	3.0%	1.0%	1.0%

Gross margin	Δ % 2021	Δ % 2022	Δ % 2023	Δ % 2024
Poland	1.0%	3.0%	1.0%	0.0%
Czech Republic	(1.0)%	2.0%	1.0%	0.0%
Romania	(2.0)%	2.0%	1.0%	0.0%
Hungary	1.0%	2.0%	1.0%	0.0%
Slovakia	0.0%	2.0%	1.0%	0.0%
Croatia	2.0%	2.0%	1.0%	0.0%
Slovenia	1.0%	1.0%	1.0%	0.0%
Bulgaria	2.0%	2.0%	1.0%	0.0%
Serbia	1.0%	2.0%	1.0%	0.0%
Russia	(3.0)%	1.0%	1.0%	0.0%

Rent-related expenses	Δ % 2021	Δ % 2022	Δ % 2023	Δ % 2024
Poland	(10.0)%	0.0%	0.0%	0.0%
Czech Republic	(10.0)%	0.0%	0.0%	0.0%
Romania	(10.0)%	0.0%	0.0%	0.0%
Hungary	(10.0)%	0.0%	0.0%	0.0%
Slovakia	(10.0)%	0.0%	0.0%	0.0%
Croatia	(10.0)%	0.0%	0.0%	0.0%
Slovenia	(10.0)%	0.0%	0.0%	0.0%
Bulgaria	(10.0)%	0.0%	0.0%	0.0%
Serbia	(10.0)%	0.0%	0.0%	0.0%
Russia	(10.0)%	0.0%	0.0%	0.0%

Rent-related expenses include, but are not limited to, shared costs, marketing costs and other expenses.

In addition, due to the losses incurred and the negative cash flows in 2019-2020 generated in the Austrian market, the Group identified indications of impairment and tested all 46 stores.

The key assumption of the tests was that unprofitable stores would be closed and selected locations would be rebranded. The stores selected for rebranding as HalfPrice outlets will significantly improve their profitability. The revenue forecast was based on Half Price's conservative assumptions for the Austrian market. The development of revenue in 2021–2025 is based on officially approved plans for the new chain. The assumptions take into account the impact of the COVID-19 pandemic on the stores' performance, including in particular slow demand recovery.
Given the planned restructuring of the Group's operations on the Austrian market, it was assumed that the stores would be closed by the end of September 2021. After that date, the premises will be sub-leased on market terms. Some of the locations will be converted into HalfPrice stores.

A discount rate before tax of 5.38% was used to forecast the cash flows (2019: 5.50%).
The forecast for each tested store covered the duration of the existing lease contracts to correctly calculate recoverable amounts.

The main assumptions used to determine the value in use were:
- the level of distribution costs,
- impact of changes in revenue on direct costs,
- a discount rate based on the weighted average cost of capital and reflecting the current market assessment of the time value of money and the business risk of the cash generating unit.

An impairment loss was also recognised on the equipment and fit-out of the stores which will have to be dismantled before the stores are handed over to the new tenant and will not be reused.
In the case of property, plant and equipment classified in the Manufacturing and distribution segment and the Other segment, the Group identified indications of impairment of the Gino Rossi S.A. plant in Słupsk (planned shutdown, see Note 5.2). A fair value test was carried out in accordance with IFRS 13. The test did not reveal any impairment. The fair value was determined based on an estimate survey prepared by an independent expert appraiser using the comparative method. The inputs used to measure the fair value of real estate are classified in Level 3 of the fair value hierarchy. The value of the property was estimated based on its condition as at the date of the estimate survey. The property value was estimated based on the average selling prices of similar properties at the time of valuation. For this purpose, the comparative approach was employed, using the average price adjustment and pairwise comparison methods.

The Group did not identify any evidence of impairment of property, plant and equipment in the Manufacturing and Distribution segments and the Other segment. The Distribution segment assets are used both in the retail business and the e-commerce business. During the COVID-19 pandemic, revenue from the e-commerce channel has increased significantly.
The assets of the 'Other' segment concern mainly land and buildings at the head office of the parent or head offices of the subsidiaries.
The total carrying amount of store assets (property, plant and equipment – leasehold improvements and right of use) tested for impairment as at January 31st 2021 was PLN 402.0m (of which PLN 193.8m related to CCC Austria).

A summary of the results of all impairment tests performed and impairment losses recognised is set out below:

Chain	Number of tested stores	Number of stores with recognised impairment	Impairment loss charged to right-of-use asset	Impairment loss charged to leasehold improvements	Total	Estimate of WACC discount rate
Austria	46	40	16.7	24.8	41.5	5.4%
Russia	14	5	2.4	2.7	5.1	12.9%
Hungary	13	6	3.9	3.5	7.4	9.6%
Czech Republic	8	3	0.1	1.3	1.4	7.3%
Croatia	7	2	1.4	0.7	2.1	8.1%
Serbia	6	–	–	–	–	10.8%
eobuwie.pl S.A.	5	–	–	–	–	7.7%
Romania	5	1	0.5	–	0.5	10.2%
Slovakia	4	3	0.3	1.0	1.3	5.9%
Poland	2	1	–	–	–	7.7%
Slovenia	2	2	0.1	0.4	0.5	6.5%
Bulgaria	1	–	–	–	–	7.4%
Gino Rossi*	37	37	15.7	8.9	24.6	7.2%
KVAG**	39	21	8.2	7.7	15.9	4.8%
Total	**189**	**121**	**49.3**	**51.0**	**100.3**	

* In the case of Gino Rossi, as at June 30th 2020 the Group identified indications of impairment of all stores (including material losses and negative operating cash flows) and carried out impairment tests. The recoverable amount was determined based on the value in use calculated on the basis of a cash flow forecast derived from financial budgets approved by the senior management.As a result of the tests, an impairment loss of PLN 24.6m was recognised (the carrying amount of the tested assets as at that date was PLN 26.7m). A portion of Gino Rossi assets were liquidated by January 31st 2021, resulting in a write-down of PLN 12.7m. The carrying amount of the Gino Rossi stores assets as at January 31st 2021 was PLN 0.0m. As at the reporting date, unused impairment charges were PLN 12.0m (of which PLN 7.7m related to leasehold improvements). In the opinion of the Management Board, this situation is permanent and there are no prospects for improvement in the foreseeable future. The Management Board has not identified any indication that the impairment no longer exists or that the impaired amount has decreased.

** In the case of KVAG, as at June 1st 2020, the Group identified impairment indications for all stores due to their classification as a disposal group and tested the assets for impairment. The recoverable amount was determined based on the value in use calculated on the basis of a cash flow forecast derived from financial budgets approved by the senior management. As a result of the conducted tests, an impairment charge of PLN 15.8m was recognised. As at January 31st 2021, the KVAG assets were classified as held for sale and measured at fair value less costs to sell. For details, see Note 6.4.

The Group analysed the sensitivity of impairment losses on stores to changes in the key assumptions. The analysis covered the following cumulative assumptions: 10% revenue decline, 1pp decrease in margin, and 5% increase in salaries and wages. The change in these assumptions had no material effect on the amount of impairment losses on the tested stores.

5.4 RIGHT-OF-USE ASSETS, LEASE LIABILITIES AND RECEIVABLES

ACCOUNTING POLICY

At the lease commencement date, the CCC Group measures the right-of-use asset at cost. The cost of the right-of-use asset should comprise:

- the initial amount of the lease liability;
- any lease payments made on or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Some of the lease contracts contain an option to extend or terminate the lease. The Group uses the current contract end date, which is updated when the Group becomes aware of the renewal / termination of the contract. The assumed contract duration is based on business rationality. If the Group decides to extend the contract, the term of the contract used in the measurement is extended by the period of the extension option.
The Group also enters into lease contracts for an indefinite period. The Management Board makes judgement to determine the period for which it is reasonably possible to assume that such contracts will continue.
The Group also has lease contracts with lease terms of 12 months or less, lease contracts for computer hardware (printers), and low-value contracts for lease of payment terminals. The Group applies a practical expedient to short-term leases and leases of low-value assets.
The Group recognises the above costs as expenses in the line item 'other distribution costs' (low-value and short-term leases) and in the line item 'Stores' operating costs' (contracts concluded for an indefinite period and sales-based rent).
At the commencement date, the lessee measures the lease liability at the present value of the lease payments outstanding at that date (discounted future payments over the lease term). The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments as described in paragraph B42 of the Standard), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering the factors described in paragraphs B37-B40 of the Standard); and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate or payments that vary to reflect changes in market rental rates. For each type of contract, the Group estimated the discount rate which will affect the final measurement of the contracts. Account was taken of the nature of the contract, the duration of the contract, the currency of the contract and the potential margin the Group would have to pay to external financial institutions if it wanted to enter into such a transaction on the financial market.
The measurement of the lease liability is periodically offset against the lease payments.
Costs of the use of leased assets are disclosed as 'Depreciation and amortisation' and in finance costs as interest expense.
Right-of-use assets are depreciated on a straight-line basis, whilelease liabilities are accounted for using the effective interest rate.

The Group measures lease contracts that meet the criteria defined in IFRS 16. The Group recognises the following items as current expenses:
• Depreciation of right-of-use assets
• Interest expense
• foreign exchange gains (losses).

The Group accounts for a lease modification as a separate lease if both:
a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.
For a lease modification that is not accounted for as a separate lease, at the effective date of the modification (i.e. the date of signing an annex/agreement by the last party concerned) the Group:
a) allocate the consideration in the modified contract,
b) determine the lease term of the modified lease, and
c) remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.
For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:
a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. As a result, the Group recognises any profit or loss related to the partial or total termination of the lease,
b) adjustments to the right-of-use asset for all other lease modifications.

The Group as the lessor

At the lease commencement date, the Group classifies a given lease contract as:
• finance lease - if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, or as
• operating lease – if the above conditions are not met.
When determining the classification of a given lease contract, account is taken, among other things, of the fact whether the lease term represents a major part of the economic useful life of the asset.

Finance leases are disclosed in the statement of financial position as receivables, at amounts equal to the net investment in the lease less the principal component of lease payments for given financial year calculated based on a fixed periodic rate of return on the lessor's outstanding net investment in the lease. Finance income from interest on finance lease is disclosed in the relevant reporting periods based on a fixed periodic rate of return on the lessor's outstanding net investment in the lease. Income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term.

In classifying a sublease, an intermediate lessor classifies the sublease as a finance lease or an operating lease as follows:
a) if the primary lease is a short-term lease in which the lessee recognises lease payments as costs on a straight-line basis during the lease term, the sublease is classified as operating leases;
b) otherwise, the sublease is classified by reference to the right-of-use asset arising from the primary lease, rather than by reference to the underlying asset (for example, the leased item of property, plant and equipment).

The Company derecognises the right-of-use asset (to the extent it is subleased) and recognises a lease receivable.
The present value of the lease payments at inception is generally close to the aggregate fair value the underlying asset, which in the case of a sublease is deemed to be the value of the right-of-use asset under the primary lease.

The table below presents the carrying amount of right-of-use assets measured as at the reporting date.

AUDITED	RIGHT-OF-USE ASSETS FROM LEASE CONTRACTS					
	Stores	Warehouse	Vehicles	Offices	Other	Total
Gross carrying amount as at January 1st 2019	**2,254.1**	**11.5**	**4.2**	**–**	**0.5**	**2,270.3**
Accumulated depreciation as at January 1st 2019	(396.4)	(1.7)	(1.8)	–	(0.3)	(400.2)
Net carrying amount as at January 1st 2019	**1,857.7**	**9.8**	**2.4**	**–**	**0.2**	**1,870.1**
New lease contracts	270.1	58.9	6.2	26.1	1.3	362.6
Changes resulting from contract modifications	355.8	16.4	(0.3)	6.3	0.1	378.3
Changes resulting from contract modification – shortening of contract term – gross carrying amount	(180.0)	(9.5)	(0.1)	–	–	(189.6)
Changes resulting from contract modification – shortening of contract term – depreciation	23.4	1.9	–	–	–	25.3
Increase due to acquisition of subsidiary	35.9	–	–	4.7	3.6	44.2
Gross carrying amount as at December 31st 2019	**2,759.3**	**79.2**	**10.0**	**37.1**	**5.5**	**2,891.1**
Accumulated depreciation as at January 1st 2019	(396.4)	(1.7)	(1.8)	–	(0.3)	(400.2)
Depreciation in period	(433.6)	(49.8)	(2.6)	(17.0)	(1.3)	(504.3)
Accumulated depreciation as at December 1st 2019	**(830.0)**	**(51.5)**	**(4.4)**	**(17.0)**	**(1.6)**	**(904.5)**
Net carrying amount as at December 31st 2019	**1,929.3**	**27.7**	**5.6**	**20.1**	**3.9**	**1,986.6**
Exchange differences on translation – gross carrying amount	46.1	0.3	–	6.5	0.1	53.0
New lease contracts	119.6	1.4	3.4	3.3	7.1	134.8
Changes resulting from contract modifications	157.3	0.5	0.4	0.7	0.9	159.8
Changes resulting from contract modification – shortening of contract term – gross carrying amount	(195.3)	(8.2)	(0.3)	(5.8)	(1.7)	(211.3)
Changes resulting from contract modification – shortening of contract term – depreciation	77.0	3.7	0.2	2.2	1.2	84.3
Reclassification to assets held for sale (gross amount)	(434.9)	(0.7)	–	–	(0.7)	(436.2)
Gross carrying amount as at January 31st 2021	**2,529.1**	**76.2**	**13.7**	**44.0**	**12.4**	**2,675.4**
Depreciation at beginning of period	(830.0)	(51.5)	(4.4)	(17.0)	(1.6)	(904.5)
Exchange differences on translation	(19.5)	(0.1)	–	(1.3)	–	(20.9)
Depreciation in period	(413.9)	(2.9)	(3.8)	(12.3)	(2.6)	(435.6)
Reclassification of assets to discontinued operations (accumulated depreciation)	170.2	0.2	–	–	0.3	170.7
Accumulated depreciation as at January 31st 2021	**(1,093.2)**	**(54.3)**	**(8.2)**	**(30.6)**	**(4.0)**	**(1,190.3)**
Impairment loss at beginning of period	–	–	–	–	–	–
Recognition of impairment loss during period	(49.3)	–	–	–	–	(49.3)
Use of impairment loss in period	11.5	–	–	–	–	11.5
Reversal of impairment loss in period	–	–	–	–	–	–
Reclassification to discontinued operations	8.2	–	–	–	–	8.2
Impairment loss at end of period	(29.7)	–	–	–	–	(29.7)
Net carrying amount as at January 31st 2021	**1,406.3**	**21.9**	**5.5**	**13.4**	**8.4**	**1,455.5**

UNAUDITED	RIGHT-OF-USE ASSETS FROM LEASE CONTRACTS					
	Stores	Warehouse	Vehicles	Offices	Other	Total
Gross carrying amount as at January 1st 2019	**2,254.1**	**11.5**	**4.2**	**–**	**0.5**	**2,270.3**
Accumulated depreciation as at January 1st 2019	(396.4)	(1.7)	(1.8)	–	(0.3)	(400.2)
Net carrying amount as at January 1st 2019	**1,857.7**	**9.8**	**2.4**	**–**	**0.2**	**1,870.1**
New lease contracts	310.3	16.1	6.2	28.5	1.9	363.0
Changes resulting from contract modifications	428.9	(7.9)	(0.3)	5.1	0.1	425.9
Changes resulting from contract modification – shortening of contract term – gross carrying amount	(201.3)	(5.0)	(0.1)	–	–	(206.4)
Changes resulting from contract modification – shortening of contract term – depreciation	27.7	1.4	0.1	–	–	29.2
Exchange differences	17.8	–	–	4.0	–	21.8
Increase due to acquisition of subsidiary	35.9	–	–	4.7	3.6	44.2
Renewal	0.1	–	–	–	–	0.1
Gross carrying amount as at January 31st 2020	**2,873.6**	**16.1**	**10.1**	**42.3**	**6.1**	**2,948.2**
Accumulated depreciation as at January 1st 2019	(396.4)	(1.7)	(1.8)	–	(0.3)	(400.2)
Exchange differences on translation – accumulated depreciation	(2.2)	–	–	(0.3)	–	(2.5)
Depreciation in period	(522.1)	(4.0)	(2.9)	(18.6)	(1.6)	(549.2)
Accumulated depreciation as at January 31st 2020	**(920.7)**	**(5.7)**	**(4.7)**	**(18.9)**	**(1.9)**	**(951.9)**
Net carrying amount as at January 31st 2020	**1,952.9**	**10.4**	**5.4**	**23.4**	**4.2**	**1,996.3**

The modifications are mainly due to extension of contract term and changes in rent rates.
For impairment test disclosures, see Note 5.3.

Lease liabilities as at the reporting date are presented in the table below.

	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED
At beginning of period	**2,085.8**	**1,909.2**	**1,909.2**
Accrued interest	52.5	39.3	36.2
Lease payments	(407.3)	(552.0)	(516.1)
Exchange differences	99.4	21.0	(3.7)
New lease contracts	131.4	345.5	341.5
Modification of contract terms	208.0	425.5	422.2
Indexation	1.0	16.2	13.6
Renewal	–	0.1	0.1
Change of scope	(99.2)	(173.4)	(161.5)
Increase due to acquisition of subsidiary	–	44.3	44.3
Reclassification to discontinued operations	(205.7)	–	–
At end of period	**1,865.9**	**2,075.7**	**2,085.8**

Due to the COVID-19 outbreak, the Group renegotiated its leases, which resulted in a material change in the carrying amounts of right-of-use assets and lease liabilities. As a result of the negotiations, various terms and conditions of the lease contracts were modified, including rent rates, lease terms, and leased space. The Group recognised these changes as contract modifications at the time of signing the relevant amendments by the last of the parties concerned. As at the reporting date, renegotiations of some of the contracts continued,

therefore in subsequent periods the carrying amount of the right-of-use assets and lease liabilities will change one all of the contracts are effectively amended.

Variable lease payments are presented in Note 3.2 under 'Other rental costs – utilities and other variable costs'. Expenses related to short-term leases and leases of low-value assets are not material. As a result of the COVID-19 pandemic, the Company renegotiated terms of its property lease contracts. Consequently, the nature of some of the leases changed as fixed lease payments were replaced by variable lease payments.

The Group sub-leases retail and warehouse space to other entities outside the CCC Group. Finance income on the net investment in the lease is not material. As at the reporting date, the amount of lease receivables was PLN 0.8m.

5.5 INVENTORIES

ACCOUNTING POLICY

Inventories are stated at the lower of cost or net realisable value. Cost of finished goods and work in progress includes design costs, raw materials, direct labour, other direct costs and related manufacturing overheads (based on normal operating capacity), excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less variable costs necessary to make the sale.

Merchandise is stated in terms of quantity and value and is measured:
– in the case of imported goods – at costs of purchase, including purchase price, transport costs on the foreign leg and on the domestic leg to the first place of unloading in the country, insurance and import duties; any amounts in foreign currencies are translated at the rate stated in the customs documents,
– in the case of goods purchased in Poland – at purchase prices; other costs of purchase, due to their immaterial amount, are expensed to profit or loss when incurred.

If circumstances arise which result in a decrease in the carrying amount of inventories, inventory write-downs are recognised and charged to cost of sales. If the circumstances cease to exist, the write-down is reversed by reducing the cost of sales.

In order to determine the amount of inventory write-downs, the Company applies a calculation model based on inventory aging, taking into account forecast sales of particular products. These forecasts are the result of analysis of historical data as well as the current situation of the Company and its micro- and macroeconomic environment, which may affect the level of uncertainty in determining these forecasts.

Significant estimates and judgments primarily involve analysis of the achievable sales margin, projected future selling prices, inventory turnover, additional selling expenses required to complete the sale of inventory and the effectiveness of marketing activities conducted. As part of its day-to-day management of inventories, the Company monitors current stocks by age and proactively supports sales through appropriate sales campaigns. In addition, given the situation created by the pandemic (closing of retail outlets, stalled sales in the offline channel) and the related uncertainty involving inability to accurately predict in-store sales, the Company more closely monitors any possible changes in parameters used to determine the amount of inventory write-downs. The sensitivity of these parameters is the basis for further analysis of the value of inventories disclosed in the financial statements and thus for estimating the level of inventory write-downs. Following an analysis of the situation caused by the COVID-19 pandemic, the Company recognised inventory write-downs higher than would otherwise result from the principles applied so far. The increase in the amount of the write-downs was proportionate to the decrease in sales.

In analysing the level and value of inventories, the Company distinguishes the main category of merchandise, i.e. footwear, and the category of other products (mainly handbags and accessories). For the main category of products, the Company verifies the factors affecting its value, such as the expected level of sales, expected margins, planned discounts, product life span, compatibility with fashion trends and customers' needs, and the level of additional costs required to adapt the goods to sales in subsequent seasons. For the other products, the Company analyses primarily the product life cycle and planned discounts. Average discounts for non-footware products are typically lower than for footware; moreover, this product category does not require additional costs to adapt it for sale in subsequent periods.

Results of the analyses are reflected in the estimation of inventory write-downs. For the main product category, inventory write-downs are higher mainly due to faster obsolescence of footware than is the case for non-footware merchandise. Moreover, the process of replacing merchandise in the main product group between seasons (i.e. cyclical transfers from central warehouses and stores and from stores to central warehouses) generates additional service costs and increases the amount of inventory write-downs on footwear. No such transfers are made in the non-footware category. Moreover, the rotation of non-footware inventory is faster which justifies lower write-downs.

In analysing the age of the footware inventory, the Group determines the appropriate level of write-downs, expressed as percentage, which is then used to calculate the amount of write-downs. Following an analysis carried out to reflect the impact of the COVID-19 pandemic, the Group decided to recognise write-downs for inventories aged two years and older. In the opinion of the Management Board, a write-down of inventory less than two years old would be immaterial. Under the criteria applied prior to COVID-19, write-downs were recognised for inventories aged greater than two years.
The main assumptions of the discount policy affecting the measurement of inventories to net realisable value are:
a) the amount of price reductions (level of discounts) depends on the age of inventories, i.e. the discounts increase over to the passage of time, mainly due to deterioration in the quality of footwear caused by storage and in-store display, and the limited availability of popular sizes, all of which make the inventory less attractive to customers;
b) discount campaigns are structured for entire collections or product groups, to strengthen the expected effect;
c) merchandise that reflects current fashion trends tends to lose more value over time due to the shorter life cycle compared with more universal and classic products;
d) the expected rate of inventory rotation decreases over time and therefore discounts rise to enhance the price attractiveness of the goods.

	January 31st 2021	January 31st 2020	December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Materials	21.1	27.0	28.3
Work in progress	10.7	13.8	11.9
Merchandise	2,043.3	1,859.1	1,844.0
Finished goods	117.4	166.4	47.5
Returns assets	37.2	30.6	31.7
Total (gross)	**2,229.7**	**2,096.9**	**1,963.4**
Loss allowance	(37.1)	(21.3)	(21.1)
Total (net)	**2,192.6**	**2,075.6**	**1,942.3**

Net inventories increased by 12.9% relative to December 31st 2019, due to the stocking up for the spring-summer 2021 collection.

The Group's objective is to minimise inventories, while maintaining an adequate volume of merchandise to maximise sales.

In connection with the customer's right to return unused goods, the Group recognises returns liabilities and returns assets. Deliveries made after the reporting date are allocated to revenue of the next period, while returns reduce revenue in the current period. The amount of the asset is disclosed in inventories, while the liability is presented in other liabilities. As at the reporting date, the amount of the asset was PLN 37.2m, and the amount of the liability was PLN 57.8m.

Inventory write-downs and changes thereof are presented below.

	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED
At beginning of period	**21.1**	**41.5**	**41.5**
Expensed to cost of sales	33.4	7.2	7.3
Utilised	(8.3)	(28.2)	(28.1)
Reversed to cost of sales	–	–	(0.1)

Transfer to discontinued operations	(9.1)	–	–
Exchange differences on translation	–	0.8	0.5
At end of period	**37.1**	**21.3**	**21.1**

In the financial year 2020/2021, the Company recognised inventory write-downs of PLN 33.4m. Additional inventory write-downs were recognised and reversed with respect to merchandise. Changes in the amount of write-downs result from the development of the Group's business and its sales policy.

Inventory aging is presented in the table below.

	January 31st 2021	January 31st 2020	December 31st 2019
	AUDITED	UNAUDITED	AUDITED
up to 1 year	1,774.7	1,523.0	1,426.0
1 to 2 years	363.7	451.4	422.7
2 to 3 years	77.1	95.3	89.2
over 3 years	14.2	27.2	25.5
Total (gross)	**2,229.7**	**2,096.9**	**1,963.40**

5.6. TRADE RECEIVABLES, OTHER RECEIVABLES, AND LOANS

ACCOUNTING POLICY

Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment losses (for details, see Note 6.1). If trade receivables are expected to be collected within one year, they are classified as current assets. Otherwise, they are recognised as non-current assets.

Other receivables
Receivables other than financial assets are initially recognised at nominal amount and measured as at the end of the reporting period at the amount due.

Loans
Loans are initially measured at fair value. As at the reporting date, loans are measured at amortised cost using the effective interest rate method, less impairment losses (for details, see Note 6.1).

	January 31st 2021	January 31st 2020	December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Gross trade receivables	253.1	243.1	211.6
Provision for receivables	(80.8)	(2.3)	(2.3)
Total short-term trade receivables, net	**172.3**	**240.8**	**209.3**
Prepaid deliveries	97.7	122.5	128.5

Accrued expenses	39.0	33.1	30.6
Tax receivables	78.1	37.9	49.8
Receivables from sale of property, plant and equipment	2.2	9.0	9.0
Other	17.1	30.8	15.1
Total other receivables	**234.1**	**233.3**	**233.0**

Long-term receivables			
Gross trade receivables	–	36.6	37.2
Provision for receivables	–	–	-
Total long-term trade receivables	**–**	**36.6**	**37.2**
Long-term security deposits	0.3	12.3	11.2
Employee pension fund	–	4.4	4.3
Other long-term receivables	0.4	–	–
Total other long-term receivables	**0.7**	**16.7**	**15.5**

Impairment losses on trade receivables	**January 1st 2020 – January 31st 2021**	**January 1st 2019 – January 31st 2020**	**January 1st 2019 – December 31st 2019**
At beginning of period	**(2.3)**	**(1.4)**	**(1.4)**
a) increase	(80.1)	(0.9)	(0.9)
b) decrease – use	1.6	–	–
c) decrease – reversal	–	–	–
At end of period	**(80.8)**	**(2.3)**	**(2.3)**

The change in net trade receivables relative to December 31st 2019 was -17.7%, mainly due to recognition of an impairment loss of PLN 80.1m (for a detailed description of the impairment loss, see Note 3.3).

The other receivables stayed relatively unchanged compared with the amount as at December 31st 2019. This is due to a 24.0% decrease in prepayments for supplies, offset by an increase in tax receivables (mainly VAT).

Accrued expenses are mainly related to costs of advertising, sponsorship activities, insurance policies, and licence fee to be incurred in future periods.

For information on the terms of related-party transactions, see Note 6.5. Trade receivables are non-interest bearing and typically have a market-based payment term. The Group follows a policy of trading with verified customers only. Accordingly, in the opinion of the Management Board there is no additional credit risk that would exceed the allowance for expected credit losses recognised with respect to the trade receivables of the Group. As at the reporting date, the Group classified its loans as credit-impaired financial assets (for details, see Notes 3.3 and 6.1).

	January 31st 2021	**January 31st 2020**	**December 31st 2019**
	AUDITED	UNAUDITED	AUDITED
Short-term loans	–	2.9	4.6
Long-term loans	–	79.2	78.0
Total loans	**–**	**82.1**	**82.6**

Allowance for expected credit losses

Loans as at January 31st 2021	**Gross carrying amount**	**Impairment loss**	**Net carrying amount**	**Level**

AUDITED				
HR Group Holding S.a.r.l.	130.2	(130.2)	–	3
Total	**130.2**	**(130.2)**	**–**	**3**

Loans as at January 31st 2020	**Gross carrying amount**	**Impairment loss**	**Net carrying amount**	**Level**
UNAUDITED				
HR Group Holding S.a.r.l.	80.9	–	80.9	1
Total	**80.9**	**–**	**80.9**	**1**

Loans as at December 31st 2019	**Gross carrying amount**	**Impairment loss**	**Net carrying amount**	**Level**
AUDITED				
HR Group Holding S.a.r.l.	82.6	–	82.6	1
Total	**82.6**	**–**	**82.6**	**1**

The table below presents movements in loans:

	January 1st 2020 – January 31st 2021	**January 1st 2019 – January 31st 2020**	**January 1st 2019 – December 31st 2019**
	AUDITED	UNAUDITED	AUDITED
As at January 1st	**82.6**	**37.7**	**37.7**
Granting of loans	–	78.0	78.0
Interest accrued	16.2	4.1	4.1
Loss allowance	(130.2)	–	–
Foreign exchange gains (losses)	3.2	–	0.5
Other changes	28.2	(37.7)	(37.7)
As at January 31st / December 31st	**–**	**82.1**	**82.6**
- short-term	–	2.9	4.6
- long-term	–	79.2	78.0

Other changes disclosed in the above relate to assignment of receivables (trade receivables) to HR Group. Other changes in the comparative periods relate to the loan to Gino Rossi S.A., a subsidiary acquired by the Group in 2019. Therefore, the loan became part of the accounting for the acquisition price and is eliminated on consolidation.

As at December 31st 2019, the line item 'Loans' includes a PLN 82.6m loan advanced by the Group to HR Group Holding s.a.r.l. The amount represented the discounted amount of CCC's claims against HRG in a nominal amount of EUR 21.2m. CCC S.A. paid EUR 21.2m for the preferred shares in HRG (at the time of the transaction, the shares were converted into an unconditional claim of CCC against HRG, maturing on September 30th 2024). The claim of PLN 78.0m plus interest is presented in the line item 'Loans', net of the discount reversal. In 2020/21 as a result of the COVID-induced deterioration of the financial condition of HRG, an associate, the Company identified impairment losses on the loans to the group. These assets were reclassified from Level 1 to Level 3. The entire credit exposure of the CCC Group to HRG was analysed. Then the amount of the exposure was compared with the present value of forecast cash flows that CCC S.A. expects to receive from the HRG Group, and appropriate allowances were recognised. The Company recognised a PLN 130.2m impairment loss on the loan and interest accrued.

5.7 CASH

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand and bank deposits payable on demand. Current account borrowings are presented in the statement of financial position as a component of current financing liabilities. For the purpose of the statement of cash flows, current account borrowings do not reduce the amount of cash and cash equivalents.

	January 31st 2021	January 31st 2020	December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Cash in hand	7.3	17.2	21.4
Cash at bank	436.5	230.0	447.6
Short-term deposits (up to 3 months)	15.0	35.6	73.6
Cash in transit	–	9.6	–
Total	**458.7**	**292.4**	**542.6**

Cash is exposed to credit risk, currency risk, and interest rate risk. For information on the policy for managing these risks and further risk disclosures (i.e. credit quality assessment, sensitivity analysis of exposure to currency risk and interest rate risks), see Note 6.1.

5.8 TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Trade payables are classified as current liabilities if they fall due within one year. Otherwise, liabilities are disclosed as non-current. Other liabilities are measured at amounts due.

The Group incurs costs related to the operation of the Employee Capital Plans (“PPK") by making contributions to the pension fund. These are post-employment benefits in the form of a defined contribution plan. Costs of contributions to PPK are recognised in the same cost item as the cost of salaries and wages on which they are paid. PPK obligations are presented as other non-financial liabilities in the line item ‘Other liabilities’.

	January 31st 2021	January 31st 2020	December 31st 2019

	AUDITED	UNAUDITED	AUDITED
Trade payables:			
• trade payables – net of reverse factoring	620.5	663.5	584.5
• trade payables – including reverse factoring	609.6	492.8	531.8
• investment liabilities	39.2	22.2	41.9
Total trade and other payables	**1,269.3**	**1,178.5**	**1,158.2**
Indirect taxes, customs duties and other public charges payable	133.3	85.5	162.6
Amounts due to employees	44.8	72.8	78.8
Obligation to pay for acquired business	–	–	2.5
Accrued expenses	97.0	32.9	28.0
Returns liabilities	57.8	25.8	40.2
Obligation to pay to associate	–	21.6	32.7
Other liabilities	53.3	34.8	33.2
Total other liabilities	**386.2**	**273.4**	**378.0**

	January 31st 2021	**January 31st 2020**	**December 31st 2019**
	AUDITED	UNAUDITED	AUDITED
Amounts due to employees	0.4	18.7	12.7
Total non-current amounts due to employees	**0.4**	**18.7**	**12.7**

The Group uses the reverse factoring service, under which, upon presentation of an invoice for the purchases made, the factor's bank pays the Group’s liabilities to suppliers within seven business days. The Group pays its liabilities towards the factor's bank within the time limit originally specified in the invoices, therefore, from the Group's perspective, there is no extension of payment terms. The Group does not incur costs of early payment of the liabilities by the factor. In the Group's opinion, the nature of these liabilities does not change and therefore they continue to be classified as trade payables. Liabilities covered by reverse factoring are secured with blank promissory notes and sureties.

Accruals and deferrals include a provision for future costs of store closures in Germany of PLN 23.3m, as described in Note 3.3 – the total amount of the cost was PLN 36.4m. The remaining amount of accruals and deferrals is a provision for current costs.
In 'Other liabilities', the main item is a PLN 28.0m provision for tax on civil law transactions at CCC.eu Sp. z o.o.

Trade payables and other liabilities are exposed to currency risk. For information on currency risk management and the sensitivity analysis, see Note 6.1.
Liabilities also involve liquidity risk (for further information, see Note 6.1).
The fair value of trade payables approximates their carrying amount.

EXPENDITURE COMMITMENTS AND OTHER FUTURE LIABILITIES

As at January 31st 2021, the Group had no commitments to incur expenditure or other future liabilities.

5.9 PROVISIONS

ACCOUNTING POLICY

Provisions include mainly provisions for jubilee and retirement benefits, warranty repairs and litigation.
The provision for warranty repairs is recognised as an estimate of the average level of returns due to complaints based on historical data. Based on results of calculations spanning several periods and on the Group's experience, in order to simplify the estimates the average complaint ratio is calculated. The amount of revenue earned in a give period is used as the variable determining potential returns and, consequently, the amount of potential complaints. Appropriate adjustments to the provision are made in subsequent periods by increasing or reversing the provision, depending on the amount of revenue earned.
A provision for litigation is recognised at an amount representing the best estimate of the amount necessary to settle the resulting obligations.
In accordance with the Company's remuneration plans, the Group employees are entitled to jubilee and retirement benefits. Retirement benefits are paid on as lump sum payments on retirement. The amount of retirement benefits depends on the employee's years of service and average remuneration. The Group recognises a provision for future retirement benefit obligations in order to allocate the related costs to the relevant periods. The present value of these obligations at each reporting date is calculated by an independent actuary.

Long-term defined benefits plan during employment

Under the terms of the collective labour agreement, a group of employees has the right to receive jubilee benefits whose amount depends on the length of service. The eligible employees receive, on a one-off basis, an equivalent of 100% of their monthly base pay after 10 years of service, an equivalent of 150% of their monthly base pay after 15 years of service, an equivalent of 200% of their monthly base pay after 20 years of service, and an equivalent of 250% of their monthly base pay after 25 years of service. These benefits are recognised on the basis of actuarial valuations.
The Group recognises a provision for future jubilee benefits based on an actuarial valuation using the projected unit credit method.

AUDITED	PROVISION FOR JUBILEE AND RETIREMENT BENEFITS	PROVISIONS FOR GUARANTEE REPAIRS	PROVISION FOR LITIGATIO N	OTHER PROVISIONS	TOTAL
As at January 1st 2019	**12.5**	**12.8**	**–**	**4.0**	**29.3**
short-term	1.5	12.8	–	2.9	17.2
long-term	11.0	–	–	1.1	12.1
As at January 1st 2019	**12.5**	**12.8**	**–**	**4.0**	**29.3**
Recognised	1.9	3.3	1.8	0.2	7.2
Utilised	(0.6)	(1.4)	–	(2.3)	(4.3)
Reversed	1.2	(0.2)	–	(1.4)	(0.4)
Exchange differences	(0.2)	–	–	–	(0.2)
Increase due to acquisition of subsidiaries	0.7	–	–	–	0.7
As at December 31st 2019	**15.5**	**14.5**	**1.8**	**0.5**	**32.3**
short-term	2.0	14.5	1.8	–	18.3
long-term	13.5	–	–	0.5	14.0

As at January 1st 2020	**15.5**	**14.5**	**1.8**	**0.5**	**32.3**
Recognised	2.9	6.0	0.3	0.3	9.5
Utilised	1.2	(1.5)	(1.9)	–	(2.2)
Reversed	(0.2)	(1.4)	–	(0.4)	(2.0)
Exchange differences	0.1	–	(0.2)	–	(0.1)
As at January 31st 2021	**19.5**	**17.6**	**0.0**	**0.4**	**37.5**
short-term	3.3	17.6	–	0.3	21.2
long-term	16.2	–	–	0.1	16.3

UNAUDITED	PROVISION FOR JUBILEE AND RETIREMENT BENEFITS	PROVISIONS FOR GUARANTEE REPAIRS	PROVISION FOR LITIGATIO N	OTHER PROVISIONS	TOTAL
As at January 1st 2019	**12.5**	**12.8**	**–**	**4.0**	**29.3**
short-term	1.5	12.8	–	2.9	17.2
long-term	11.0	–	–	1.1	12.1
As at January 1st 2019	**12.5**	**12.8**	**–**	**4.0**	**29.3**
Recognised	1.6	3.0	1.8	0.3	6.7
Utilised	(0.3)	(1.3)	–	(2.3)	(3.9)
Reversed	1.5	(0.2)	–	(1.4)	(0.1)
Exchange differences	0.1	–	–	–	0.1
Increase due to acquisition of subsidiaries	0.5	–	–	–	0.5
As at January 31st 2020	**15.9**	**14.3**	**1.8**	**0.6**	**32.6**
short-term	1.8	14.3	1.8	–	17.9
long-term	14.1	–	–	0.6	14.7

Based on the valuation prepared by a professional actuarial firm, the Group recognises a provision for the present value of retirement and jubilee benefits. As the balance consists mainly of provisions recognised at CCC S.A., CCC.eu Sp. z o.o. and CCC Factory Sp. z o.o., the information on the main assumptions and sensitivity analysis contains aggregate data for the three companies.

Significant actuarial assumption used to measure employee benefit obligations as at the reporting date:

January 31st 2021 – AUDITED	
Discount rate	1.5%
Mortality tables	pttz2019
Assumed average annual increase in base amount to calculate retirement and disability benefits in 2018-2027	2.8%
Average assumed annual increase in base amount to calculate jubilee benefits in 2018-2027	2.8%
Weighted average employee mobility ratio (value range for the Group)	20.0%–80.0%
Average duration of post-employment benefits (years)	5.1

January 31st 2020 – UNAUDITED	
Discount rate	2.0%
Mortality tables	pttz2019
Assumed average annual increase in base amount to calculate retirement and disability benefits in 2018-2027	2.5%
Average assumed annual increase in base amount to calculate jubilee benefits in 2018-2027	2.5%
Weighted average employee mobility ratio (value range for the Group)	6.6%–37.4%
Average duration of post-employment benefits (years) – value range for the Group	2.8 - 8.0

December 31st 2019 – AUDITED	
Discount rate	2.0%
Mortality tables	pttz2019
Assumed average annual increase in base amount to calculate retirement and disability benefits in 2018-2027	2.5%
Average assumed annual increase in base amount to calculate jubilee benefits in 2018-2027	2.5%
Weighted average employee mobility ratio (value range for the Group)	6.6%–37.4%
Average duration of post-employment benefits (years) – value range for the Group	2.8 - 8.0

Sensitivity analysis of provisions for employee benefits:

The table below presents an analysis of sensitivity of provisions for employee benefits as at January 31st 2021 to key parameters in the actuarial model. The tables show how a change in a parameter affects reserve amounts.

January 31st 2021 – AUDITED	Finance discount rate		Planned increase in base amount	
Sensitivity analysis of provisions for employee benefits:	**-1pp**	**+1pp**	**-1pp**	**+1pp**
Retirement and disability benefits	0.6–0.7	0.60.6	0.3–0.5	0.4–0.6
Jubilee benefits	8.4–11.0	7.8–10.6	3.8–5.2	4.4–5.6
Death benefits	0.4–0.6	0.4–0.8	0.2-0.2	0.2–0.3
Total provisions	**9.4–12.3**	**8.8–12.0**	**4.3–5.9**	**5.0–6.5**

January 31st 2020 – UNAUDITED	Finance discount rate		Planned increase in base amount	
Sensitivity analysis of provisions for employee benefits:	**-1pp**	**+1pp**	**-1pp**	**+1pp**
Retirement benefits	1.1	1.0	1.0	1.2
Disability severance pay	0.2	0.1	0.1	0.2
Jubilee benefits	11.5	10.4	10.3	11.6
Death benefits	1.0	0.8	0.8	1.0
Total provisions	**13.8**	**12.3**	**12.2**	**14.0**

December 31st 2019 – AUDITED	Finance discount rate		Planned increase in base amount	
Sensitivity analysis of provisions for employee benefits:	-1pp	+1pp	-1pp	+1pp
Retirement benefits	1.1	1.0	1.0	1.2
Disability severance pay	0.2	0.1	0.1	0.2
Jubilee benefits	11.5	10.4	10.3	11.6
Death benefits	1.0	0.8	0.8	1.0
Total provisions	**13.8**	**12.3**	**12.2**	**14.0**

6. OTHER NOTES

6.1. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

Financial assets
Classification of financial assets
Financial assets are classified into the following categories:
• measured at amortised cost,
• measured at fair value through profit or loss,
• measured at fair value through other comprehensive income.
The Group classifies financial assets based on its business model of financial asset management and the assets' contractual cash flow characteristics (the SPPI test). The Group reclassifies investments in debt instruments if, and only if, the management model for such assets changes.

Measurement at initial recognition
Except for some trade receivables, on initial recognition financial assets are recognised at fair value which – in the case of financial assets other than those at fair value through profit or loss – is increased by transaction costs directly attributable to acquisition of the assets.

Derecognition
Financial assets are derecognised when:
• the contractual rights to the cash flows from the financial assets expire, or
• the rights to cash flows from the financial assets have been transferred and the Group has transferred substantially all risks and rewards incidental to the ownership of the assets.

Measurement after initial recognition
For the purpose of measurement subsequent to initial recognition, financial assets are classified into one of the following four categories:
• debt instruments measured at amortised cost,
• debt instruments measured at fair value through other comprehensive income,
• equity instruments measured at fair value through other comprehensive income,
• financial assets measured at fair value through profit or loss.

Debt instruments – financial assets measured at amortised cost
A financial asset is measured at amortised cost if both of the following conditions are met:

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

The Group classifies the following types of financial assets as measured at amortised cost:

- trade receivables,
- loans that meet the SPPI classification test and, in line with the business model, are recognised as held to collect cash flows,
- cash and cash equivalents.

Interest income is calculated using the effective interest rate method and disclosed in the statement of profit or loss/ statement of comprehensive income in the line item 'Interest income'.

Debt instruments – financial assets at fair value through other comprehensive income
A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is both to receive contractual cash flows and to sell the financial asset; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, exchange differences and gains and losses on impairment are recognised in profit or loss and calculated in the same way as for financial assets carried at amortised cost. Other changes in fair value are recognised in other comprehensive income. When a financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
Interest income is calculated using the effective interest rate method and disclosed in the statement of profit or loss/ statement of comprehensive income in the line item 'Interest income'.

Equity instruments – financial assets measured at fair value through other comprehensive income
On initial recognition, the Group may make an irrevocable election to recognise in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor is contingent consideration recognised by the acquirer in a business combination to which IFRS 3 applies. Such election is made separately for each such equity instrument. Accumulated gains or losses previously recognised in other comprehensive income are not reclassified to profit or loss. Dividends are recognised in profit or loss/ statement of comprehensive income when the Group's right to receive dividend is established, unless the dividend clearly represents recovery of a portion of the investment cost.

Financial assets measured at fair value through profit or loss
Financial assets which are not measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. The Group classifies derivative financial instruments and listed equity instruments that have not been irrevocably designated for fair value through other comprehensive income as financial assets measured at fair value through profit or loss, . Gain or loss on measurement of those assets at fair value is recognised in profit or loss. Dividends are recognised in profit or loss in the statement of comprehensive income when the Group's right to receive dividend is established.

Offsetting of financial assets and financial liabilities
If the Group:
• has a legally enforceable right of set-off and
• intends to settle on a net basis, or to recover the asset and settle the liability simultaneously,
then the financial asset and the financial liability are offset and disclosed in the statement of financial position on a net basis.

Impairment of financial assets
The Group assesses expected credit losses ("ECL") associated with debt instruments measured at amortised cost and fair value through other comprehensive income, regardless of whether there is any indication of impairment.
For trade receivables, the simplified approach is applied and the expected credit loss allowance is measured at an amount equal to the expected credit losses over the life of the loan using a simplified model based on a case-by-case approach. The Group uses its historical data on credit losses, adjusted where appropriate for the impact of forward-looking information.
For other financial assets, the Group measures the allowance for expected credit losses in an amount equal to 12-month expected credit losses. If the credit risk has increased significantly since initial recognition, the Group measures the loss allowance in an amount equal to lifetime expected credit losses.

The Group estimates that the credit risk associated with a financial instrument has increased significantly since its initial recognition if:

- time past due exceeds 60 days;
- the creditor's rating has changed significantly;
- the creditor's financial results have deteriorated;
- credit facilities granted to the creditor have been terminated or the creditor has breached facility covenants
- the creditor has lost a significant market or key trading partners, has experienced legislative changes adversely affecting the business, has experienced significant changes in sales and supply markets (including as a result of changes in foreign exchange rates or adverse changes in commodity markets), or has experienced any fortuitous events that could adversely affect the business;
- material litigation proceedings are pending against the creditor which may adversely affect the recovery of the claim;
- there has been a significant decrease in the value/amount of the collateral.

If days past due exceed 180, the Group considers the debtor to have defaulted.
The Group recognises an impairment loss on financial assets in the amount of the difference between the carrying amount those assets as at the measurement date and the recoverable amount

Fair value of financial assets and liabilities

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in a transaction carried out on typical terms of sale of the asset between market participants at the measurement date in the current market conditions. The Group measures financial instruments, such as derivative instruments (FORWARD and PUT options), at fair value at the end of each reporting period. Derivatives are recognised as assets when their value is positive and as liabilities when their value is negative. Gains and losses on changes in the fair value of derivatives that do not qualify for hedge accounting are charged directly to net profit or loss for the financial year. The fair value of FX forwards is established by reference to the prevailing forward rates in contracts with similar maturities.

All assets and liabilities that are measured at fair value or whose fair value is disclosed in the financial statements are classified in the fair value hierarchy as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

LEVEL OF FAIR VALUE HIERARCHY	Description
Level 1	Prices quoted on an active market for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly.
Level 3	Inputs to measure an asset or liability that are not based on observable market data (unobservable inputs).

	January 31st 2021 AUDITED		January 31st 2020 UNAUDITED		December 31st 2019 AUDITED, RESTATED	
	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES
Financial assets at amortised cost	**633.2**	**–**	**660.9**	**–**	**880.7**	**–**
Loans	–	–	82.1	–	82.6	–
Trade receivables	172.3	–	277.4	–	246.5	–
Receivables from sale of property, plant and equipment	2.2	–	9.0	–	9.0	–
Cash and cash equivalents	458.7	–	292.4	–	542.6	–
Financial assets measured at fair value through profit or loss	**16.2**	**–**	**26.6**	**–**	**23.5**	**–**
Other financial assets (HR Group option)	–	–	13.3	–	13.3	–
Other financial assets (shares)	10.2	–	10.2	–	10.2	–
Other financial assets (derivative financial instruments)	4.3	–	–	–	–	–
Derivative financial instruments	1.7	–	3.1	–	–	–
Financial liabilities at amortised cost	**–**	**5,691.2**	**–**	**5,721.0**	**–**	**5,633.9**
Financing liabilities	–	1,669.6	–	1,623.0	–	1,513.4
Trade and other payables	–	1,269.3	–	1,178.5	–	1,158.2
Returns liability	–	57.8	–	25.8	–	40.2
Lease liabilities	–	1,865.9	–	2,075.7	–	2,085.8
Liabilities arising from obligation to purchase non-controlling interests	–	828.6	–	796.4	–	801.1
Obligation to pay for acquired business	–	–	–	–	–	2.5
Obligation to pay to associate	–	–	–	21.6	–	32.7
Financial liabilities measured at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**1.0**
Derivative financial instruments	–	–	–	–	–	1.0

January 31st 2021	TOTAL CARRYING AMOUNT	LEVEL OF FAIR VALUE HIERARCHY
AUDITED		
Financial assets measured at fair value through profit or loss	**16.2**	
Valuation of HR Group option	–	3
Other financial assets (shares)	10.2	2
Other financial assets (derivative financial instruments)	4.3	2
Derivative financial instruments	1.7	2
Financial liabilities measured at fair value through profit or loss	**–**	
Derivative financial instruments	–	2

January 31st 2020	TOTAL CARRYING AMOUNT	LEVEL OF FAIR VALUE HIERARCHY
UNAUDITED		
Financial assets measured at fair value through profit or loss	**26.6**	
Valuation of HR Group option	13.3	3
Other financial assets (shares)	10.2	2
Derivative financial instruments	3.1	2
Financial liabilities measured at fair value through profit or loss	**–**	
Derivative financial instruments	–	2

December 31st 2019	TOTAL CARRYING AMOUNT	LEVEL OF FAIR VALUE HIERARCHY
AUDITED		
Financial assets measured at fair value through profit or loss	**23.5**	
Valuation of HR Group option	13.3	3
Other financial assets (shares)	10.2	2
Financial liabilities measured at fair value through profit or loss	**1.0**	
Derivative financial instruments	1.0	2

The Group measures the options to sell non-controlling interests at fair value. As at the reporting date, their exercise dates and values were as follows:

Company AUDITED	Amount as at December 31st 2019	Effect of fair value measurement of options to	Exercise / abandonment of option	Amount as at January 31st 2021 before fair value	Effect of measurement at fair value	Amount as at January 31st 2021	Exercise date
eobuwie.pl S.A.	755.4	27.3	–	782.7	(39.0)	743.7	February 28th 2022
Karl Voegele AG	22.8	–	–	22.8	(22.8)	–	May 31st 2022
DeeZee Sp. z o.o.	22.9	0.7	(7.0)	16.6	68.3	84.9	January 7th 2020 September 30th 2024
Summary	**801.1**	**28.0**	**(7.0)**	**822.1**	**6.5**	**828.6**	

Company AUDITED	Amount as at January 1st 2019	Effect of fair value measurement of options to buy non-controlling interests (amortised cost)	Exercise / abandonment of option	Amount as at December 31st 2019 before fair value measurement	Effect of measurement at fair value	Amount as at December 31st 2019	Exercise date
eobuwie.pl S.A.	803.6	26.9	–	830.5	(75.1)	755.4	February 28th 2023
Karl Voegele AG	54.5	1.6	–	56.1	(33.3)	22.8	May 31st 2022
DeeZee Sp. z o.o.	20.6	0.6	–	21.2	1.7	22.9	January 7th 2020 September 30th 2024
Summary	**878.7**	**29.1**	**–**	**907.8**	**(106.7)**	**801.1**	

Company UNAUDITED	Amount as at January 1st 2019	Effect of fair value measurement of options to buy non-controlling interests (amortised cost)	Exercise / abandonment of option	Value as at January 31st 2020 before fair value measurement	Effect of measurement at fair value	Amount as at January 31st 2020	Exercise date
eobuwie.pl S.A.	803.6	28.6	–	832.2	(74.7)	757.5	February 28th 2023
Karl Voegele AG	54.5	1.9	–	56.4	(33.5)	22.9	May 31st 2022
DeeZee Sp. z o.o.	20.5	0.8	(7.0)	14.3	1.7	16.0	January 7th 2020 September 30th 2024
Summary	**878.6**	**31.3**	**(7.0)**	**902.9**	**(106.5)**	**796.4**	

The Group also measured at fair value the CALL option to purchase the remaining shares (69.45%) of HR Group Holding S.a.r.l.

Company AUDITED	Amount as at December 31st	Initial recognition	Effect of measurement at	Amount as at January 31st 2021	Exercise date
HR Group	13.3	–	(13.3)	–	January 31st 2021

Company UNAUDITED	Amount as at January 1st 2019	Initial recognition	Effect of measurement at	Amount as at January 31st 2020	Exercise date
HR Group	-	116.7	(103.4)	13.3	January 31st 2021

Company AUDITED	Amount as at January 1st 2019	Initial recognition	Effect of measurement at	Amount as at December 31st	Exercise date
HR Group	-	116.7	(103.4)	13.3	January 31st 2021

The fair value measurement of the eobuwie.pl S.A., Karl Voegele AG and DeeZee sp. z o.o. options was recognised in liabilities arising from the obligation to purchase non-controlling interests. The valuation of the HR Group option is recognised in other financial assets under non-current assets. The option valuations are prepared by independent experts.
With respect to the option agreements to acquire non-controlling interests in eobuwie.pl S.A., DeeZee Sp. z o.o. and Karl Voegele AG, and the option agreement to acquire shares in HR Group, the forecasts received from the companies (which are the main drivers affecting the measurement of financial instruments under the options) were reviewed.
Results of the remeasurement are recognised in the statement of comprehensive income as follows:
- the cumulative effect of measurement of liabilities under the options to buy the non-controlling interests on:
finance income – PLN 61.8m,
finance costs – PLN 96.1m,
- the effect of measurement of financial instruments under the options to buy interests in associates of PLN 13.3m.
In case of the valuation of options to buy non-controlling interests in eobuwie.pl SA, Karl Voegele AG and DeeZe sp. z o.o., the main factor determining the valuation is the projected level of EBITDA at the exercise dates. The relevant EDITDA multipliers provided for in the

investment agreements were used to determine the value of the future liability. The liability was measured at amortised cost as at the reporting date using a discount rate of 4.5% (3.25% for the comparative periods).

In respect of the call option on non-controlling interests in HR Group Holding S.à r.l. of Luxembourg, the Group reviewed the forecasts received from HR Group Holding S.à r.l. (such forecasts are typically the main parameter affecting the measurement of option instruments). The Black-Scholes model was used in the valuation of the Hamm Reno Group call option. The option was a European option and expired on January 31st 2021.

The table below presents a sensitivity analysis of the valuation of the options to buy non-controlling interests.

Company	Initial value of the option	Change in EBITDA +10%	Difference	Change in EBITDA - 10%	Difference
eobuwie.pl S.A.	743.6	817.9	74.4	669.2	(74.4)
Karl Voegele AG	–	–	–	–	–
DeeZee Sp. z o.o.	84.8	93.3	8.5	76.3	(8.5)

For the Karl Voegele AG option, a +/- 10% change in EBIDTA does not affect the value of the option.

The acquisition is described in more detail in the full-year consolidated financial statements for 2019.

According to the Group's assessment, the fair value of loans, trade receivables, receivables due from sale of property, plant and equipment, lease receivables, cash and cash equivalents, derivative financial instruments, other financial assets, current financing liabilities, trade and other payables, as well as returns liabilities does not differ materially from the respective carrying amounts due to the short maturities. In the case of non-current financing liabilities and lease liabilities, the fair value does not differ materially from their carrying amounts. In the opinion of the Company, the variable interest rates correspond to market interest rates.

FINANCIAL RISK MANAGEMENT

The business of the CCC Group involves a number of different financial risks. The main risks identified by the Management Board are currency risk, interest rate risk, credit risk (described below) and liquidity risk (see Note 4.3).

The policy for managing these risks and further information on the risks (including credit quality assessment, maximum credit risk exposures, exchange rate sensitivity analysis) are presented below.

CURRENCY RISK

The CCC Group S.A. operates internationally and is therefore exposed to the risk of fluctuations in exchange rates, in particular USD and EUR, with respect to purchases of goods manufactured in China, India and Bangladesh, and costs of retail space rentals. The main items of the statement of financial position exposed to the currency risk include trade payables (purchases of goods), lease liabilities, trade receivables (wholesale of goods) and cash. The Group monitors exchange rate fluctuations and takes actions on a regular basis in order to minimize their adverse impact, e.g. by having the currency movements reflected in prices of offered goods. The Group does not use hedging instruments.

The table below presents the Group's exposure to the currency risk:

January 31st 2021	TOTAL CARRYING AMOUNT	IN FOREIGN CURRENCY			IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
AUDITED					
Financial assets at amortised cost	**631.8**	**8.7**	**113.8**	**205.3**	**304.0**
Loans	–	–	–	–	–
Trade receivables	172.3	7.8	48.3	80.0	36.2
Lease receivables	0.8	–	0.8	–	–
Cash and cash equivalents	458.7	0.9	64.7	125.3	267.8
Financial assets measured at fair value through profit or loss	**6.0**	**–**	**–**	**6.0**	**–**
Other financial assets (derivative financial instruments)	4.3	–	–	4.3	–
Derivative financial instruments	1.7	–	–	1.7	–
Financial liabilities at amortised cost	**5,691.2**	**510.0**	**1,808.9**	**315.0**	**3,057.3**
Financing liabilities	1,669.6	33.8	–	127.7	1,508.1
Trade and other payables	1,269.3	447.1	199.8	89.7	532.7
Returns liability	57.8	–	–	–	57.8
Obligation to purchase non-controlling interests	828.6	–	–	–	828.6
Lease liabilities	1,865.9	29.1	1,609.1	97.6	130.1

January 31st 2020	TOTAL CARRYING AMOUNT	IN FOREIGN CURRENCY			IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
UNAUDITED					
Financial assets at amortised cost	**651.9**	**29.3**	**375.6**	**155.2**	**91.8**
Loans	82.1	–	82.1	–	–
Trade receivables	277.4	19.7	204.0	25.5	28.2
Cash and cash equivalents	292.4	9.6	89.5	129.7	63.6
Financial assets measured at fair value through profit or loss	**16.4**	**–**	**–**	**3.1**	**13.3**
Other financial assets (HR Group option)	13.3	–	–	–	13.3
Other financial assets	3.1	–	–	3.1	–
Financial liabilities at amortised cost	**5,721.0**	**373.6**	**1,758.0**	**565.7**	**3,023.7**
Financing liabilities	1,623.0	–	77.2	69.2	1,476.6
Trade and other payables	1,178.5	349.6	177.9	26.9	624.1
Returns liability	25.8	–	–	–	25.8
Obligation to pay for acquired business	796.4	–	–	22.8	773.6
Obligation to pay to associate	21.6	–	21.6	–	–
Lease liabilities	2,075.7	24.0	1,481.3	446.8	123.6

December 31st 2019	TOTAL CARRYING AMOUNT	IN FOREIGN CURRENCY			IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
AUDITED					
Financial assets at amortised cost	**871.7**	**19.5**	**388.4**	**242.2**	**221.6**
Loans	82.6	–	82.6	-	–
Trade receivables	246.5	16.8	166.7	63.0	–
Cash and cash equivalents	542.6	2.7	139.1	179.2	221.6
Financial assets measured at fair value through profit or loss	**13.3**	**–**	**–**	**–**	**13.3**
Other financial assets (HR Group option)	13.3	–	–	–	13.3
Financial liabilities at amortised cost	**5,633.9**	**310.1**	**674.2**	**1,099.9**	**3,549.7**
Financing liabilities	1,513.4	–	76.4	69.2	1,367.8
Trade and other payables	1,158.2	310.1	245.0	52.0	551.1
Returns liability	40.2	–	–	–	40.2
Obligation to pay for acquired business	2.5	–	–	–	2.5
Obligation to purchase non-controlling interests	801.1	–	–	22.8	778.3
Obligation to pay to associate	32.7	–	32.7	–	–
Lease liabilities	2,085.8	-	320.1	955.9	809.8
Financial liabilities measured at fair value through profit or loss	**1.0**	**–**	**–**	**–**	**1.0**
Derivative financial instruments	1.0	–	–	–	1.0

The table below presents sensitivity to the currency risk. If as at January 31st 2021 the exchange rates of financial assets/liabilities denominated in foreign currencies, in particular USD and EUR, were PLN 0.05 higher/lower, the effect on profit before tax would be as follows:

		Increase/decrease in USD			Increase/decrease in EUR	
January 31st 2021	**In foreign currency – USD**	**0.05**	**-0.05**	**In foreign currency – EUR**	**0.05**	**-0.05**
AUDITED						
Financial assets at amortised cost	**8.7**	**0.1**	**(0.1)**	**113.8**	**1.3**	**(1.3)**
Loans	–	–	–	–	–	–
Trade receivables	7.8	0.1	(0.1)	48.3	0.5	(0.5)
Lease receivables	–	–	–	0.8	0.0	(0.0)
Cash and cash equivalents	0.9	0.0	(0.0)	64.7	0.7	(0.7)
Financial liabilities at amortised cost	**(510.0)**	**6.8**	**(6.8)**	**1,808.9**	**19.9**	**(19.9)**
Financing liabilities	(33.8)	0.5	(0.5)	–	–	–
Trade and other payables	(447.1)	6.0	(6.0)	199.8	2.2	(2.2)
Lease liabilities	(29.1)	0.4	(0.4)	1,609.1	17.7	(17.7)
Effect on net profit (loss)	**–**	**6.9**	**(6.9)**	**–**	**21.2**	**(21.2)**

January 31st 2020	In foreign currency – USD	Increase/decrease in USD 0.05	-0.05	In foreign currency – EUR	Increase/decrease in EUR 0.05	-0.05
UNAUDITED						
Financial assets at amortised cost	**29.3**	**0.3**	**(0.3)**	**375.6**	**4.4**	**(4.4)**
Loans	–	–	–	82.1	1.0	(1.0)
Trade receivables	19.7	0.3	(0.3)	204.0	2.4	(2.4)
Cash and cash equivalents	9.6	-	-	89.5	1.1	(1.1)
Financial liabilities at amortised cost	**(373.6)**	**4.9**	**(4.9)**	**1,758.0**	**20.6**	**(20.6)**
Financing liabilities	–	–	–	77.2	0.9	(0.9)
Trade and other payables	(349.6)	4.6	(4.6)	177.9	2.1	(2.1)
Lease liabilities	(24.0)	0.3	(0.3)	1,481.3	17.4	(17.4)
Obligation to pay to associate	–	–	–	21.6	0.3	(0.3)
Effect on net profit (loss)	**–**	**5.2**	**(5.2)**	**–**	**25.1**	**(25.1)**

December 31st 2019	In foreign currency – USD	Increase/decrease in USD 0.05	-0.05	In foreign currency – EUR	Increase/decrease in EUR 0.05	-0.05
AUDITED						
Financial assets at amortised cost	**19.5**	**0.2**	**(0.2)**	**388.4**	**4.6**	**(4.6)**
Loans	–	–	–	82.6	1.0	(1.0)
Trade receivables	16.8	0.2	(0.2)	166.7	2.0	(2.0)
Cash and cash equivalents	2.7	–	–	139.1	1.6	(1.6)
Financial liabilities at amortised cost	(310.1)	4.1	(4.1)	674.2	8.0	(8.0)
Financing liabilities	–	–	–	76.4	0.9	(0.9)
Trade and other payables	(310.1)	4.1	(4.1)	245.0	2.9	(2.9)
Lease liabilities	–	–	–	320.1	3.8	(3.8)
Obligation to pay to associate	–	–	–	32.7	0.4	(0.4)
Effect on net profit (loss)	–	4.3	(4.3)	-	12.6	(12.6)

INTEREST RATE RISK

The CCC Group is exposed to the interest rate risk mainly due to debt under credit facility agreements and notes in issue, cash in bank accounts and loans advanced.
The entire debt bears interest at floating interest rates based on WIBOR and LIBOR. An increase in interest rates leads to higher debt service costs, which is partially offset by cash deposits and loans bearing interest at variable rates. The Group does not apply hedging instruments that would limit the impact of cash flow changes resulting from interest rate movements on its profit or loss. The table below presents an analysis of sensitivity to the interest rate risk, which in the Group's opinion would be reasonably possible as at the reporting date.

	AMOUNT EXPOSED TO INTEREST RATE RISK %			**Effect January 1st 2020 – January 31st 2021**		**Effect January 1st 2019 – January 31st 2020**		**Effect January 1st 2019 – December 31st 2019**	
	January 31st 2021	**January 31st 2020**	**December 31st 2019**	**+1pp**	**-1pp**	**+1pp**	**-1pp**	**+1pp**	**-1pp**
	AUDITED	UNAUDITED	AUDITED	AUDITED		UNAUDITED		AUDITED	
Cash at banks	451.5	265.6	521.2	4.4	(4.4)	2.7	(2.7)	5.2	(5.2)
Loans	–	82.1	82.6	–	–	0.8	(0.8)	0.8	(0.8)
Other financial assets (derivative financial instruments)	4.3	–	–	0.0	(0.0)	–	–	–	–
Derivative financial instruments	1.7	–	(1.0)	0.0	(0.0)	–	–	(0.0)	0.0
Financing liabilities	(1,669.6)	(1,623.0)	(1,513.4)	(16.6)	16.6	(16.2)	16.2	(15.1)	15.1
Lease liabilities	(1,865.9)	(2,075.7)	(2,085.8)	(18.7)	18.7	(20.8)	20.8	(20.9)	20.9
Effect on net profit (loss)				**(30.8)**	**30.8**	**(33.5)**	**33.5**	**(30.0)**	**30.0**

If in the 13 months ended January 31st 2021 the interest rates on debt were 1 pp higher/lower, the profit or loss for the period would be PLN 30.8m lower (2019/2020: PLN 33.5m lower/higher; 2019: PLN 30.0m lower/higher).

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk mainly through its trade receivables (in the wholesale business), loans, and cash and cash equivalents in bank accounts.

The maximum exposures to credit risk as at the reporting date (January 31st 2021, January 31st 2020 and December 31st 2019) is presented in the table below.

	January 31st 2021	**January 31st 2020**	**December 31st 2019**
	AUDITED	UNAUDITED	AUDITED, RESTATED
Loans	–	82.1	82.6
Trade receivables	172.3	277.4	246.5
Lease receivables	0.8	–	–
Cash and cash equivalents	458.7	292.4	542.6
Long-term receivables	0.7	16.7	15.5
Total	**632.5**	**668.6**	**887.2**

As no external credit ratings are assigned to the Group's wholesale customers, the Group independently monitors the exposures by periodically analysing the financial condition of the trading partners, setting credit limits, and demanding security in the form of enforceable promissory notes.
The credit risk of cash in bank accounts is limited as the relationship banks are institutions with high credit ratings assigned by international rating agencies.

	January 31st 2021 AUDITED	January 31st 2020 UNAUDITED	December 31st 2019 AUDITED
AAA-rated banks	–	–	–
AA-rated banks	12.0	18.4	36.1
A-rated banks	304.5	162.1	318.0
BAA-rated banks	36.5	58.3	114.3
BA-rated banks	–	–	–
B-rated banks	18.2	–	–
CAA-rated banks	–	–	-
CA-rated banks	–	–	-
C-rated banks	–	–	-
Other-not classified*	56.7	26.9	52.8
Total cash at banks	**427.9**	**265.6**	**521.2**

*Banks not rated by international rating agencies.

	Moody's credit risk rating
AAA	The highest quality, subject to the lowest level of credit risk
AA	High quality, subject to very low credit risk
A	Upper-medium grade, subject to low credit risk
BAA	medium-grade, subject to moderate credit risk, may possess certain speculative characteristics
BA	Speculative, subject to substantial credit risk
B	Speculative, subject to high credit risk
CAA	Speculative of poor standing, subject to very high credit risk
CA	Speculative and likely in, or very near, default, with some prospect of recovery of principal and interest
C	The lowest rated and typically in default, with little prospect for recovery of principal or interest.

6.2. ACQUISITION OF SUBSIDIARIES AND ASSOCIATES

ACCOUNTING POLICY

Basis of consolidation

Subject to adjustments made to ensure compliance with IFRS, the financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the parent, using uniform accounting policies, and with accounting policies consistently applied to economic events and transactions of a similar nature. Adjustments are made to eliminate any discrepancies in the applied accounting policies.

Any balances and transactions of significant value between Group companies, including unrealised gains from intra-Group transactions, were fully eliminated. Unrealized losses are eliminated unless they are indicative of impairment.

The Group accounts for business combinations using the acquisition method. The consideration transferred for the acquisition of a business is measured at fair value of transferred assets, liabilities incurred towards the previous owners of the acquiree, and shares issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. As at the acquisition date, the Group recognises any non-controlling interest in the acquired entity either at fair value or at a proportionate share (representing a non-controlling interest) in the identifiable net assets of the acquiree.

The excess of the acquisition price and non-controlling interests over the fair value of the acquired net assets is recognised as goodwill.

Transaction costs are recognised in profit or loss as incurred.

Where the Group has not acquired 100% of the shares in a subsidiary and there is an option to purchase non-controlling interests, the option is considered in the context of IFRS 9. If the liability for the purchase of non-controlling interests in a subsidiary is a variable consideration, calculated based on EBITDA of that company, it is considered that due to such structure of the price it is highly probable that risks and benefits have not been transferred to the parent as at the option origination date, and therefore the financial liability under the put option reduces the amount of equity.

Any subsequent changes in the carrying amount of a financial liability that result from remeasurement of the current amount due upon exercise of the option to sell non-controlling interests are recognised in profit or loss attributable to the parent.

On January 7th 2020, the Group exercised the option to acquire 24% of shares in DeeZee Sp. z o.o. and increased its interest in the company to 75%. The amount of the consideration was PLN 7m.

For more information on the acquisition, see Note 6.2 to the consolidated financial statements of the CCC Group for 2019.

6.3. ASSOCIATES

ACCOUNTING POLICY

Associates are those entities over which the parent has significant influence, either directly or indirectly through its subsidiaries, but which are not its subsidiaries.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, an investment in an associate is recognised initially at cost and subsequently adjusted to reflect the Group's share in the associate's profit or loss and other comprehensive income. If the Group's share in the losses of an associate exceeds its interest in that entity, the Group ceases to recognise its share in further losses. Any further losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is recognised using the equity method starting from the date on which the entity becomes an associate. At the date of making an investment in an associate, the amount by which costs of the investment exceed the Group's share in the net fair value of the identifiable assets and liabilities of that entity is recognised as goodwill and included in the carrying amount of the investment. The amount by which the Group's share of the net fair value of the identifiable assets and liabilities exceeds the cost of the investment is recognised directly in profit or loss in the period in which the investment is made.

After applying the equity method, including recognising the associate's losses, the entity applies paragraphs 41A-41C of IAS 28 *Investments in Associates and Joint Ventures* to determine whether there is objective evidence that its net investment in an associate is impaired.
Where necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount. Any impairment loss recognised is included in the carrying amount of the investment. A reversal of that impairment is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group ceases to apply the equity method on the date when the investee ceases to be its associate and when the investment is classified as held for sale. The difference between the carrying amount of the associate or joint venture as at the date of ceasing to apply the equity method and the fair value of retained shares and proceeds from disposal of a part of shares in this entity is taken into account when calculating the profit or loss on disposal of the associate.

The financial year of the associates and the parent is different for the Hamm Reno Group (ending on September 30th) and the same for Pronos sp. z o.o. (ending December 31st)

For the purposes of valuation of shares in HR Group, additional financial statements were prepared for the period ended December 31st 2020. The time difference between the reporting date of the Group and the date of the financial data prepared by HR Group does not exceed three months. Appropriate adjustments were made to reflect significant transactions or events that occurred between the Group's reporting date and the date of HR Group's financial statements. The length of the reporting periods and any time difference between the reporting dates will be the same in the future.

Selected financial data of HR Group, an associate:

	January 1st 2020 – December 31st 2020 UNAUDITED	January 1st 2019 – December 31st 2019 AUDITED
Revenue	1,440.9	1,727.5
Cost of sales	(823.3)	(925.0)
Operating income and expenses	(956.4)	(931.9)
Finance income and costs	(30.6)	(16.7)
Profit (loss) before tax	**(369.5)**	**(146.1)**
Income tax	(0.4)	(3.9)
Profit (loss) for the year	**(369.9)**	**(150.0)**

Other comprehensive income	–	–
Total comprehensive income	**(369.9)**	**(150.0)**
Share of the CCC Group in profit (loss)	**(113.0)**	**(45.8)**

Carrying amount of investment in the associate, determined using the equity method	**December 31st 2020** **UNAUDITED**	**December 31st 2019** **AUDITED**
Current assets	732.6	637.7
Non-current assets	188.3	197.3
Current liabilities	380.1	399.8
Non-current liabilities	847.0	474.9
Net assets	(306.2)	(40.0)
Share	(93.5)	(12.2)

The unrecognised share in losses of the associate in the current year and in total was PLN 83.8m.

Selected financial data of Pronos Sp. z o.o., an associate:

	January 1st 2020 – December 31st 2020 **UNAUDITED**	**January 1st 2019 – December 31st 2019** **AUDITED**
Revenue	7.6	15.0
Operating costs	(5.8)	(8.8)
Other income and expenses	0.0	0.0
Finance income and costs	0.0	(0.0)
Profit (loss) before tax	**1.9**	**6.2**
Income tax	(0.4)	(1.2)
Profit (loss) for the year	**1.6**	**5.0**
Other comprehensive income	–	–
Total comprehensive income	**1.6**	**5.0**
Share of the CCC Group in profit (loss)	**0.2**	**0.5**

Carrying amount of investment in the associate, determined using the equity method	**December 31st 2020** **UNAUDITED**	**December 31st 2019** **AUDITED**
Current assets	10.1	8.1
Non-current assets	0.1	–
Current liabilities	0.7	0.8
Non-current liabilities	1.1	–
Equity	8.4	7.3
Share	0.8	0.7

Associate **AUDITED**	**OWNERSHIP INTERESTS AS AT JANUARY 1ST 2020**	**Share of net profit (loss) of associates in period**	**OWNERSHIP INTERESTS AS AT JANUARY 31ST 2021**

HR Group	29.2	(29.2)	–
Pronos Sp. z o.o.	0.6	0.2	0.8
	29.8	**(29.0)**	**0.8**

Associate AUDITED	OWNERSHIP INTERESTS AS AT JANUARY 1ST 2019	Purchase of shares	Share of net profit (loss) of associates in period	OWNERSHIP INTERESTS AS AT DECEMBER 31ST 2019
HR Group	–	74.5	(45.0)	29.2
Pronos Sp. z o.o.	0.6	–	–	0.6
	0.6	**74.5**	**(45.0)**	**29.8**

Associate UNAUDITED	OWNERSHIP INTERESTS AS AT JANUARY 1ST 2019	Purchase of shares	Share of net profit (loss) of associates in period	OWNERSHIP INTERESTS AS AT JANUARY 31ST 2020
HR Group	–	74.5	(56.5)	18.0
Pronos Sp. z o.o.	0.6	–	–	0.6
	0.6	**74.5**	**(56.5)**	**18.6**

6.4. DISCONTINUED OPERATIONS

ACCOUNTING POLICY

Discontinued operations and assets held for sale
Non-current assets are classified as held for sale when their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case, an asset must be available for immediate sale, the Group must actively seek the buyer and sale must be highly probable within a year from the classification of the asset as held for sale. Such assets are measured at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a part of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or release, or is a subsidiary acquired exclusively for resale. An operation is classified as discontinued on disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as discontinued, the comparative amounts for the statement of profit or loss are restated as if the operation had been discontinued at the start of the comparative period.

As announced in Current Report No. 21/2020, on April 21st 2020 the Management Board of CCC S.A. passed a resolution to carry out a strategic review of the business of Karl Voegele AG of Uznach, Switzerland (”KVAG”). The purpose of the review was in particular to analyse the possibility of restructuring the KVAG operations in a business model based on a significantly reduced number of stores and/or the ability of the Group to sell assets or find a new investor for the subsidiary. As part of the option review, it was decided to sell the shares in Karl Voegele AG and an active search for a buyer began. In view of the above, on June 1st 2020 a decision was made to reclassify the KVAG business assets to 'Assets held for sale' and, accordingly, the related liabilities are presented under 'Liabilities related to disposal group'. During the negotiations with potential investors, it was established that the sale of KVAG will take place together with the sale of NG2 Suisse s.a.r.l. (”NG2”) which owns a 70% in KVAG. Accordingly, as of the reporting date, discontinued operations included both these entities.
KVAG continues to operate in a similar manner as in 2019 (retail sales of footware, bags, shoe-care accessories, small clothing accessories in offline stores), with business process optimisation under way. NG2 is a special purpose vehicle with no operating activities. In the second half of the financial year 2020/21, the entity bought all merchandise from KVAG. New deliveries to the Swiss market were settled with this entity.
The assets of NG2 and KVAG are available for immediate sale in their current condition and no additional steps are required to make the assets suitable for sale. Consents from the Group's financing banks as well as NG2’s and KVAG's minority shareholders are required for the sale of KVAG. The Management Board of the parent assessed the probability of obtaining the consents and believes that they will be obtained and the sale is highly probable.
The parent has received preliminary expressions of interest in the transaction from several potential buyers. The Management Board of the parent is of the opinion that the sale will be recognised as a sale to be completed within one year from the classification date, and the measures needed to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be abandoned.
Accordingly, in the statement of financial position as at as at January 31st 2021 the Group presented the assets and liabilities of the consolidated company Karl Voegele AG as ’Assets classified as held for sale’ and ‘Liabilities directly related to assets classified as held for sale’. NG2’s and KVAG's income and expenses were classified as discontinued operations and the comparative data was restated. In the opinion of the Management Board, the business of NG2 and KVAG represents a separate and important geographical area of operations. Immediately before the initial classification of the disposal group as held for sale, the carrying amounts of all the assets and liabilities of the group were measured in accordance with applicable IFRSs and the following impairment losses were recognised:

Assets / liabilities	Impairment loss/ recognised provisions
Intangible assets	(13.0)
Property, plant and equipment – leasehold improvements	(7.7)
Property, plant and equipment – other	(3.3)
Right-of-use assets	(8.2)
Inventory	(4.4)

Trade receivables		–
Other receivables		(3.2)
Provision for costs of store closures		–
	Total	**(39.8)**

Upon classification of the disposal group as held for sale, the Group measured the disposal group at the lower of its carrying amount and fair value less costs to sell: The disposal group includes the assets and liabilities of NG2 and KVAG, excluding cash and liabilities under credit facilities, trade payables and other payables to third parties.
As at the reporting date, the disposal group (NG2 and KVAG) was measured at fair value:

	Value
Carrying amount of net assets of the disposal group upon classification of the group as held for sale (before consolidation eliminations)	16.8
Fair value of net assets of the disposal group	(177.8)
Loss on measurement to fair value less cost to sell	(194.6)

As at the reporting date, the fair value was estimated at PLN (177.8)m, based on information gathered in the course of the ongoing process of selling shares in NG2 and KVAG. As the fair value the disposal group is lower than its book value, the Group recognised an impairment charge of PLN 194.6m.

Intra-group transactions were eliminated from discontinued operations; hence revenue represents the margin earned by KVAG and the cost of sales relates only to costs unrelated to the intra-group transactions.

NOTE	**AUDITED**	**Jan 2020 – Jan 2021**
	DISCONTINUED OPERATIONS	
2	Revenue	169.5
3.1	Cost of sales	(4.4)
	Gross profit (loss)	**165.1**
3.1	Stores' operating costs	(171.4)
3.1	Other distribution costs	(41.1)
3.1	Administrative expenses	(19.1)
3.2	Other income	11.2
3.2	Other expenses	(39.7)
	Operating profit (loss)	**(95.0)**
3.2	Finance income	0.5
3.2	Other finance costs	(2.6)
	Share of profit (loss) of associates	–
	Profit (loss) before tax	**(97.1)**
	Loss on measurement to fair value less cost to sell	(194.7)
	Profit (loss) before tax from discontinued operations	**(291.8)**
3.3.	Income tax on profit (loss) before tax	0.4
	Income tax on remeasurement to fair value less cost to sell	–
	NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**(291.4)**

Other comprehensive income from discontinued operations	
Items that may be reclassified to profit or loss – exchange differences on translating foreign operations	(4.0)
Actuarial gains (losses) on employee benefits	(14.1)
Total other comprehensive income, net	**(18.1)**
TOTAL COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	**(309.5)**
Total comprehensive income from discontinued operations attributable to owners of the parent	(309.5)

NOTE	UNAUDITED	Jan 2019 – Jan 2020 RESTATED	Karl Voegele AG	CCC Germany GmbH	SIMPLE S.A.
	DISCONTINUED OPERATIONS				
2	Revenue	469.9	455.7	11.8	2.4
3.1	Cost of sales	(160.6)	(149.1)	(6.3)	(5.2)
	Gross profit (loss)	**309.3**	**306.6**	**5.5**	**(2.8)**
3.1	Stores' operating costs	(301.1)	(280.5)	(16.0)	(4.6)
3.1	Other distribution costs	(83.8)	(82.1)	(1.7)	–
3.1	Administrative expenses	(35.2)	(33.5)	(0.6)	(1.1)
3.2	Other income	18.5	5.1	–	13.4
3.2	Other expenses	(42.0)	(4.7)	(31.6)	(5.7)
	Operating profit (loss)	**(134.4)**	**(89.2)**	**(44.4)**	**(0.8)**
3.2	Finance income	5.2	5.1	–	0.1
3.2	Other finance costs	(9.3)	(9.1)	(0.1)	(0.1)
	Profit (loss) before tax	**(138.5)**	**(93.2)**	**(44.5)**	**(0.8)**
	Loss on measurement to fair value less cost to sell	–	–	–	–
	Profit (loss) before tax from discontinued operations	**(138.5)**	**(93.2)**	**(44.5)**	**(0.8)**
3.3.	Income tax on profit (loss) before tax	(0.4)	0.2	(0.6)	–
	Income tax on remeasurement to fair value less cost to sell	–	–	–	–
	NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**(138.9)**	**(93.0)**	**(45.1)**	**(0.8)**
	Other comprehensive income from discontinued operations				
	Items that may be reclassified to profit or loss – exchange differences on translating foreign operations	0.7	1.0	(0.3)	–
	Actuarial gains (losses) on employee benefits	–	–	–	–
	Total other comprehensive income, net	**0.7**	**1.0**	**(0.3)**	**–**

	TOTAL COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS				
	Total comprehensive income from discontinued operations attributable to owners of the parent	(138.2)	(92.0)	(45.4)	(0.8)

NOTE	AUDITED	Jan 2019 – Dec 2019 RESTATED	Karl Voegele AG	CCC Germany GmbH	SIMPLE S.A.
	DISCONTINUED OPERATIONS				
2	Revenue	456.0	441.8	11.8	2.4
3.1	Cost of sales	(160.1)	(148.6)	(6.3)	(5.2)
	Gross profit (loss)	**295.9**	**293.2**	**5.5**	**(2.8)**
3.1	Stores' operating costs	(280.7)	(260.1)	(16.0)	(4.6)
3.1	Other distribution costs	(80.3)	(78.6)	(1.7)	–
3.1	Administrative expenses	(33.4)	(31.7)	(0.6)	(1.1)
3.2	Other income	21.3	7.9	–	13.4
3.2	Other expenses	(42.0)	(4.7)	(31.6)	(5.7)
	Operating profit (loss)	**(119.2)**	**(74.0)**	**(44.4)**	**(0.8)**
3.2	Finance income	6.7	6.6	–	0.1
3.2	Other finance costs	(10.5)	(10.3)	(0.1)	(0.1)
	Share of profit (loss) of associates	–	–	–	–
	Profit (loss) before tax	**(123.0)**	**(77.7)**	**(44.5)**	**(0.8)**
	Loss on measurement to fair value less cost to sell	–	–	–	–
	Profit (loss) before tax from discontinued operations	**(123.0)**	**(77.7)**	**(44.5)**	**(0.8)**
3.3.	Income tax on profit (loss) before tax	(0.1)	0.5	(0.6)	–
	Income tax on remeasurement to fair value less cost to sell	–	–	–	–
	NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**(123.1)**	**(77.2)**	**(45.1)**	**(0.8)**
	Other comprehensive income from discontinued operations				
	Items that may be reclassified to profit or loss – exchange differences on translating foreign operations	(2.4)	(2.1)	(0.3)	–
	Actuarial gains (losses) on employee benefits	–	–	–	–
	Total other comprehensive income, net	**(2.4)**	**(2.1)**	**(0.3)**	**–**
	TOTAL COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS				
	Total comprehensive income from discontinued operations attributable to owners of the parent	(125.5)	(79.3)	(45.4)	(0.8)

Below are presented the main groups of assets and liabilities from discontinued operations, at fair value.

Main classes of NG2' and KVAG's assets and liabilities measured at the lower of carrying amount and fair value less cost to sell as at January 31st 2021	**January 31st 2021**
Property, plant and equipment – leasehold improvements	13.7
Right-of-use assets	88.7
Long-term receivables	1.4
Non-current assets	**103.8**
Inventory	107.1
Trade receivables	-
Current assets	**107.1**
TOTAL ASSETS CLASSIFIED AS HELD FOR SALE	**210.9**
Lease liabilities	133.3
Non-current liabilities	**133.3**
Trade payables	-
Other liabilities	-
Income tax liabilities	-
Provisions	-
Lease liabilities	72.4
Current liabilities	**72.4**
TOTAL LIABILITIES DIRECTLY RELATED TO ASSETS CLASSIFIED AS HELD FOR SALE	**205.7**
NET ASSETS	**5.2**

The difference between the fair value of the disposal group less costs to sell and the value of the assets classified as held for sale less liabilities directly related to those assets results from the elimination of intra-group settlements.

Cash flows from discontinued operations	**January 1st 2020 – January 31st 2021**	**January 1st 2019 – January 31st 2020**	**January 1st 2019 – December 31st**
Net cash flows from operating activities	(125.6)	121.0	39.8
Net cash flows from investing activities	6.6	(24.0)	(1.9)
Net cash flows from financing activities	(90.8)	(52.8)	(44.3)
TOTAL NET CASH FLOWS FROM DISCONTINUED OPERATIONS	**(209.8)**	**44.2**	**(6.4)**

6.5 RELATED-PARTY TRANSACTIONS

In the presented periods, the Group entered into the following related-party transactions:

AUDITED	Liabilities to related parties (including financing liabilities)	Receivables from related parties (including loans)	Sales to related parties (operating activities, other operating activities, financing activities)	Purchases from related parties (operating activities, other operating activities, financing activities)
	January 31st 2021	January 31st 2021	January 1st 2020 – January 31st 2021	January 1st 2020 – January 31st 2021
Parent:				
ULTRO s.a.r.l.	–	–	–	–
Total	**–**	**–**	**–**	**–**
Associates:				
HR Group	11.5	168.2	63.5	13.2
CCC Germany GmbH	0.1	116.1	0.9	–
Pronos Sp. z o.o.	0.7	–	–	6.7
Total	**12.2**	**284.3**	**64.4**	**19.9**
Other related parties:				
Astrum sarl	1.0	–	–	0.8
Forum Kielce	1.4	–	–	1.1
Forum Lubin	0.8	–	–	0.6
GP Sp. z o.o.	–	–	–	–
Total	**3.2**	**–**	**–**	**2.5**

UNAUDITED	Liabilities to related parties (including financing liabilities)	Receivables from related parties (including loans)	Sales to related parties (operating activities, other operating activities, financing activities)	Purchases from related parties (operating activities, other operating activities, financing activities)
	January 31st 2020	**January 31st 2020**	**January 1st 2019 – January 31st 2020**	**January 1st 2019 – January 31st 2020**
Parent:				
ULTRO s.a.r.l.	–	–	–	–
Total	**–**	**–**	**–**	**–**
Associates:				
HR Group	21.6	51.6	72.2	0.2
CCC Germany GmbH	–	2.0	26.7	28.4
Pronos Sp. z o.o.	0.8	–	–	0.7
Total	**22.4**	**53.6**	**99.0**	**29.2**
Other related parties:				
ASTRUM Sp. z o. o.	–	–	0.1	–
Cuprum Arena Galeria Lubińska	–	–	–	2.5
Astrum sarl	–	–	–	–
Forum Kielce	–	–	–	0.5
Forum Lubin	–	–	–	0.6
GP Sp. z o.o.	–	–	–	0.7
Total	**–**	**–**	**0.1**	**4.3**

AUDITED	Liabilities to related parties (including financing liabilities)	Receivables from related parties (including loans)	Sales to related parties (operating activities, other operating activities, financing activities)	Purchases from related parties (operating activities, other operating activities, financing activities)
	December 31st 2019	December 31st 2019	January 1st 2019 – December 31st 2019	January 1st 2019 – December 31st 2019
Parent:				
ULTRO sarl	0.9	–	–	–
Total	**0.9**	**–**	**–**	**–**
Associates:				
HR Group	32.7	62.1	64.8	52.9
CCC Germany GmbH	–	0.6	27.7	24.5
Pronos Sp. z o.o.	2.3	–	–	0.4
Total	**35.0**	**62.7**	**92.4**	**77.7**
Other related parties:				
MGC INWEST Sp. z o. o.	–	–	–	–
ASTRUM Sp. z o. o.	0.1	1.8	1.5	–
Cuprum Arena Galeria Lubińska	3.1	–	–	2.3
Astrum sarl	–	–	–	–
Forum Kielce	–	–	–	–
Forum Lubin	–	–	–	–
GP Sp. z o.o.	–	–	–	–
Total	**3.2**	**1.8**	**1.5**	**2.3**

All related-party transactions were executed on an arm's length basis.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

In the reporting periods, the Company incurred short-term employee benefit expenses as presented in the table below.

AUTHORITY	FIXED REMUNERATION	OTHER (BONUSES)	TOTAL
January 1st 2020 – January 31st 2021			
AUDITED			
Members of Management Board	3.2	0.3	3.5
Supervisory Board	0.5	–	0.5
Total	**3.7**	**0.3**	**4.0**
January 1st 2019 – January 31st 2020			
UNAUDITED			
Members of Management Board	2.9	1.1	4.0
Supervisory Board	0.4	–	0.4
Total	**3.3**	**1.1**	**4.4**
January 1st 2019 – December 31st 2019			
AUDITED			
Members of Management Board	3.0	1.0	4.0
Supervisory Board	0.4	–	0.4
Total	**3.4**	**1.0**	**4.4**

6.6. SHARE-BASED PAYMENT

ACCOUNTING POLICY

The Group operates an equity-settled share-based remuneration scheme under which the Group receives services from employees in exchange for the Group's equity instruments (options). The fair value of employee services received in exchange for the grant of options is recorded as an expense over the vesting period in correspondence with equity – retained earnings.
The total amount to be recognised as an expense is determined by reference to the fair value of the option granted as at the grant date:
• taking into account any market conditions (for example, the price the entity's shares);
• without taking account of the effect of any length of service-related or non-market vesting conditions (for example, sales margins, sales growth targets and the indicated length of the employee's mandatory service with the entity); and
• taking into account the effect of any non-vesting conditions (for example, a requirement for the employees to hold the vested instruments for a specified period of time).
At the end of each reporting period, the entity revises its estimates of the number of options expected to vest as a result of such non-market vesting conditions.
The Group presents the impact of any revision to the original estimates in the statement of profit or loss, with a corresponding adjustment to equity. In addition, under certain circumstances, employees may provide services prior to the date of grant of their stock options. In such a case, the fair value the stock options is estimated to recognise expense over the period from the commencement of the employees' services to the date the options are actually granted. When an option is exercised, the entity issues new shares. The funds received, net of any costs directly attributable to the transaction, increase the share capital (par value) and the share premium. Social contributions payable in respect of a share option grant are regarded as an integral part of the benefit itself and the expense is treated as a cash-settled transaction.

The program expired in 2019. In the first half of 2020 there were no changes in the share-based payment scheme. For detailed information, see the consolidated financial statements for the year and the period ended December 31st 2019.

6.7. REMUNERATION OF THE AUDITOR

AUDITOR'S FEES	January 1st 2020 – January 31st 2021 AUDITED	January 1st 2019 – January 31st 2020 UNAUDITED	January 1st 2019 – December 31st 2019 AUDITED
CCC Group and CCC S.A.			
Audit and reviews of financial statements	0.6		0.4
SUBSIDIARIES			
Audit and reviews of financial statements	0.6		0.3
TOTAL	**1.2**	**–**	**0.7**

6.8. EVENTS AFTER REPORTING DATE

In December 2020, eobuwie.pl signed a contract for the construction of a 15-thousnad sqm warehouse in Romania (Bucharest). Upon completion, this warehouse will be leased for a period of six years. The plan is to serve customers in the Romanian, Bulgarian and Greek markets from this location, and the launch of operations is scheduled for the third quarter of 2021. The new distribution centre in Romania will allow the company to optimise delivery times and thus increase sales in the three markets.

On March 8th 2021, CCC.eu Sp. z o.o. entered into a PLN 64.9m factoring agreement with Bank Millennium S.A. for a period until August 31st 2022, supported by a PLN 51.9m guarantee provided by Bank Gospodarstwa Krajowego until May 27th 2023.

On March 8th 2021, CCC Factory Sp. z o.o. entered into a PLN 13.1m factoring agreement with Bank Millennium S.A. for a period until August 31st 2022, supported by a PLN 10.5m guarantee provided by Bank Gospodarstwa Krajowego until May 27th 2023.

On March 9th 2021, CCC.eu Sp. z o.o. entered into a PLN 172.2m factoring agreement with Santander Factoring Sp. zo.o. for a period until March 4th 2023, supported by a PLN 127.7m guarantee provided by Bank Gospodarstwa Krajowego until June 4th 2023.

On March 9th 2021, CCC Factory Sp. z o.o. entered into a PLN 28.9m factoring agreement with Santander Factoring Sp. z o.o. for a period until March 4th 2023, supported by a PLN 23.1m guarantee provided by Bank Gospodarstwa Krajowego until June 4th 2023.

On March 31st 2021, the Group executed two preliminary conditional agreements for the sale of shares in eobuwie.pl S.A. with Cyfrowy Polsat S.A. and A&R Investments Limited. The transaction involves the sale of two blocks of shares – 10% each (i.e. a total of 20% of shares) – in eobuwie.pl S.A. for a price of PLN 500m for each block, i.e. for a total amount of PLN 1bn.

In connection with the planned transaction, on March 31st 2021 the Group executed a binding share purchase agreement with MKK3 sp. z o.o. (a minority shareholder in eobuwie.pl S.A.) and its partners, with the participation of eobuwie.pl S.A., concerning purchase by the Group from MKK3 sp. z o.o. of a 20% equity interest in eobuwie.pl S.A. for a total price of PLN 720m by September 30th 2021. The Group assumes that the funds for the purchase of the 20% interest from MKK3 sp. z o.o. will come partially from the transactions with the Investors (as mentioned above) and partially from external sources (the Group is conducting analyses and discussions in this respect). Furthermore, under the agreement, the put option exercisable on February 28th 2023, measured at PLN 743.7m as at the reporting date, has expired. The agreement also provides for an option to purchase the remaining 5% of shares in eobuwie.pl S.A. for a price of PLN 180.0m. The option may be exercised on condition that eobuwie.pl S.A. does not introduce float the company shares on a regulated market. For more information on the transaction, see ‘Going concern’ in Note 1 to these financial statements.

After the reporting date, on April 30th 2021, the parties to the Standstill Agreement (the Group companies and the institutions providing financing to the Group) signed an annex to the Standstill Agreement extending its term – for more information, see ‘Going concern’ in Note 1 to these financial statements.

Pursuant to Current Report No. 27/2021 of May 17th 2021, the Company announced that the Bondholders Meeting resolved to amend "Terms and Conditions of the Bonds recorded in the Bond Register with the possibility of transfer to the CSDP deposit, prepared in Polkowice on June 21st 2018" (the "Terms and Conditions"), concerning the issue of Series 1/2018 Bonds (the "Bonds"). In particular, the amendments provide for:

- extension of the Bonds' redemption date from June 29th 2021 to June 29th 2026;
- establishment of security interests for the Bonds, including a registered and financial pledge on the shares of eObuwie.pl S.A., a surety provided by subsidiaries, and submission by the borrower and the subsidiaries of statement on voluntary submission to enforcement.

For more information, see ‘Going concern’ in Note 1 to these financial statements.

In accordance with the announced strategy for Gino Rossi S.A., the Group has decided to close down the subsidiary's footwear factories. Production operations at these plants will continue until July 2021, after which they will be transferred to Polkowice. CCC has implemented a number of changes to optimise the Gino Rossi retail chain, including building-up the brand's presence in online sales and increasing its product offering. On April 16th 2021, agreements were signed with employees specifying detailed terms of termination of the cooperation agreements. In 2021, the Group continues its strategy to close its stores operating under the Gino Rossi brand. The last store will cease to operate in 2021. The Gino Rossi brand products will be sold in CCC stores and through the e-commerce channels of CCC and eobuwie.pl.

On May 4th 2021, the Company launched the HalfPrice chain a new sales concept. The stores offer branded products at attractive prices. The sales mix includes fashion as well as cosmetics, sports equipment, home accessories and much more. Ultimately, in 2021 the Company plans to open approximately 60 HalfPrice stores across Poland.

As part of its efforts to sell Karl Voegele AG ('KVAG'), the Management Board is holding discussions with potential investors. Due to the close operating relationship between KVAG and NG2 Suisse GmbH ("NG2"), which is also the direct shareholder of KVAG, the Issuer expects that the KVAG shares will be divested indirectly, through sale of the shares in NG2. In connection with the transaction, the Issuer is simultaneously carrying out preparatory activities including debt relief of NG2 and KVAG involving conversion of the debt into equity.

The consolidated financial statements were authorised for issue by the Management Board on May 18th 2021 and signed on behalf of the Board by:	
Edyta Banaś	Chief Accountant
Signatures of all Board members:	
Marcin Czyczerski	President and CEO
Mariusz Gnych	Vice President
Karol Półtorak	Vice President
Adam Holewa	Vice President

Polkowice, May 18th 2021