CCC

Financial statements

FINANCIAL STATEMENTS OF CCC S.A.
for the financial year from January 1st 2020
to January 31st 2021

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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
	CONTINUING OPERATIONS			
2.1	Revenue	1,822.8	2,391.9	2,270.0
2.2	Cost of sales	(1,094.1)	(1,638.9)	(1,576.3)
	Gross profit	**728.7**	**753.0**	**693.7**
2.2	Stores' operating costs	(527.1)	(613.5)	(564.4)
2.2	Other distribution costs	(51.0)	(35.3)	(31.2)
2.2	Administrative expenses	(52.4)	(47.7)	(44.5)
2.3	Other income	20.0	26.0	24.9
2.3	Other expenses	(72.6)	(23.3)	(23.3)
	Operating profit (loss)	**45.6**	**59.2**	**55.2**
2.3	Finance income	39.5	33.2	35.4
2.3	Loss allowances	(513.8)	–	–
2.3	Impairment losses on shares	(134.3)	–	–
2.3	Finance costs	(91.4)	(136.2)	(126.2)
	Profit (loss) before tax	**(654.4)**	**(43.8)**	**(35.6)**
2.4	Income tax	(3.1)	(12.6)	(15.4)
	NET PROFIT/(LOSS)	**(657.5)**	**(56.4)**	**(51.0)**
	Other comprehensive income	**–**	**–**	**–**
	Other comprehensive income	–	–	–
	Total other comprehensive income, net	**–**	**–**	**–**
	TOTAL COMPREHENSIVE INCOME	**(657.5)**	**(56.4)**	**(51.0)**
	Weighted average number of ordinary shares (million)	**49.9**	**41.1**	**41.1**
	Basic earnings (loss) per share (PLN)	**(13.17)**	**(1.37)**	**(1.24)**
	Diluted earnings (loss) per share (PLN)	**(13.17)**	**(1.37)**	**(1.24)**

Statement of financial position

NOTE		January 31st 2021	January 31st 2020	December 31st 2019
		AUDITED	UNAUDITED	AUDITED
5.1	Intangible assets	1.9	1.4	1.4
5.1.1	Goodwill	48.8	48.8	48.8
5.2	Property, plant and equipment – leasehold improvements	289.8	278.1	279.9
5.2	Property, plant and equipment – manufacturing and distribution	223.2	237.3	238.3
5.2	Property, plant and equipment – other	48.0	57.4	57.6
5.3	Right of use	595.0	687.9	686.9
2.4	Deferred tax assets	24.4	12.0	9.6
3.2	Loans	–	76.7	78.0
3.1	Long-term investments	377.4	511.8	511.8
6.1	Other financial assets	–	13.3	13.3
5.3	Lease receivables	67.4	–	–
	Non-current assets	**1,675.9**	**1,924.7**	**1,925.6**
5.4	Inventory	360.4	404.0	345.5
5.5	Trade receivables	230.1	4.9	4.9
3.2	Loans	47.3	165.6	172.6
5.5	Other receivables	17.1	32.3	32.4
5.6	Cash and cash equivalents	199.5	50.4	95.4
5.3	Lease receivables	15.4	–	–
	Current assets	**869.8**	**657.2**	**650.8**
	TOTAL ASSETS	**2,545.7**	**2,581.9**	**2,576.4**
4.2	Bank borrowings and bonds	247.1	–	210.0
5.7	Amounts due to employees	–	5.5	5.5
5.8	Provisions	4.8	2.8	2.8
5.2	Grants received	14.0	18.8	19.0
5.3	Lease liabilities	674.0	512.9	509.0
	Non-current liabilities	**939.9**	**540.0**	**746.3**
4.2	Bank borrowings and bonds	210.4	323.2	111.4
5.7	Trade and other payables	16.8	464.8	456.5
5.7	Other liabilities	102.3	82.5	89.0
2.4	Income tax liabilities	2.3	8.6	9.2
5.8	Provisions	266.2	1.2	1.2
5.2	Grants received	3.7	2.4	2.4
5.3	Lease liabilities	198.3	205.3	201.4
	Current liabilities	**800.0**	**1,088.0**	**871.1**
	TOTAL LIABILITIES	**1,739.9**	**1,628.0**	**1,617.4**
	NET ASSETS	**805.8**	**953.9**	**959.0**
	Equity			
4.1	Share capital	5.5	4.1	4.1
4.1	Share premium	1,148.0	645.1	645.1
4.1	Retained earnings	(347.7)	304.7	309.8
	TOTAL EQUITY	**805.8**	**953.9**	**959.0**
	TOTAL EQUITY AND LIABILITIES	**2,545.7**	**2,581.9**	**2,576.4**

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	**(654.4)**	**(43.8)**	**(35.6)**
2.2	Amortisation and depreciation	231.4	265.7	264.2
	(Gain) loss from investing activities	5.5	(10.1)	(10.1)
4.2	Borrowing costs	23.3	18.1	17.3
4.4	Other adjustments to profit before tax	718.4	111.0	114.5
2.4	Income tax paid	(24.8)	(10.1)	(9.9)
	Cash flow before changes in working capital	**299.4**	**330.8**	**340.4**
	Changes in working capital			
5.4	Change in inventory and inventory write-downs	(14.9)	(100.2)	(41.6)
5.5	Change in receivables	(206.9)	6.2	6.0
5.7	Change in current liabilities, net of borrowings	(393.9)	301.7	289.0
	Net cash flows from operating activities	**(316.3)**	**538.5**	**593.8**
	Proceeds from sale of property, plant and equipment	1.7	27.3	27.3
	Proceeds from settlement of leasehold improvements with landlords	8.3	–	–
3.2	Repayment of loans with interest	261.7	95.6	87.3
5.2	Purchase of intangible assets and property, plant and equipment	(52.9)	(111.1)	(129.5)
	Loans	(250.9)	(312.5)	(312.5)
	Other investing expenditure	(23.2)	(16.1)	(5.1)
	Expenditure on Adler acquisition	–	(25.9)	(25.9)
	Purchase of investments in associates	(44.0)	(118.4)	(118.4)
	Other cash provided by investing activities	8.6	9.4	9.4
	Net cash flows from investing activities	**(90.7)**	**(451.7)**	**(467.4)**
	Proceeds from borrowings	250.0	112.8	111.0
4.1	Issue of shares	506.9	–	–
	Dividends and other distributions to owners	–	(19.7)	(19.7)
4.1	Redemption of bonds	–	(6.8)	(6.8)
5.3	Lease payments	(104.2)	(209.9)	(203.4)
4.2	Interest paid	(27.4)	(17.0)	(16.3)
4.2	Repayment of borrowings	(111.7)	–	–
	Other financing expenditure	(2.5)	(0.1)	(0.1)
	Net cash flows from financing activities	**511.1**	**(140.7)**	**(135.3)**
	TOTAL CASH FLOWS	**104.1**	**(53.9)**	**(8.9)**
	Net increase/decrease in cash and cash equivalents	104.1	(53.9)	(8.9)
	Cash and cash equivalents at beginning of period	**95.4**	**104.3**	**104.3**
	Cash and cash equivalents at end of period	**199.5**	**50.4**	**95.4**

Statement of changes in equity

	SHARE CAPITAL	RETAINED EARNINGS	SHARE PREMIUM	TOTAL EQUITY
AUDITED				
As at January 1st 2019	**4.1**	**392.7**	**645.1**	**1,041.9**
Net profit (loss) for period	–	(51.0)	–	(51.0)
Total comprehensive income	**–**	**(51.0)**	**–**	**(51.0)**
Dividend paid	–	(19.7)	–	(19.7)
Measurement of employee option plan	–	(12.2)	–	(12.2)
Total transactions with owners	**–**	**(31.9)**	**–**	**(31.9)**
As at December 31st 2019 (January 1st 2020)	**4.1**	**309.8**	**645.1**	**959.0**
Net profit (loss) for period	–	(657.5)	–	(657.5)
Total comprehensive income	**–**	**(657.5)**	**–**	**(657.5)**
Issue of shares	1.4	–	502.9	504.3
Total transactions with owners	**1.4**	**–**	**502.9**	**504.3**
As at January 31st 2021	**5.5**	**(347.7)**	**1,148.0**	**805.8**

	SHARE CAPITAL	RETAINED EARNINGS	SHARE PREMIUM	TOTAL EQUITY
UNAUDITED				
As at January 1st 2019	**4.1**	**392.7**	**645.1**	**1,041.9**
Net profit (loss) for period	–	(56.4)	–	(56.4)
Total comprehensive income	**–**	**(56.4)**	**–**	**(56.4)**
Dividend paid	–	(19.7)	–	(19.7)
Measurement of employee option plan	–	(11.9)	–	(11.9)
Total transactions with owners	**–**	**(31.6)**	**–**	**(31.6)**
As at January 31st 2020 (February 1st 2020)	**4.1**	**304.7**	**645.1**	**953.9**

Notes

1. General information

Company name:	CCC Spółka Akcyjna	
Registered office:	ul. Strefowa 6, 59-101 Polkowice, 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") has been listed on the Warsaw Stock Exchange since 2004.

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 full-year financial statements of the Company 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 financial statements of CCC S.A. for the 13 months ended January 31st 2021 were authorised for issue by the Management Board on May 18th 2021.

The Company is the parent of the CCC Group (the "CCC Group", the "Group"). The Company has also prepared full-year consolidated financial statements for the 13 months ended January 31st 2021, which were authorised for issue by the Management Board on May 18th 2021. The full-year consolidated financial statements of the CCC Group have been prepared in accordance with IFRS. The statements are available at the Company's website.

BASIS OF ACCOUNTING

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed by the European Union. As at the date of authorisation of these financial statements for issue, given the ongoing process of implementing IFRS in the EU, the IFRSs applicable to these financial statements do not differ from the EU IFRSs.

These financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

The data contained in these financial statements is presented in millions of Polish złoty unless more accurate information is provided in specific cases. The functional and reporting currency is the Polish zloty (PLN).

GOING CONCERN

These financial statements have been prepared on the assumption that the Company will continue as a going concern in 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 Company to continue as a going concern.

As at January 31st 2021, the statement of financial position of the Company shows current assets of PLN 869,8m, including inventories of PLN 360.4m, cash of PLN 199.5m, trade receivables of PLN 230.1m and other receivables of PLN 17.1m, and lease receivables of PLN 15.4m, as well as current liabilities of PLN 800.0m, including debt under bank borrowings of PLN 210.4m, trade payables of PLN 16.8m and other payables of PLN 102.3m, as well as lease liabilities (IFRS 16) of PLN 198.3m, and therefore the amount of current assets exceeds the amount of current liabilities by PLN 69.8m.

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. During work on the plan, the Management Board adopted 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 offline 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 financing banks 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 concluded 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 the balance of cash at a minimum level of PLN 40m. In addition, the Group was required to prepare financial projections for subsequent months and years, which were reviewed and 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 Company's operations are financed with financial instruments, including mainly credit facilities, bonds and reverse factoring, with the debt balance as at the reporting date of approximately PLN 457.5m.

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 of the 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 300m. Tranche C offers can potentially be used 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 the BGK guarantees, and to renew product limits granted 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 refinancing of the outstanding bonds, early repayment of a portion (PLN 415m) of the Group's current debt with the Group's own funds, establishing security interests, and presenting 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 entered into 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 will be obtained 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 transactions, the Group will be able to raise funds necessary for the early repayment of some (PLN 415-450m) 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 extending 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 financial statements, the Management Board of the Company 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 Company 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.

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

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 Group. In response to the pandemic, governments of individual countries have taken specific countermeasures to mitigate its negative effects

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

The COVID-19 pandemic also had a negative impact on the supply chain. Many of the Group's major suppliers are 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 of 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 objectives of the GO.22 strategy.

In the medium to long term, the Group expects: recovery in the value of the footwear market in 2021 (assuming no administrative closures of stores are reimposed in 2021), an increase in the share of the e-commerce channel in total revenue, and a shift in demand towards goods with the best possible price/quality ratio due to the decline in consumers' disposable incomes.

EFFECT OF CHANGES IN THE ECONOMIC SITUATION ON THE VALUATION OF ASSETS AND LIABILITIES OF CCC S.A.

Inventory write-downs

For more information, see Note 5.4.

Impairment losses on shares

As at January 31st 2021, the Company made a detailed assessment (taking into account the impact of the COVID-19 pandemic) whether there is any indication that any of its investments in subsidiaries and associates could be impaired.

Where such indications were found to exist, the Company tested the assets for impairment.

For more information, see Notes 2.3 and 3.1.

Expected credit losses

As at January 31st 2021, the Company 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 Company's business mainly involves retail operations, and therefore the amount of trade receivables from unrelated parties is not significant. The general economic situation in 2020/2021 resulted in a significant decline in sales in the retail segment. The Company 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 substantially unchanged. The Company estimates that despite the coronavirus pandemic, the risk of non-payment of receivables by its trading partners has not changed significantly.

Another group of assets exposed to credit losses are loans and sureties. The Company identified the risk of default on loans and recognised an impairment charge of PLN 252.0m as well as a PLN 133.9m allowance for expected credit losses with respect to provided financial guarantees.

For more information on the recognised impairment losses and provisions, see Notes 3.2 and 6.1.

Impairment of property, plant and equipment, goodwill and rights-of-use assets

As at January 31st 2021, the Company 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 Company tested the assets for impairment.

For details of the assessment and tests performed, see Notes 5.1.1, 5.2 and 5.3.

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 5.3.

Other accounting matters and issues

As at the date of these financial statements, the Company 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 300m, and maintain cash at a minimum level of PLN 40m. In addition, the Group was required to prepare financial projections for subsequent months and years, which were reviewed and 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, as described in Note 2.2.

STATEMENT OF ACCOUNTING POLICIES

The accounting policies applied by CCC S.A. did not change relative to those applied in the financial statements prepared 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 on the basis of which the Company'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 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
2.1	Revenue	Y	N	19
2.2	Cost of sales	Y	N	22
2.2	Stores' operating costs	Y	N	22
2.2	Other distribution costs	Y	N	22
2.2	Administrative expenses	Y	N	22
2.3	Other income and expenses, finance income and costs	Y	N	25
2.4	Income tax	Y	Y	29
2.4	Deferred tax assets	Y	N	29
2.4	Income tax liabilities	Y	N	29
3.4	Loans and financial guarantees	Y	Y	34
4.1	Equity	Y	Y	45
4.2	Financing liabilities	Y	N	49
5.1	Intangible assets	Y	Y	57
5.2	Property, plant and equipment	Y	Y	60
5.2	Grants received	Y	N	62
5.3	Right-of-use assets. Lease liabilities and receivables	Y	Y	63
5.4	Inventories	Y	Y	68
5.5	Trade receivables	Y	N	70
5.5	Other receivables	Y	N	70
5.6	Cash and cash equivalents	Y	N	72
5.7	Trade and other payables	Y	N	72
5.7	Other liabilities	Y	N	73
5.8	Provisions	Y	Y	74
6.1	Financial instruments	Y	Y	76
6.2	Share-based payments	Y	Y	87

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 Company's 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.

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 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 *Leases*: *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 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.

1.1. SEGMENTS

The Company applies the exemption for segment disclosures under IFRS 8 par. 4, therefore the analysis of the Company's operating segments was presented in the consolidated financial statements of the Group.

2. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

2.1 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 to which the entity is entitled in exchange for the transfer of promised goods or services to the customer.
The Company 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.
The Management Board of the Company carried out a comprehensive analysis to determine whether a particular entity acts as an agent or principal, taking into account the cooperation agreements concluded between the Company and its subsidiary CCC.eu Sp. z o.o. ("CCC.eu") and the actual business model described below. In line with the business model, CCC.eu supplies goods to CCC S.A. which then sells the goods in stores in Poland.
Elements which may indicate that the Company could be treated as an intermediary are the following conditions resulting from the concluded contracts:

- in accordance with the adopted settlement model, the Company is guaranteed to earn a fixed operating margin;
- goods which the Company has failed to sell in a given season may be returned to the CCC.eu, while CCC.eu may demand that the Company returns the goods, and the costs of such return are borne by CCC.eu;
- CCC.eu defines standards and supports the Company in terms of the pricing policy, promotion and pricing in stores, including recommendations on retail prices, rules for reductions and price increases, as well as discounts and promotions for customers;
- CCC.eu makes decisions concerning the sales mix and quantities of goods supplied to the Company;
- the Company accepts refunds from retail customers and considers after-sales complaints, while the costs of these complaints are fully covered by CCC.eu.

In the opinion of the Management Board of the Company, other aspects of the cooperation between the Company and CCC.eu are more important and prevail in the assessment of the Company's role. In the opinion of the Management Board, the Company does not act as an intermediary because it is exposed to significant risks of the business and benefits from the sale of goods purchased from CCC.eu. This assessment of the Company's role is corroborated by the following terms of mutual cooperation:

- the Company is primarily responsible for the delivery of goods to the customer and the Company is responsible for the acceptability of products purchased by the customer, the Company sells goods purchased from CCC.eu in its own name and on its own account, purchases from CCC.eu on a CPT basis (transfer of ownership at the time of loading on the means of transport);
- the Company bears the risks related to inventories before and after an order is placed by the customer, in the course of delivery or returns, the inventory held by the Company is owned by the Company, and the Company bears the risk of any loss;
- the Company receives only recommendations from CCC.eu regarding pricing, bonus, or discount policies, and has full pricing discretion;
- the Company bears the entire credit risk of its customers;
- the Company bears full reputational risk related to the quality of the goods sold, and potential customer complaints may have an adverse effect on the Company's situation.

Therefore, in the opinion of the Management Board CCC S.A. should not be treated as an agent within the meaning of IFRS 15. The entire revenue from sales is disclosed by the Company.

Revenue – retail
The Company sells footwear, handbags, shoe care accessories and small clothing accessories through its own chain of stores in Poland and abroad. Revenue is recognised when the goods are released to the customer in the store. Retail sales are usually made for cash or using payment cards. The Company operates a 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 Company 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 Company operates a customer return policy. As at the reporting date, the amount of potential returns resulting from the consumer's right of withdrawal in distance and off-premises contracts was also estimated.
Past experience is used to estimate the amount of refunds and provisions.

Revenue from contracts with customers by category is presented below.

Revenue	**January 1st 2020 – January 31st 2021**	**January 1st 2019 – January 31st 2020**	**January 1st 2019 – December 31st 2019**
	AUDITED	UNAUDITED	AUDITED
Footwear	1,282.4	1,991.0	1,892.6
Bags	75.6	125.6	123.5
Other	112.4	110.6	96.0
Retail business	**1,470.4**	**2,227.2**	**2,112.1**
Footwear	224.2	40.4	38.0
Bags	11.4	1.8	–
Other	4.7	0.4	–
e-commerce	**240.3**	**42.6**	**38.0**
Wholesale / services	**112.1**	**122.1**	**119.9**
Total	**1,822.8**	**2,391.9**	**2,270.0**

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

In 2020/21, retail revenue fell 30.4% year on year due to the closing of stores in the period from March 15th to May 7th 2020, November 7th to November 28th 2020, and from December 29th 2020 to January 17th 2021 caused by the spread of the COVID-19 pandemic. 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 with discounts.

The Company saw a strong increase in revenue in the e-commerce channel, from 1.7% in 2019 to 13.2% (the e-commerce channel was launched in June 2019). Some of the increase was attributed to the closure of traditional 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.

2.2 COSTS BY NATURE OF EXPENSE

Accounting policy

Cost of sales
The Company recognises as cost of sales:
- cost of merchandise sold,
- cost of packaging used in sales,
- cost of goods sold,
- 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.

Stores' operating costs
Costs of operating stores include the costs of maintaining stores and other retail outlets. 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 utility costs),
- variable lease payments (including 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 of 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 Company's general business activities (general and administrative expenses) and the Company'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	(1,090.9)	–	–	–	(1,090.9)
	Raw material and consumables used	–	(15.4)	(0.8)	(4.5)	(20.7)
	Inventory write-downs	(3.2)	–	–	–	(3.2)
	Salaries, wages and employee benefits	–	(173.7)	(16.2)	(12.5)	(202.4)
	Transport services	–	(0.9)	(19.5)	(0.1)	(20.5)
	Other rental costs – utilities and other variable costs	–	(90.0)	(0.2)	(3.8)	(94.0)
	Other services	–	(23.3)	(3.2)	(23.8)	(50.3)
	Amortisation and depreciation	–	(223.8)	(7.4)	(4.2)	(235.4)
	Taxes and charges	–	–	(3.2)	(0.8)	(4.0)
	Other expenses	–	–	(0.5)	(2.7)	(3.2)
	Total	**(1,094.1)**	**(527.1)**	**(51.0)**	**(52.4)**	**(1,724.6)**

NOTE	January 1st 2019 – January 31st 2020	COST OF SALES	STORES' OPERATING COSTS	OTHER DISTRIBUTION COSTS	ADMINISTRATIVE EXPENSES	TOTAL
	UNAUDITED					
	Cost of merchandise sold	(1,633.4)	–	–	–	(1,633.4)
	Raw material and consumables used	–	(15.0)	(4.3)	(1.8)	(21.1)
	Inventory write-downs	(5.5)	–	–	–	(5.5)
	Salaries, wages and employee benefits	–	(208.8)	(23.9)	(14.7)	(247.4)
	including reversal of incentive scheme	–	–	–	*7.1*	*7.1*
	Transport services	–	(0.1)	(2.9)	(0.1)	(3.1)
	Other rental costs – utilities and other variable costs	–	(103.6)	(0.2)	(2.1)	(105.9)
	Other services	–	(28.6)	(1.6)	(12.3)	(42.5)
	Amortisation and depreciation	–	(257.3)	(1.1)	(10.0)	(268.4)
	Taxes and charges	–	–	(0.4)	(4.1)	(4.5)
	Other expenses	–	(0.1)	(0.9)	(2.6)	(3.6)
	Total	**(1,638.9)**	**(613.5)**	**(35.3)**	**(47.7)**	**(2,335.4)**

NOTE	January 1st 2019 – December 31st 2019	COST OF SALES	STORES' OPERATING COSTS	OTHER DISTRIBUTION COSTS	ADMINISTRATIVE EXPENSES	TOTAL
	AUDITED					
	Cost of merchandise sold	(1,570.8)	–	–	–	(1,570.8)
	Raw material and consumables used	–	(13.3)	(4.1)	(1.6)	(19.0)
	Inventory write-downs	(5.5)	–	–	–	(5.5)
	Salaries, wages and employee benefits	–	(190.6)	(21.7)	(13.4)	(225.7)
	including reversal of incentive scheme	–	–	–	*7.1*	*7.1*
	Transport services	–	–	(2.5)	(0.1)	(2.6)

Other rental costs – utilities and other variable costs	–	(93.0)	(0.1)	(3.9)	(97.0)
Other services	–	(27.2)	(0.7)	(11.5)	(39.4)
Amortisation and depreciation	–	(240.1)	(1.1)	(7.4)	(248.6)
Taxes and charges	–	–	(0.1)	(4.0)	(4.1)
Other expenses	–	(0.2)	(0.9)	(2.6)	(3.7)
Total	**(1,576.3)**	**(564.4)**	**(31.2)**	**(44.5)**	**(2,216.4)**

Cost of sales decreased 30.6% on 2019 and 33.2% on 2019/20. The decrease was mainly attributable to forced closures of stores during the lockdown periods to and trading decline caused by the COVID-19 pandemic.

Stores' operating costs fell by 6.6% on 2019 (and 14.0% on 2019/20). The decrease was mainly attributable to:
- lower salaries and employee benefits expense, attributable to the store closures during the lockdown periods stores and government subsidies to salaries and employee benefits expense of PLN 13.5m,
- lower other lease costs (sales-based rents and variable costs: utilities, electricity, etc.) attributable to the store closures during the lockdown periods and renegotiation of lease contracts,
- lower depreciation expense on right-of-use assets due to renegotiation of lease contracts.

During the financial year, the total amount of public subsidies to the cost of salaries and employee benefits was PLN 18.4m (of which PLN 13.5m was recognised in stores' operating costs and the balance was allocated to other distribution costs and administrative expenses).

The increase in other distribution costs relative to 2019 and 2019/20 was attributable to a significant increase in transport costs due to higher sales in the e-commerce channel.
The increase in administrative expenses relative to 2019 and 2019/20 was attributable to higher costs of other services due to higher costs of outsourcing and advisory services.

The table below presents components of employee benefits:

	January 1st 2020 – January 31st 2021	**January 1st 2019 – January 31st 2020**	**January 1st 2019 – December 31st 2019**
	AUDITED	UNAUDITED	AUDITED
Wages and salaries	(162.8)	(185.7)	(167.8)
Social security contributions	(32.1)	(36.6)	(33.3)
Other employee benefit expenses	(7.1)	(25.0)	(24.5)
Costs of contributions to PPK	(0.4)	(0.1)	(0.1)
Total:	**(202.4)**	**(247.4)**	**(225.7)**
Total employee benefits expense, including:			
Items recognised as cost of sales	–	–	–
Items recognised as stores' operating expenses	(173.7)	(208.8)	(190.6)
Items recognised as other expenses	(16.2)	(23.9)	(21.7)
Items recognised as administrative expenses	(12.5)	(14.7)	(13.4)
Total:	**(202.4)**	**(247.4)**	**(225.7)**

2.3. 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, etc.

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

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	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
		AUDITED	UNAUDITED	AUDITED
	Other expenses			
	Loss on disposal of property, plant and equipment	(5.5)	–	–
	Recognised provisions	(36.6)	(22.6)	(22.6)
	Other expenses	(30.5)	(0.7)	(0.7)
	Total other expenses	**(72.6)**	**(23.3)**	**(23.3)**

NOTE		January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
		AUDITED	UNAUDITED	AUDITED
	Other income			
	Gain on disposal of property, plant and equipment	–	11.5	10.0
	Foreign exchange gains on items other than debt	0.1	0.7	0.9
	Compensation	2.0	1.2	1.2
	PFRON wage subsidies	3.1	3.2	3.2
	Grants	4.0	2.4	2.4
	Other income	10.8	7.0	7.2
	Total other income	**20.0**	**26.0**	**24.9**
	Total other income and expenses	**(52.6)**	**2.7**	**1.6**

Under 'Recognised provisions', the Company 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 amount of landlords' claims for early termination of rental contracts. CCC S.A. and HRG will work together to minimise the use of the recognised provision.

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).

NOTE	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Finance costs			
Interest on leases, borrowings and bonds	(23.5)	(20.3)	(17.7)
Foreign exchange gains (losses)	(43.6)	–	–
Commission fees paid	(2.3)	(1.6)	(1.6)
Valuation of HRG option	(13.3)	(110.8)	(103.6)
Guarantees received	(8.6)	(3.2)	(2.9)
Other finance costs	(0.1)	(0.3)	(0.4)
Total finance costs	**(91.4)**	**(136.2)**	**(126.2)**

NOTE	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Finance income			
Interest income on cash in current account and other interest income	3.5	5.9	5.6
Interest income on the HR Group loan	16.3	6.2	6.2
Foreign exchange gains (losses)	–	4.3	6.8
Other finance income	4.9	0.1	0.1
Guarantees and sureties provided	14.8	16.7	16.7
Total finance income	**39.5**	**33.2**	**35.4**

NOTE	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Provision for sureties provided for credit facilities used by	(133.9)	–	–
Impairment losses on loans and other financial receivables	(252.6)	–	–
Provision for guarantee of trade payables of subsidiary	(127.3)	–	–
Total loss allowances	**(513.8)**	**–**	**–**

NOTE	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Impairment losses on shares	(134.3)	–	–
Total impairment losses on shares	**(134.3)**	**–**	**–**

The COVID-19 pandemic significantly affected Karl Voegele AG's operating performance in 2020/21 and its prospects for the future. The business process optimization started after the acquisition of the company did not bring the expected results. Therefore, a strategic review of Karl Voegele AG was carried out. The Company holds shares in the company through NG2 Suisse s.a.r.l., owned by CCC S.A. The Management Board has decided to sell the shares in NG2 Suisse s.a.r.l. and, indirectly, the interest in Karl Voegele AG. In the reporting period, an impairment loss of PLN 46.3 million was recognised for the full value of the shares held in NG2 Suisse s.a.r.l. The recoverable amount of NG2 Suisse s.a.r.l. was measured at fair value less costs to sell.

In connection with the planned sale of shares in NG2 Suisse s.a.r.l. a significant risk of non-recovery of the loans granted by CCC S.A. to Karl Voegele AG and NG2 Suisse s.a.r.l. was identified. This led to a change in the classification of the loans by the Management Board, from Level 1 to Level 3. As a result, allowances were recognised of PLN 75.9m and PLN 8.5m, respectively, covering 100% of the loans' amount.

The Company also recognised a loss allowance for financial guarantees provided to Karl Voegele AG of PLN 70.4m (covering the entire amount of the guarantees) and a PLN 127.3m provision for a guarantee for trade payables of a subsidiary. For more information, see Note 5.8.

In addition to the loss allowance for the loans and the provisions for sureties, in 2020/21 due to 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.

The COVID-19 pandemic also adversely affected the business of Gino Rossi S.A. Gino Rossi S.A. reports operating losses and negative operating cash flows. At the same time, the Management Board of the Company does not expect any significant improvement in this respect in the foreseeable future. Accordingly, indications of impairment of the interest in the company were identified. The Management Board of the parent decided to recognise an impairment loss for the entire amount of the shares (PLN 88.0m). The recoverable amount of shares in Gino Rossi S.A. was measured at fair value less costs to sell. An impairment loss of PLN 36.0m was recognised on loans to Gino Rossi S.A. These assets were reclassified from Level 1 to Level 3.

During the 2020/21 financial year, a loss allowance was also recognised for other loans of PLN 1.4m and other short-term financial receivables of PLN 0.6m; the Group also recognised a provision for other sureties of PLN 63.5m.

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

For detailed information on loans and sureties, broken down by gross carrying amount, credit exposure and impairment losses, see Note 6.1. In the case of impairment losses on shares in NG2 Suisse s.a.r.l. and Gino Rossi S.A., the Company determined the recoverable amount corresponding to the fair value less costs to sell – Level 3 of the fair value hierarchy (inputs to measure an asset or liability that are not based on observable market data (unobservable inputs)). In terms of estimating the fair value of these shares, the projected cash flows are a significant element of the estimate; under IFRS 13, these are unobservable inputs, i.e., Level 3 inputs in the fair value hierarchy.

2.4 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 still 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.

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 Company, it is probable that the Company's approach to a tax issue or group of tax issues will be accepted by the tax authority, the Company 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 Company 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 Company determines that it is not probable that the tax authority will accept the Company's treatment of a tax issue or group of tax issues, the Company reflects the effect of the uncertainty in the accounting treatment of the tax in the period in which it determines it. The Company 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 Company determines the most likely scenario – this is a single amount from among possible outcomes or
- the Company 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 on 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 individual units 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 Company 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 Company takes into account all available evidence, both that supporting the existence of probability and that supporting the absence of probability.

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
	Current tax	(17.9)	(16.5)	(16.6)
	Deferred tax	14.8	3.9	1.2
	Income tax recognised in the statement of comprehensive income	**(3.1)**	**(12.6)**	**(15.4)**
	Current tax recognised in profit or loss	17.9	16.5	16.6
	Balance of CIT liabilities/(receivables) at beginning of period	9.2	6.7	6.7
	Balance of CIT receivables/(liabilities) at end of period	(2.3)	(8.6)	(9.2)
	Other changes	–	(4.5)	(4.2)
	Tax expense recognised in statement of cash flows	**24.8**	**10.1**	**9.9**

TAX RATES APPLIED AND RECONCILIATION OF INCOME TAX EXPENSE

	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Poland	19%	19%	19%
Weighted average rate of income tax	**19%**	**19%**	**19%**

	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	**(654.4)**	**(43.8)**	**(35.6)**
Weighted average tax rate	19%	19%	19%
Tax calculated at weighted average tax rate	124.4	8.3	6.8
Tax effects of the following items:			
non-taxable income	3.5	3.8	2.8
non-deductible expenses	(131.0)	(3.8)	(3.8)
other adjustments	–	(20.9)	(21.2)
Income tax expense	**(3.1)**	**(12.6)**	**(15.4)**

The largest item of non-taxable income is income from settlement of grants.

Non-deductible expenses include mainly allowances on expected credit losses of PLN 252.6m, impairment losses on NG2 Suisse s.a.r.l. and Gino Rossi S.A. shares of PLN 46.3m and PLN 88.0m, respectively, a provision for bank guarantees of PLN 133.9m, a provision for trade payables of a subsidiary of PLN 127.3m, and valuation of the HRG option of PLN 13.3m.

BALANCES OF AND CHANGES IN DEFERRED TAX

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

NOTE	AUDITED	January 31st 2021	RECOGNISED / (CHARGED) ON PROFIT OR LOSS	December 31st 2019	RECOGNISED / (CHARGED) ON PROFIT OR LOSS	January 1st 2019
		AUDITED		AUDITED		AUDITED
	Assets					
	Impairment of assets: inventories and receivables	0.9	–	0.9	–	0.9
	Provisions for liabilities	4.8	(0.5)	5.3	0.4	4.9
	Other	0.3	(0.4)	0.7	(0.7)	1.4
	Measurement of lease contracts	(27.7)	23.2	4.5	2.6	1.9
	Total before offset	**33.7**	**22.3**	**11.4**	**2.3**	**9.1**
	Liabilities					
	Accelerated tax depreciation of property, plant and equipment,	5.3	4.8	0.5	(0.1)	0.6
	Other	4.0	2.7	1.3	1.2	0.1
	Total before offset	**9.3**	**7.5**	**1.8**	**1.1**	**0.7**
	Offset	(9.3)	(7.5)	(1.8)	(1.1)	(0.7)
	Balance of deferred tax disclosed in					
	Assets	24.4	14.8	9.6	1.2	8.4
	Liabilities	–	–	–	–	–

NOTE	UNAUDITED	January 31st 2020	RECOGNISED / (CHARGED) ON PROFIT OR LOSS	January 1st 2019
		UNAUDITED		AUDITED
	Assets			
	Impairment of assets: inventories and receivables	0.9	–	0.9
	Provisions for liabilities	5.3	0.4	4.9
	Other	0.7	(0.7)	1.4
	Measurement of lease contracts	6.9	5.0	1.9
	Total before offset	**13.8**	**4.7**	**9.1**
	Liabilities			
	Accelerated tax depreciation of property, plant and equipment,	0.5	(0.1)	0.6
	Other	1.3	1.2	0.1
	Total before offset	**1.8**	**1.1**	**0.7**
	Offset	(1.8)	(1.1)	(0.7)
	Balance of deferred tax disclosed in statement of profit or loss			
	Assets	12.0	3.6	8.4
	Liabilities	–	–	–

3. LONG-TERM INVESTMENTS, LOANS AND RELATED-PARTY TRANSACTIONS
3.1. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

ACCOUNTING POLICY

Subsidiaries in the Company's financial statements are those entities over which the Company exercises control. Investments in subsidiaries are measured at cost less impairment losses.

Transaction costs associated with the acquisition of an investee increase the carrying amount of the investment.

An impairment test is performed when there is an indication of impairment, by calculating the recoverable amount as the higher of fair value less costs to sell and value in use. The impairment loss represents the excess of the carrying amount over the recoverable amount.

Associates are companies over which the Company has significant influence but not control. Investments in associates are measured at historical cost, net of impairment losses.

The Company holds, directly or indirectly, interests in the following subsidiaries and associates:

COMPANY NAME	REGISTERED OFFICE/COUNTRY	PRINCIPAL BUSINESS	CARRYING AMOUNT					
			INTEREST	INCENTIVE SCHEME	INTEREST	INCENTIVE SCHEME	INTEREST	INCENTIVE SCHEME
			January 31st 2021		January 31st 2020		December 31st 2019	
			AUDITED		UNAUDITED		AUDITED	
SUBSIDIARIES								
CCC Austria Ges.m.b.H	Graz, Austria	trade	0.4	1.5	0.4	1.5	0.4	1.5
CCC Czech s.r.o.	Prague, Czech Republic	trade	38.0	2.1	38.0	2.1	38.0	2.1
CCC Factory sp. z o.o.	Polkowice, Poland	production	15.0	9.7	15.0	9.7	15.0	9.7
CCC Hrvatska d.o.o.	Zagreb, Croatia	trade	2.9	0.2	2.9	0.4	2.9	0.4
CCC Hungary Shoes Kft.	Budapest, Hungary	trade	0.1	1.2	0.1	1.2	0.1	1.2
CCC Isle of Man Ltd.	Douglas, Isle of Man	trade	–	–	–	–	–	–
CCC Obutev d.o.o.	Maribor, Slovenia	trade	2.0	0.2	2.0	0.2	2.0	0.2
CCC Russia COO	Moscow, Russia	trade	–	0.1	–	0.1	–	0.1
CCC Shoes & Bags d.o.o. Beograd	Belgrade, Serbia	trade	6.4	–	6.4	–	6.4	–
CCC Shoes & Bags Sp. z o.o.	Polkowice, Poland	investments	280.7	–	280.7	–	280.7	–
CCC Shoes Ayakkabycylyk Ticaret Limited Sirketi	Istanbul, Turkey	trade	0.1	–	0.1	–	0.1	–
CCC Shoes Bulgaria EOOD	Sofia, Bulgaria	trade	0.2	0.3	0.2	0.3	0.2	0.3
CCC Slovakia s.r.o.	Bratislava, Slovakia	trade	–	0.4	–	0.4	–	0.4
CCC.eu Sp. z o.o.	Polkowice, Poland	trade	–	15.4	–	15.4	–	15.4
eobuwie.pl S.A.	Zielona Góra, Poland	trade	–	0.5	–	0.4	–	0.4
NG2 Suisse s.a.r.l.	Zug, Switzerland	trade	–	–	45.5	0.8	45.5	0.8
Gino Rossi S.A.	Słupsk, Poland	trade	–	–	88.0	–	88.0	–
Associates								
HR Group Holding S.a.r.l.	Luxembourg	trade	–	–	–	–	–	–
Total			**345.8**	**31.6**	**479.3**	**32.5**	**479.3**	**32.5**

Shares as at January 31st 2021 AUDITED	% ownership interest	Gross carrying amount	Impairment loss	Net carrying amount
CCC Austria Ges.m.b.H	100%	1.9	–	1.9
CCC Czech s.r.o.	100%	40.1	–	40.1
CCC Factory sp. z o.o.	100%	24.7	–	24.7
CCC Hrvatska d.o.o.	100%	3.3	–	3.3
CCC Hungary Shoes Kft.	100%	1.3	–	1.3
CCC Isle of Man Ltd.	50%	–	–	–
CCC Obutev d.o.o.	100%	2.2	–	2.2
CCC Russia COO	70%	0.1	–	0.1
CCC Shoes & Bags d.o.o. Beograd	100%	6.4	–	6.4
CCC Shoes & Bags Sp. z o.o.	100%	280.7	–	280.7
CCC Shoes Ayakkabycylyk Ticaret Limited Sirketi	100%	0.1	–	0.1
CCC Shoes Bulgaria EOOD	100%	0.5	–	0.5
CCC Slovakia s.r.o.	100%	0.4	–	0.4
CCC.eu Sp. z o.o.	100%	15.4	–	15.4
eobuwie.pl S.A.	74.99%	0.4	–	0.4
NG2 Suisse s.a.r.l.	100%	46.3	(46.3)	–
Gino Rossi S.A.	100%	88.0	(88.0)	–
HR Group Holding S.a.r.l.	30.55%	–	–	–
Total		**511.8**	**(134.3)**	**377.4**

Shares as at January 31st 2020 (UNAUDITED) and December 31st 2019 (AUDITED)	% ownership interest	Gross carrying amount	Impairment loss	Net carrying amount
CCC Austria Ges.m.b.H	100%	1.9	–	1.9
CCC Czech s.r.o.	100%	40.1	–	40.1
CCC Factory sp. z o.o.	100%	24.7	–	24.7
CCC Hrvatska d.o.o.	100%	3.3	–	3.3
CCC Hungary Shoes Kft.	100%	1.3	–	1.3
CCC Isle of Man Ltd.	50%	–	–	–
CCC Obutev d.o.o.	100%	2.2	–	2.2
CCC Russia COO	70%	0.1	–	0.1
CCC Shoes & Bags d.o.o. Beograd	100%	6.4	–	6.4
CCC Shoes & Bags Sp. z o.o.	100%	280.7	–	280.7
CCC Shoes Ayakkabycylyk Ticaret Limited Sirketi	100%	0.1	–	0.1
CCC Shoes Bulgaria EOOD	100%	0.5	–	0.5
CCC Slovakia s.r.o.	100%	0.4	–	0.4
CCC.eu Sp. z o.o.	100%	15.4	–	15.4
eobuwie.pl S.A.	74.99%	0.4	–	0.4
NG2 Suisse s.a.r.l.	100%	46.3	–	46.3
Gino Rossi S.A.	100%	88.0	–	88.0
HR Group Holding S.a.r.l.	30.55%	–	–	–
Total		**511.8**	**–**	**511.8**

The decrease in non-current investments is attributable to impairment losses recognised on shares in NG2 Suisse s.a.r.l. and Gino Rossi S.A., as described in Note 2.3.

3.2. LOANS

ACCOUNTING POLICY

Loans advanced are initially measured at fair value and as at subsequent reporting dates at amortised cost through profit or loss.

Impairment of financial assets

As at each reporting date, the Company assesses whether financial assets have been impaired. For the purposes of this assessment, the Management Board analyses the risk of repayment of loans, taking into account the Company's current financial condition.
The Company 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 Company measures the loss allowance in an amount equal to lifetime expected credit losses.

	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	**250.6**	**134.6**	**134.6**
Granting of loans	250.9	312.5	312.5
Interest accrued	19.0	9.2	9.2
Repayments	(261.7)	(95.6)	(87.3)
Loss allowance	(252.0)	–	–
Set-off of claims	–	(7.0)	(7.0)
Foreign exchange gains (losses)	12.2	1.2	1.2
Other changes	28.3	(112.6)	(112.6)
As at January 31st / December 31st	**47.3**	**242.3**	**250.6**
- short-term	47.3	165.6	172.6
- long-term	–	76.7	78.0

The table below presents the carrying amount of loans as at the reporting date, by borrower:

January 31st 2021	Gross carrying amount	Impairment loss	Net carrying amount	Level
AUDITED				
CCC Obutev d.o.o.	1.8	–	1.8	1
CCC HRVATSKA d.o.o.	1.1	–	1.1	1
CCC Shoes Bulgaria	10.3	(0.2)	10.1	1
CCC Shoes &Bags Beograd	1.4	–	1.4	1
CCC.eu Sp. z o.o.	34.0	(1.2)	32.8	1
NG2 Suisse S.a.r.l.	8.5	(8.5)	–	3
eobuwie.pl S.A.	0.1	–	0.1	1
Karl Voegele AG	75.9	(75.9)	–	3
Gino Rossi S.A.	36.0	(36.0)	–	3
HR Group Holding s.a.r.l	102.1	(102.1)	–	3
HR Group GmbH &Co.KG	28.1	(28.1)	–	3
Total	**299.3**	**(252.0)**	**47.3**	

January 31st 2021	Gross carrying amount	Impairment loss	Net carrying amount	Level
UNAUDITED				
CCC Obutev d.o.o.	0.9	–	0.9	1
CCC HRVATSKA d.o.o.	1.1	–	1.1	1
CCC Shoes Bulgaria	9.3	–	9.3	1
CCC Shoes &Bags Beograd	1.4	–	1.4	1
CCC.eu Sp. z o.o.	35.3	–	35.3	1
NG2 Suisse s.a.r.l.	8.1	–	8.1	1
eobuwie.pl S.A.	0.1	–	0.1	1
Karl Voegele AG	72.8	–	72.8	1
Gino Rossi S.A.	32.5	–	32.5	1
HR Group Holding s.a.r.l	80.9	–	80.9	1
Total	**242.3**	**–**	**242.3**	

December 31st 2019	Gross carrying amount	Impairment loss	Net carrying amount	Level
AUDITED				
CCC Obutev d.o.o.	0.9	–	0.9	1
CCC HRVATSKA d.o.o.	1.0	–	1.0	1
CCC Shoes Bulgaria	9.2	–	9.2	1
CCC Shoes &Bags Beograd	1.4	–	1.4	1
CCC.eu Sp. z o.o.	34.3	–	34.3	1
NG2 Suisse s.a.r.l.	7.9	–	7.9	1
eobuwie.pl S.A.	10.1	–	10.1	1
Karl Voegele AG	71.0	–	71.0	1
Gino Rossi S.A.	32.5	–	32.5	1
HR Group Holding s.a.r.l	82.3	–	82.3	1
Total	**250.6**	**–**	**250.6**	

Impairment losses on loans	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	**-**	**–**	**–**
Recognised	(252.0)	–	–
Utilised	–	–	–
Reversed	–	–	–
At end of period	**(252.0)**	**–**	**–**

As disclosed in Note 2.3, due to the material impact of the COVID-19 pandemic on Karl Voegele AG's operating results and prospects, as well as the planned sale of NG2 Suisse s.a.r.l.'s interest in Karl Voegele AG, the Company concluded it would not be able to recover its loans to these entities. As a result, the classification of the loans was changed from Level 1 to 3.

As disclosed in Note 2.3, due to the material impact of the COVID-19 pandemic on the operations of the Gino Rossi S.A. and the Company's strategic plans with respect to this entity, the Company concluded it would not be able to recover its loan to Gino Rossi S.A. As a result, the classification of the loan was changed from Level 1 to 3.

Credit sureties provided as at January 31st 2021 AUDITED	Maximum exposure	Level	Provision
Karl Voegele AG	70.3	3	70.3
CCC.eu Sp. z o.o.	1,327.0	1	47.9
CCC Russia COO	55.2	2	14.1
Gino Rossi S.A.	0.1	3	0.1
eobuwie.pl S.A.	180.0	1	1.3
CCC Factory sp. z o.o.	4.6	1	0.1
CCC Hungary Shoes Kft.	6.0	1	0.1
Total	**1,643.2**		**133.9**

Credit sureties provided as at January 31st 2020 (UNAUDITED) and December 31st 2019 (AUDITED)	Maximum exposure	Level	Provision
Karl Voegele AG	56.4	1	–
CCC.eu Sp. z o.o.	1,332.5	1	–
CCC Russia COO	68.7	1	–
eobuwie.pl S.A.	219.0	1	–
Total	**1,676.6**		**–**

As at January 31st 2021, the Company recognised an impairment loss on loans advanced of PLN 252.0m, including mainly: impairment loss on loans to NG2 Suisse s.a.r.l. of PLN 8.5m, Karl Voegele AG of PLN 75.9m, Gino Rossi S.A. of PLN 36m, and HR Group Holding of PLN 130.2m. As at the reporting date, the Group classified the loans as credit-impaired financial assets.

Provisions for credit guarantees also covers sureties provided to Karl Voegele AG. The amount of the provision was PLN 70.3. For more information, see Note 2.3.

In the case of the loan to CCC Russia OOO, due to the significant impact of the COVID-19 pandemic on the results of the company, the credit risk had increased since initial recognition. The loan was reclassified from Level 1 to 2 and therefore the Company recognises a loss allowance in the amount equal to lifetime expected credit losses.

In the Company's opinion, there has been no significant increase in credit risk since initial recognition and the Company recognises the loss allowance in an amount equal to 12-month expected credit losses.

Interest rates on the loans are based on a variable WIBOR rate plus margin (PLN-denominated loans) or fixed interest rates provided for in the respective loan agreements (loans denominated in EUR and other currencies). For further analysis of the interest rate risk, see Note 6.1.

For analysis of the credit risk, see Note 6.1.

The loans are exposed to credit risk, interest rate risk, and currency risk.

LENDER	BORROWER	AGREEMENT DATE	MATURITY DATE	AMOUNT [MILLION]	CURRENCY	INTEREST RATE
CCC S.A.	CCC.eu Sp. z o.o.	17.12.2014	31.12.2021	9.3	USD	2%
CCC S.A.	CCC Shoes Bulgaria EOOD	14.12.2014	31.12.2021	4.0	BGN	6%
CCC S.A.	CCC Shoes&Bags d.o.o. Beograd	22.09.2016	31.12.2021	0.1	EUR	4%
CCC S.A.	CCC Shoes&Bags d.o.o. Beograd	18.11.2016	31.12.2021	0.1	EUR	4%
CCC S.A.	CCC Shoes&Bags d.o.o. Beograd	09.12.2016	31.12.2021	0.1	EUR	4%
CCC S.A.	NG2 Suisse S.a.r.l.	29.08.2018	31.12.2021	2.0	CHF	1%
CCC S.A.	Karl Voegele AG	02.01.2019	30.04.2021	10.0	CHF	1%
CCC S.A.	Karl Voegele AG	19.03.2019	30.04.2021	8.0	CHF	1%
CCC S.A.	CCC Obutev d.o.o	18.02.2019	17.02.2021	0.8	EUR	1%
CCC S.A.	CCC Obutev d.o.o	21.04.2020	30.04.2021	0.3	EUR	1%
CCC S.A.	CCC Hrvatska d.o.o.	28.02.2019	27.02.2021	3.8	HRK	1%
CCC S.A.	HR Group GmbH & Co. KG	17.02.2020	31.03.2023	6.2	EUR	3%
CCC S.A.	Gino Rossi S.A.	18.12.2018	20.05.2022	22.1	PLN	3M WIBOR + 1.65%
CCC S.A.	Gino Rossi S.A.	18.12.2018	31.10.2021	0.4	PLN	1M WIBOR + 1.4%
CCC S.A.	Gino Rossi S.A.	18.12.2018	31.10.2021	31.4	PLN	1M WIBOR + 1.3%
CCC S.A.	Gino Rossi S.A.	18.12.2018	31.10.2021	9.5	PLN	1M WIBOR + 1.4%

The loan agreements specified in the table above do not provide for any collateral.

The Company uses a tool to estimate expected credit losses using a case-by-case approach.

Expected credit losses are calculated based on internal assessment or external ratings, if available. The probability of default is estimated at the date of initial recognition and then as at the reporting date. The determination of whether there has been a significant increase in credit risk since initial recognition is based on a comparison of the borrower's financial data as at the date of the loan and as at the reporting date as well as on additional information, such as:

- 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.

The Company has intra-group loans and loan guarantees with credit risk different (lower) than the credit risk of exposures to unrelated parties.

The loss allowance for intra-group loans and loan sureties was measured in accordance with the general approach to recognising expected credit losses.

The following formula is used to calculate an expected credit loss for a single item of financial assets:

Expected Credit Loss =

(a) Exposure at default x

(b) Loss given default (%) x

(c) Marginal default probability (%) x

(d) Probability that the company (borrower) will continue to operate in a given year (%) x

(e) Discounting factor.

where:

(a) Exposure at default (EAD) is the total balance of a loan (or receivable) outstanding and interest payable in a given year for the remaining period of the instrument;

(b) Loss given default (%) – loss incurred by the lender if the borrower defaults on the obligation. Some loans may be secured, which will reduce the loss factor in the event of default;

(c) Marginal default probability (%) – the probability that the borrower will default in each subsequent year. The calculation procedure is described below. The data on the marginal probability of default has been derived from the model.

(d) Probability that the borrower will continue to operate in a given year (%);

(e) Discounting factor – for debt instruments, the discount rate derived from measurement at amortised cost.

During the financial year, the estimation techniques and material assumptions did not change relative to the comparative period.

3.3. RELATED-PARTY TRANSACTIONS

In the presented periods, the Company executed the following transactions with its subsidiaries:

SUBSIDIARIES				
	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**
	AUDITED	AUDITED	AUDITED	AUDITED
Branded Shoes & BAGS sp. z o.o	–	–	–	–
CCC Austria Ges.m.b.H	–	–	0.3	–
CCC Czech s.r.o.	–	–	–	0.9
CCC Factory sp. z o.o.	–	–	1.1	6.5
CCC Hrvatska d.o.o.	–	1.1	0.1	–
CCC Hungary Shoes Kft.	–	–	0.1	–
CCC Isle of Man Ltd.	–	–	–	–
CCC Obutev d.o.o.	–	1.9	0.1	–
CCC Russia OOO	–	0.1	0.3	–

CCC Shoes & Bags d.o.o. Beograd	–	1.5	0.1	–
CCC Shoes & Bags Sp. z o.o.	–	–	–	2.6
CCC Shoes Ayakkabicilik Limited	–	–	–	–
CCC Shoes Bulgaria EOOD	–	10.5	0.7	–
CCC Slovakia s.r.o.	–	–	–	–
CCC.eu Sp. z o.o.	–	250.5	117.8	16.4
DeeZee Sp. z o.o.	–	–	0.3	–
eobuwie.pl Logistics Sp z o.o.	–	–	0.9	0.3
eobuwie.pl S.A.	–	1.1	18.9	0.7
eschuhe.ch	–	–	–	–
eschuhe.de GmbH	–	–	–	–
GARDA Sp. z o.o.	–	–	–	–
Gino Rossi S.A.	–	36.1	2.0	0.7
Gino Rossi SRO	–	–	–	–
Karl Voegele AG	–	–	1.0	–
NG2 Suisse s.a.r.l.	–	9.9	0.1	–
Shoe Express S.A.	–	0.3	0.2	–
Vögele Verwaltung G.m.b.H	–	–	–	–
Total	**–**	**313.0**	**144.0**	**28.1**

SUBSIDIARIES				
	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**
	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
Branded Shoes & BAGS sp. z o.o	–	–	–	–
CCC Austria G.m.b.H	–	–	0.5	–
CCC Czech s.r.o.	0.3	–	0.3	0.8
CCC Factory sp. z o.o.	2.8	0.1	2.6	7.7
CCC Hrvatska d.o.o.	–	2.1	0.1	–
CCC Hungary Shoes Kft.	–	–	–	–
CCC Isle of Man Ltd.	–	–	–	–
CCC Obutev d.o.o.	–	1.7	0.1	–
CCC Russia OOO	–	0.2	0.5	–
CCC Shoes & Bags d.o.o. Beograd	–	2.8	0.1	–
CCC Shoes & Bags Sp. z o.o.	1.8	–	0.2	2.0
CCC Shoes Ayakkabicilik Limited	–	0.1	–	–
CCC Shoes Bulgaria EOOD	–	18.5	1.0	–
CCC Slovakia s.r.o.	–	–	–	–
CCC.eu Sp. z o.o.	622.4	70.6	272.3	143.0
DeeZee Sp. z o.o.	–	–	0.8	–
eobuwie.pl Logistics Sp z o.o.	–	–	–	–

eobuwie.pl S.A.	0.3	0.2	15.3	13.6
eschuhe.ch	–	–	–	–
eschuhe.de GmbH	–	–	–	–
GARDA Sp. z o.o.	–	–	–	–
Gino Rossi S.A.	–	34.8	8.2	–
Gino Rossi SRO	–	–	–	–
Karl Voegele AG	–	145.5	3.8	–
NG2 Suisse s.a.r.l.	0.6	17.9	0.5	–
Shoe Express S.A.	–	0.1	0.4	–
Vögele Verwaltung G.m.b.H	–	–	–	–
Total	**628.2**	**294.6**	**306.7**	**167.1**

SUBSIDIARIES

	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
	AUDITED	AUDITED	AUDITED	AUDITED
Branded Shoes & BAGS sp. z o.o	–	–	–	–
CCC Austria G.m.b.H	–	–	0.3	–
CCC Czech s.r.o.	0.3	–	0.1	0.8
CCC Factory sp. z o.o.	2.4	0.4	1.9	7.2
CCC Hrvatska d.o.o.	–	1.1	0.1	–
CCC Hungary Shoes Kft.	–	–	–	–
CCC Isle of Man Ltd.	–	–	–	–
CCC Obutev d.o.o.	–	0.9	–	–
CCC Russia OOO	–	0.2	0.2	–
CCC Shoes & Bags d.o.o. Beograd	–	1.4	0.1	–
CCC Shoes & Bags Sp. z o.o.	1.8	–	0.1	1.0
CCC Shoes Ayakkabicilik Limited	–	0.1	–	–
CCC Shoes Bulgaria EOOD	–	9.2	0.4	–
CCC Slovakia s.r.o.	–	–	–	–
CCC.eu Sp. z o.o.	465.3	34.3	135.4	134.3
DeeZee Sp. z o.o.	–	–	0.4	–
eobuwie.pl Logistics Sp z o.o.	–	–	–	–
eobuwie.pl S.A.	1.5	10.6	13.0	6.8
eschuhe.ch	–	–	–	–
eschuhe.de GmbH	–	–	–	–
GARDA Sp. z o.o.	–	–	–	–
Gino Rossi S.A.	–	0.3	3.9	–
Gino Rossi SRO	–	–	–	–
Karl Voegele AG	–	71.0	1.9	0.3

NG2 Suisse s.a.r.l.	0.3	9.6	0.3	–
Shoe Express S.A.	–	0.1	0.2	–
Vögele Verwaltung G.m.b.H	–	–	–	–
Total	**471.6**	**139.2**	**158.3**	**150.4**

In the presented periods, the Company executed the following transactions with its associates:

ASSOCIATES	**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**
	AUDITED	AUDITED	AUDITED	AUDITED
Pronos Sp. z o.o.	–	–	–	–
HR Group Holding S.a.r.l.	–	–	–	–
Hamm Reno Group GmbH	–	–	–	–
HR Group GmbH & Co. KG	–	–	–	–
Blitz 18-535 GMBH	–	–	–	–
CCC Germany GmbH	–	–	–	–
HR Group TopCo	–	–	–	–
Total	**–**	**–**	**–**	**–**

ASSOCIATES	**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**
	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
Pronos Sp. z o.o.	0.8	–	–	–
HR Group Holding s.a.r.l.	21.6	–	–	–
Hamm Reno Group GmbH	–	–	–	0.2
HR Group GmbH & Co. KG	–	–	–	–
Blitz 18-535 GMBH	–	–	–	–
CCC Germany GmbH	–	–	–	3.0
HR Group TopCo	–	–	6.2	–
Total	**22.4**	**–**	**6.2**	**3.2**

ASSOCIATES

	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
	AUDITED	AUDITED	AUDITED	AUDITED
Pronos Sp. z o.o.	–	–	–	–
HR Group Holding s.a.r.l.	32.7	–	–	–
Hamm Reno Group GmbH	–	–	–	–
HR Group GmbH & Co. KG	–	–	–	–
Blitz 18-535 GMBH	–	–	–	–
CCC Germany GmbH	–	–	–	–
HR Group TopCo	–	–	–	–
Total	**32.7**	**–**	**–**	**–**

In the presented periods, the Company executed the following transactions with parties related to the Company through members of the key management personnel:

ENTITIES RELATED TO KEY MANAGEMENT PERSONNEL

	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
	AUDITED	AUDITED	AUDITED	AUDITED
ULTRO s.a.r.l.	–	–	–	–
Astrum s.a.r.l.	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**

ENTITIES RELATED TO KEY MANAGEMENT PERSONNEL	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
	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
MGC INWEST Sp. z o.o.	–	–	–	–
ASTRUM Sp. z o. o.	–	–	0.1	–
Cuprum Arena Galeria Lubińska	–	–	–	2.5
ULTRO s.a.r.l.	–	–	–	–
Astrum s.a.r.l.	–	–	–	–
Forum Kielce	–	–	–	0.5
Forum Lubin	–	–	–	0.6
GP Sp. z o.o.	–	–	–	0.7
Total	**–**	**–**	**0.1**	**4.3**

ENTITIES RELATED TO KEY MANAGEMENT PERSONNEL	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
	AUDITED	AUDITED	AUDITED	AUDITED
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
ULTRO s.a.r.l.	0.9	–	–	–
Astrum s.a.r.l.	–	–	–	–
Forum Kielce	–	–	–	–
Forum Lubin	–	–	–	–
GP Sp. z o.o.	–	–	–	–
Total	**4.1**	**1.8**	**1.5**	**2.3**

All related-party transactions were entered into 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	3.2	1.0	4.2
Supervisory Board	0.5	–	0.5
Total	**3.7**	**1.0**	**4.7**
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**

4. DEBT. CAPITAL AND LIQUIDITY MANAGEMENT

4.1 CAPITAL MANAGEMENT

The purpose of capital risk management is to protect the Company's ability to continue its operations 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 Company'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 the Directors' Report on the Group's operations.
To maintain or adjust the capital structure, the Company 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 Company 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 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 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 are recognised as a liability in the Company's financial statements in the period in which they were approved by shareholders of the Company.

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 controls 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 -347.7m (January 31st 2020: PLN 304.7m; December 31st 2019: PLN 309.8).

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, basic and diluted loss per share was PLN -13.17. In the 13 months ended January 31st 2020, basic and diluted loss per share was PLN -1.37. In the 12 months ended December 31st 2019, basic and diluted loss per share was PLN -1.24.

	January 31st 2021	January 31st 2020	December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Weighted average number of shares	49,913,756	41,168,000	41,168,000
Potential number of shares	293,730	293,730	293,730
TOTAL	**50,207,486**	**41,461,730**	**41,461,730**
Net profit/(loss)	(657.5)	(56.4)	(51.0)
Basic earnings (loss) per share (PLN)	(13.17)	(1.37)	(1.24)
Diluted earnings (loss) per share (PLN)	(13.17)	(1.37)	(1.24)
Number of warrants	293,730.0	293,730.0	293,730.0
Price of warrants (PLN)	211.4	211.4	211.4
Average price of shares in period (PLN)	64.4	98.5	110.0
Share price as at end of period	59.7	110.0	110.0
Number of shares used to calculate basic earnings (loss) per share	49,913,756	41,168,000	41,168,000
Number of shares after adjustment	49,913,756	41,168,000	41,168,000
Net profit (loss) [PLNm]	(657.5)	(56.4)	(51.0)
Diluted earnings (loss) per share (PLN)	**(13.17)**	**(1.37)**	**(1.24)**

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 for 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 54,858,000 shares with a par value of PLN 0.10 per share, including 6,650,000 registered preference shares, each conferring two voting rights.

4.2 FINANCING LIABILITIES

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 amortised 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 contractual conditions

If the contractual terms of a financial liability are changed, the Company analyses whether the modification of cash flows was material or not. The Company applies both quantitative and qualitative criteria to identify a material modification leading to derecognition of an existing financial liability. The Company 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 Company 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 Company 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 Company 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 valuation is recognised as income or expense in profit or loss.

LIABILITIES UNDER BANK AND NON-BANK BORROWINGS, AND BONDS

The following Note presents data on the Company's borrowings from financial institutions and from other Group companies.

For information on lease liabilities, see Note 5.3.

NOTE	AUDITED	LIABILITIES UNDER BANK AND NON-BANK BORROWINGS, AND BONDS				
		LONG-TERM	SHORT-TERM	IN CURRENT ACCOUNT	LIABILITIES UNDER BONDS	TOTAL
	As at January 1st 2019	**–**	**7.1**	**–**	**210.0**	**217.1**
	Proceeds from debt contracted					
	- financing received	111.7	–	–	–	111.7
	- transaction costs	–	–	–	–	–
	Interest accrued	–	1.4	–	6.6	8.0
	Debt-related payments					
	- principal payments	–	(6.9)	–	–	(6.9)
	- interest paid	–	(1.0)	–	(6.6)	(7.6)
	Change in presentation from current to non-current	(111.7)	111.7	–	–	–
	Other non-cash changes	–	(0.9)	–	–	(0.9)
	As at December 31st 2019	**–**	**111.4**	**–**	**210.0**	**321.4**
	Proceeds from debt contracted					
	- financing received	250.0	–	–	–	250.0
	- transaction costs	–	–	–	–	–
	Interest accrued	–	1.4	–	5.2	6.6
	Debt-related payments					
	- principal payments	–	(111.7)	–	–	(111.7)
	- interest paid	–	(1.3)	–	(4.9)	(6.2)
	Increase due to change in overdraft facility amount	–	0.1	–	–	0.1
	Other non-cash changes	(2.9)	0.2	–	–	(2.7)
	As at January 31st 2021	**247.1**	**0.1**	**–**	**210.3**	**457.5**

NOTE	UNAUDITED	LIABILITIES UNDER BANK AND NON-BANK BORROWINGS, AND BONDS				
		LONG-TERM	SHORT-TERM	IN CURRENT ACCOUNT	LIABILITIES UNDER BONDS	TOTAL
	As at January 1st 2019	**–**	**7.1**		**210.0**	**217.1**
	Proceeds from debt contracted					
	- financing received	111.7	–	–	–	111.7
	- transaction costs	–	–	–	–	–
	Interest accrued	–	1.4	–	7.2	8.6
	Debt-related payments					
	- principal payments	–	(6.9)	–	–	(6.9)
	- interest paid	–	(1.4)	–	(6.7)	(8.1)
	Increase due to change in overdraft facility amount	–	–	0.6	–	0.6
	Change in presentation from current to non-current	(111.7)	111.7	–	–	–
	Other non-cash changes	–	0.2	–	–	0.2
	As at January 31st 2020	**–**	**112.1**	**0.6**	**210.5**	**323.2**

In the reporting period, the total amount (PLN 111.7m) of financing received from CCC.EU sp. z o.o. on January 29th 2019 was repaid. In connection with its existing debt, the Company is exposed to interest rate risk, currency risk, and liquidity risk. For a description of the financial risks, see Note 6.1.

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 Company is renegotiating the terms and conditions of the bond issue, including the original redemption date. For more information, see 'Going concern' in the introduction to the report.

Due to the coronavirus pandemic, the Company entered into an arrangement with the Group's and the Company's financing institutions; for details, see 'Going concern' in Note 1 to these financial statements. In the Company's opinion, changes in the contractual terms of these financial liabilities are not material and do not result in derecognition of the existing liabilities.

On November 5th 2020, the Company entered into the Common Terms Agreement with the Group's lending banks, enabling the Group to take out revolving facilities of up to PLN 250.0m, secured, among other things, with Bank Gospodarstwa Krajowego guarantees. The facilities are also secured by a financial and registered pledge over all shares in CCC Shoes&Bags Sp. z o.o. The annual interest rate is WIBOR plus margin. The facility was disbursed in the amount of PLN 250m on December 23rd 2020. The repayment date is October 31st 2022.

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	110.0	1,094.0	1,094.0
Security mortgages on real estate	2,636.1	1,349.7	1,349.7
Registered pledge on movable property	536.2	1,800.0	1,800.0
Blank promissory notes	851.8	709.9	709.9
Assignments of rights under insurance policies	–	17.0	17.0
Bank guarantees	–	35.8	35.8

The Company has agreements with banks under which the banks provided guarantees to landlords of the premises rented by the Company.

4.3. CONTRACTUAL MATURITIES OF FINANCING 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 CCC S.A.

CCC S.A. 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, CCC S.A. does not bear any significant risk of receipt of payment from retail customers. In most cases, the Company recognises 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. Under the financing agreements, CCC S.A. 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 Company to reasonably manage its sales and ensure timely payment of financial liabilities by CCC S.A. In accordance with historical financial data, the volumes of merchandise sold in the course of its retail business allowed Company to pay all of its financial liabilities on a timely basis in each period. Also, the planned future retail and wholesale revenue generally allows the Company to fully cover the expected future financing liabilities over the periods covered by the liquidity risk analyses prepared by the Company. The only period when CCC S.A. 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.

Prudent liquidity management also implies that the Company always maintains sufficient cash and cash equivalents 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 the Company.

In the opinion of the Management Board, the liquidity risk management disclosures contained in these 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.

NOTE	As at January 31st 2021 (audited)	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		
	Bank borrowings	0.2	–	250.0	–	–	250.2	247.2
	Bonds	–	211.6	–	–	–	211.6	210.3
	Trade payables	16.7	0.1	–	–	–	16.8	16.8
	Guarantees provided	1,643.2	–	–	–	–	1,643.2	1,643.2
	Returns liabilities	3.9	–	–	–	–	3.9	3.9
	Lease liabilities	46.9	154.1	415.2	207.6	112.2	936.0	872.3
	Total financial liabilities	**1,710.9**	**365.8**	**665.2**	**207.6**	**112.2**	**3,061.7**	**2,993.7**

NOTE	As at January 31st 2020 (unaudited)	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		
	Bank borrowings	1.3	114.2	1.3	–	–	116.8	113.2
	Bonds	–	6.4	213.2	–	–	219.6	210.0
	Trade payables	438.7	26.1	–	–	–	464.8	464.8
	Guarantees provided	1,676.6	–	–	–	–	1,676.6	1,676.6
	Lease liabilities	51.1	155.5	312.0	164.8	56.1	739.5	718.2
	Liabilities due to acquisition of HR Group	–	21.6	–	–	–	21.6	21.6
	Total financial liabilities	**2,167.7**	**323.8**	**526.5**	**164.8**	**56.1**	**3,238.9**	**3,204.4**

NOTE	As at December 31st 2019 (audited)	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		
	Bank borrowings	1.2	112.4	1.4	–	–	115.0	111.4
	Bonds	–	6.4	213.2	–	–	219.6	210.0
	Trade payables	430.4	26.1	–	–	–	456.5	456.5
	Guarantees provided	1,676.6	–	–	–	–	1,676.6	1,676.6
	Lease liabilities	51.1	151.8	307.0	160.7	63.5	734.1	710.4
	Liability due to acquisition of Adler International Sp. z o.o.	2.5	–	–	–	–	2.5	2.5
	Liabilities due to acquisition of HR Group	–	32.7	–	–	–	32.7	32.7
	Total financial liabilities	**2,161.8**	**329.4**	**521.6**	**160.7**	**63.5**	**3,237.0**	**3,200.1**

For more information on the guarantees, see Notes 3.2 and 6.1 and the Directors' Report.

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

AUDITED	Trade receivables, other receivables	Trade payables, other payables, amounts due to employees
As at January 1st 2020	37.3	551.0
As at January 31st 2021	247.2	119.1
Change in the statement of financial position	**(209.9)**	**(431.9)**
Difference due to:		
Changes in issued provided	3.3	(0.7)
Changes in investment liabilities/receivables	(0.5)	6.0
Change in liabilities due to obligation to pay to associate	–	32.7
Other	0.2	–
Change recognised in statement of cash flows	**(206.9)**	**(393.9)**
As at January 1st 2019	76.5	263.8
As at December 31st 2019	37.3	551.0
Change in the statement of financial position	**39.2**	**(287.2)**
Difference due to:		
Loans	–	1.9
Changes in sureties provided	(5.4)	8.9
Changes in investment liabilities/receivables	(0.1)	3.1
Changes in receivables related to acquisition of shares in Gino Rossi S.A.	(27.7)	–
Change in liabilities due to obligation to pay to associate	–	(32.7)
Change in liabilities due to acquisition of Adler	–	16.5
Settlement of grant	–	2.4
Other	–	1.7
Change recognised in statement of cash flows	**6.0**	**289.0**

UNAUDITED	Trade receivables, other receivables	Trade payables, other payables, amounts due to employees
As at January 1st 2019	76.5	263.8
As at January 31st 2020	37.2	552.8
Change in the statement of financial position	**39.3**	**289.0**
Difference due to:		
Loans	–	–
Changes in sureties provided	(5.4)	9.7
Changes in investment liabilities/receivables	(0.1)	3.4
Changes in receivables related to acquisition of shares in Gino Rossi S.A.	(27.7)	–
Change in liabilities due to obligation to pay to associate	–	(21.6)
Change in liabilities due to acquisition of Adler	(0.1)	16.5
Settlement of grant	–	2.6
Other	0.2	2.1
Change recognised in statement of cash flows	**6.2**	**301.7**

	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Other adjustments to profit before tax:			
Foreign exchange gains (losses)	–	(1.9)	1.4
Change in provisions	4.3	0.8	0.8
Change in provisions for credit sureties and guarantees	262.7	–	–
Allowance for expected credit losses	252.0	–	–
Measurement of employee option plan	–	(7.1)	(7.1)
Sureties	(3.3)	(3.5)	(3.5)
Valuation of HR Group option	13.3	103.3	103.6
Impairment loss on shares in NG2 Suisse s.a.r.l and Gino Rossi S.A.	134.3	–	–
Fair value measurement of CCC Germany	–	22.6	22.6
Exchange differences on measurement of lease liabilities	43.2	–	–
Other	12.0	(3.2)	(3.3)
Total	**718.4**	**111.0**	**114.5**

	January 1st 2020 – January 31st 2021	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Depreciation/amortisation due to changes in non-current assets			
Depreciation/amortisation expense disclosed in the note on expenses	235.4	268.4	248.6
Change due to recharge of costs	–	–	18.3
Other	(4.0)	(2.7)	(2.7)
Total	**231.4**	**265.7**	**264.2**

5. NOTES TO THE INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
5.1 INTANGIBLE ASSETS

ACCOUNTING POLICY

The Company measures intangible assets at cost less accumulated 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	TRADEMARKS, PATENTS, LICENCES	INTANGIBLE ASSETS UNDER DEVELOPMENT	TOTAL
Gross carrying amount as at January 1st 2019	**11.5**	**–**	**11.5**
Accumulated amortisation as at January 1st 2019	**(9.3)**	**–**	**(9.3)**
Net carrying amount as at January 1st 2019	**2.2**	**–**	**2.2**
Amortisation	(0.8)	–	(0.8)
Gross carrying amount December 31st 2019 (January 1st 2020)	**11.5**	**–**	**11.5**
Accumulated amortisation as at December 31st 2019 (January 1st 2020)	**(10.1)**	**–**	**(10.1)**
Net carrying amount as at December 31st 2019 (January 1st 2020)	**1.4**	**–**	**1.4**
Amortisation	(0.7)	–	(0.7)
Acquisition	0.9	0.3	1.2
Gross carrying amount as at January 31st 2021	**12.4**	**0.3**	**12.7**
Accumulated amortisation as at January 31st 2021	**(10.8)**	**–**	**(10.8)**
Net carrying amount as at January 31st 2021	**1.6**	**0.3**	**1.9**

UNAUDITED	TRADEMARKS, PATENTS, LICENCES	INTANGIBLE ASSETS UNDER DEVELOPMENT	TOTAL
Gross carrying amount as at January 1st 2019	**11.5**	**–**	**11.5**
Accumulated amortisation as at January 1st 2019	**(9.3)**	**–**	**(9.3)**
Net carrying amount as at January 1st 2019	**2.2**	**–**	**2.2**
Amortisation	(0.8)	–	(0.8)
Gross carrying amount as at January 31st 2020	**11.5**	**–**	**11.5**
Accumulated amortisation as at January 31st 2020	**(10.1)**	**–**	**(10.1)**
Net carrying amount as at January 31st 2020	**1.4**	**–**	**1.4**

5.1.1 GOODWILL

ACCOUNTING POLICY

Goodwill recognised in the financial statements was recognised on acquisition of an organised part of business (the "acquiree").

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 Company 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 December 31st 2019 (audited)	As at January 31st 2021 (audited)	Segment – CGU
Adler International Sp. z o.o. sp. k.	July 2018	48.8	48.8	Distribution - Retail - Poland and e-commerce

As at January 31st 2021, the Company tested for impairment a cash-generating unit to which a material amount of goodwill with indefinite useful life has been allocated, i.e., the Adler International Sp. z o.o. sp.k. project. Goodwill was tested as part of impairment testing of the stores to which it relates. The test did not reveal any impairment. The management of the Company believes that no reasonably possible change to any of the key assumptions of the test would result in the carrying amount of the tested unit 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 Company's experience adjusted for expected changes in the period covered by the forecast.
The amount of revenue of the Adler Project 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 underlying assumptions of the impairment test are presented below.

January 31st 2021	Adler International Sp. z o.o. sp. k.
Discount rate before tax	7.69%
Average EBITDA margin	27.84%
Expected EBITDA CAGR	13.54%
Residual growth rate	2.00%

December 31st 2019	Adler International Sp. z o.o. sp. k.
Discount rate before tax	9.80%
Average EBITDA margin	30.20%
Expected EBITDA CAGR	3.56%
Residual growth rate	2.00%

The Company also analysed the sensitivity of profit or loss to changes in the discount rate (+/- 5 pp) and EBITDA (+/- 5%). The results of the analysis indicate that such a change in parameters would not pose a risk of impairment.

5.2 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 expenditures are included in the carrying amount of a given fixed asset or recognised as a separate fixed asset (where appropriate) only if it is probable that economic benefits will flow to the Company under this item and the cost of the given item can be reliably estimated. 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	* from 10 to 40 years
	* machinery and equipment	* from 10 to 40 years
	* vehicles	* from 5 to 10 years
	* other property, plant and equipment	* from 5 to 10 years
Other	* machinery and equipment	* from 3 to 15 years
	* vehicles	* from 5 to 10 years
	* other property, plant and equipment	* 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 Company 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 Company 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 Company, 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 Company 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.

Grants received

Grants for the purchase or construction of property, plant and equipment are recognised by the Company when they are received or likely to be received in the future (e.g. the Company obtains an endorsement letter, lease incentives), if there is reasonable assurance that the Company 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 not 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. (January 31st 2020: PLN 21.2m; December 31st 2019: PLN 21.4m). In accordance with the Company's accounting policy, this grant is presented in the line item 'Grants received' in the statement of financial position.

AUDITED	LEASEHOLD IMPROVEMENTS	MANUFACTURING AND DISTRIBUTION				OTHER PROPERTY, PLANT AND EQUIPMENT				TOTAL
		LAND, BUILDINGS AND	MACHINERY AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT	TOTAL	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER	TOTAL	
Gross carrying amount as at January 1st 2019	**405.3**	**206.5**	**95.6**	**0.1**	**302.2**	**55.3**	**26.3**	**7.8**	**89.4**	**796.9**
Accumulated depreciation as at January 1st 2019	**(150.3)**	**(18.7)**	**(61.7)**	**–**	**(80.4)**	**(4.0)**	**(18.6)**	**(5.9)**	**(28.5)**	**(259.2)**
Net carrying amount as at January 1st 2019	**255.0**	**187.8**	**33.9**	**0.1**	**221.8**	**51.3**	**7.7**	**1.9**	**60.9**	**537.7**
Acquisition	84.5	14.3	13.8	14.8	42.9	0.3	3.6	–	3.9	131.3
Depreciation	(41.7)	(8.5)	(12.0)	–	(20.5)	(2.5)	(2.8)	(0.5)	(5.8)	(68.0)
Retirement and disposal	(25.6)	(6.1)	–	–	(6.1)	–	(4.0)	(0.1)	(4.1)	(35.8)
Retirement and disposal (accumulated depreciation)	7.7	0.2	–	–	0.2	–	2.6	0.1	2.7	10.6
Gross carrying amount as at December 31st 2019	**464.2**	**214.7**	**109.4**	**14.9**	**339.0**	**55.6**	**25.8**	**7.8**	**89.2**	**892.4**
Accumulated depreciation as at December 31st 2019	**(184.3)**	**(27.0)**	**(73.7)**	**–**	**(100.7)**	**(6.5)**	**(18.7)**	**(6.4)**	**(31.6)**	**(316.6)**
Net carrying amount as at December 31st 2019	**279.9**	**187.7**	**35.7**	**14.9**	**238.3**	**49.1**	**7.1**	**1.4**	**57.6**	**575.8**
Acquisitions	75.7	–	1.8	1.5	3.3	(0.2)	0.1	0.1	–	79.0
Depreciation	(58.3)	(5.7)	(16.7)	–	(22.4)	(5.5)	(0.2)	(0.4)	(6.1)	(86.8)
Retirement and disposal	(15.8)	–	–	–	–	–	–	(1.3)	(1.3)	(17.1)
Retirement and disposal (accumulated depreciation)	8.6	–	0.1	–	0.1	–	–	1.4	1.4	10.1
Transfer between groups (gross amount)	11.0	15.5	9.7	(14.9)	10.3	0.9	(24.0)	(1.6)	(24.7)	(3.4)
Transfer between groups (accumulated depreciation)	(11.3)	(0.6)	(5.8)	–	(6.4)	2.9	17.3	0.9	21.1	3.4
Gross carrying amount as at January 31st 2021	**535.1**	**230.2**	**120.9**	**1.5**	**352.6**	**56.3**	**1.9**	**5.0**	**63.2**	**950.9**
Accumulated depreciation as at January 31st 2021	**(245.3)**	**(33.3)**	**(96.1)**	**–**	**(129.4)**	**(9.1)**	**(1.6)**	**(4.5)**	**(15.2)**	**(389.9)**
Net carrying amount as at January 31st 2021	**289.8**	**196.9**	**24.8**	**1.5**	**223.2**	**47.2**	**0.3**	**0.5**	**48.0**	**561.0**

UNAUDITED	LEASEHOLD IMPROVEMENTS	MANUFACTURING AND DISTRIBUTION				OTHER PROPERTY, PLANT AND EQUIPMENT				TOTAL
		LAND, BUILDINGS AND	MACHINERY AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT	TOTAL	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER	TOTAL	
Gross carrying amount as at January 1st 2019	**405.3**	**206.5**	**95.6**	**0.1**	**302.2**	**55.3**	**26.3**	**7.8**	**89.4**	**796.9**
Accumulated depreciation as at January 1st 2019	**(150.3)**	**(18.7)**	**(61.7)**	**–**	**(80.4)**	**(4.0)**	**(18.6)**	**(5.9)**	**(28.5)**	**(259.2)**
Net carrying amount as at January 1st 2019	**255.0**	**187.8**	**33.9**	**0.1**	**221.8**	**51.3**	**7.7**	**1.9**	**60.9**	**537.7**
Acquisition	89.9	14.3	13.8	15.6	43.7	0.8	3.6	–	4.4	138.0
Depreciation	(49.9)	(9.5)	(14.0)	–	(23.5)	(3.0)	(3.2)	(0.6)	(6.8)	(80.2)
Retirement and disposal	(25.6)	(6.1)	–	–	(6.1)	–	(4.0)	(0.1)	(4.1)	(35.8)
Retirement and disposal (accumulated depreciation)	7.7	0.2	–	–	0.2	–	2.6	0.1	2.7	10.6
Gross carrying amount as at January 31st 2020	**466.5**	**214.7**	**109.4**	**15.3**	**339.4**	**55.8**	**25.8**	**7.8**	**89.4**	**895.3**
Accumulated depreciation as at January 31st 2020	**(188.4)**	**(27.4)**	**(74.7)**	**–**	**(102.1)**	**(6.7)**	**(18.9)**	**(6.4)**	**(32.0)**	**(322.5)**
Net carrying amount as at January 31st 2020	**278.1**	**187.3**	**34.7**	**15.3**	**237.3**	**49.1**	**6.9**	**1.4**	**57.4**	**572.8**

The Covid-19 pandemic impacted the Company's financial results in the current period and has had an effect on its budgeted future results. Detailed 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%	5%

Personnel costs	Δ % 2021	Δ % 2022	Δ % 2023	Δ % 2024
Poland	5.0%	3.0%	1%	1%

Gross margin	Δ % 2021	Δ % 2022	Δ % 2023	Δ % 2024
Poland	1.0%	3.0%	1%	0%

Rent-related expenses	Δ % 2021	Δ % 2022	Δ % 2023	Δ % 2024
Poland	-10.0%	0.0%	0%	0%

Rent-related expenses include shared and maintenance costs, cleaning and municipal services, utilities and other expenses.

As at January 31st 2021, the Company identified indications of asset impairment for those stores that were loss-making in 2019 and 2020. As a result, a total of two stores were tested for impairment. For the remaining stores, the Company analysed the 2020/21 and February-April 2021 results, as well as the projected future results. No indications of impairment were identified for these assets.
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 presented in the table above) the stores are expected to generate positive results that do not warrant recognition of impairment. The carrying amount of the assets of the stores tested for impairment was PLN 23.9m. The tests did not reveal any impairment of the assets.

The forecast for each tested store covered the duration of the existing lease contracts to correctly calculate recoverable amounts. The discount rate for Poland was 7.69%.
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. One of the tested stores is slated for format change. As a result of the change, the showroom will generate higher revenue which, in turn, will have a positive impact on the cash flows forecast for the coming years.

The Company did not identify any evidence of impairment of property, plant and equipment in the Manufacturing and distribution segment and the Other segment.
The assets of the first group (‘Manufacturing and distribution’) are used for:

- distribution purposes, both in the retail business and the e-commerce business. During the COVID-19 pandemic, revenue from the e-commerce distribution channel has increased significantly;
- manufacturing activities, which have not been significantly affected by the pandemic.

The assets of the ‘Other’ segment concern mainly land and buildings at the head office of the parent.

5.3 RIGHT-OF-USE ASSETS. LEASE LIABILITIES AND RECEIVABLES

ACCOUNTING POLICY

At the lease commencement date, the Company 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 Company 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 Company decides to extend the contract, the term of the contract used in the measurement is extended by the period of the extension option.

The Company 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 Company 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 Company applies a practical expedient to short-term leases and leases of low-value assets.

The Company 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 Company 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, while lease liabilities are accounted for using the effective interest rate.

The Company measures lease contracts that meet the criteria defined in IFRS 16. The Company 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 Company:
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) a reduction in the carrying amount of the right-of-use asset to reflect the partial or complete termination of the lease for lease modifications that reduce 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.

Company as the lessor

At the lease commencement date, CCC S.A. 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.

The Company subleases office, retail and warehouse space to other companies of the CCC Group and recognises such sublets as finance leases.
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.

	RIGHT-OF-USE ASSETS FROM LEASE CONTRACTS				
AUDITED	**Stores**	**Warehouse**	**Vehicles**	**Offices**	**Total**
Gross carrying amount as at January 1st 2019	**786.8**	**5.9**	**1.8**	**–**	**794.5**
Accumulated depreciation as at January 1st 2019	**(177.0)**	**(1.6)**	**(0.9)**	**–**	**(179.5)**
Net carrying amount as at January 1st 2019	**609.8**	**4.3**	**0.9**	**–**	**615.0**
New lease contracts	53.2	2.1	3.2	11.7	70.2
Changes resulting from contract modifications	202.2	0.8	0.6	4.7	208.3
Changes resulting from contract modification – shortening contract term – gross carrying amount	(9.8)	(1.8)	–	–	(11.6)
Gross carrying amount as at December 31st 2019	**1,032.4**	**7.0**	**5.6**	**16.4**	**1,061.4**
Accumulated depreciation as at January 1st 2019	**(177.0)**	**(1.6)**	**(0.9)**	**–**	**(179.5)**
Changes resulting from contract modification – shortening contract term – depreciation	1.0	0.6	–	–	1.6
Depreciation in period	(191.6)	(1.8)	(1.4)	(1.8)	(196.6)
Accumulated depreciation as at December 31st 2019	**(367.6)**	**(2.8)**	**(2.3)**	**(1.8)**	**(374.5)**
Net carrying amount as at December 31st 2019	**664.8**	**4.2**	**3.3**	**14.6**	**686.9**
New lease contracts	33.9	1.3	2.1	–	37.3
Changes resulting from contract modifications	50.3	(0.2)	0.2	(0.9)	49.3
Changes resulting from contract modification – shortening contract term – gross carrying amount	(27.7)	(3.1)	–	–	(30.8)
Gross carrying amount as at January 31st 2021	**1,089.0**	**4.9**	**7.9**	**15.5**	**1,117.2**
Accumulated depreciation as at January 1st 2020	(367.6)	(2.8)	(2.3)	(1.8)	(374.5)
Changes resulting from contract modification – shortening contract term – depreciation	17.9	1.8	–	–	19.6
Depreciation in period	(162.1)	(1.2)	(2.0)	(2.0)	(167.3)
Accumulated depreciation as at January 31st 2021	**(511.8)**	**(2.2)**	**(4.3)**	**(3.8)**	**(522.2)**
Net carrying amount as at January 31st 2021	**577.2**	**2.7**	**3.5**	**11.6**	**595.0**

RIGHT-OF-USE ASSETS FROM LEASE CONTRACTS					
UNAUDITED	**Stores**	**Warehouse**	**Vehicles**	**Offices**	**Total**
Gross carrying amount as at January 1st 2019	**786.8**	**5.9**	**1.8**	**–**	**794.5**
Accumulated depreciation as at January 1st 2019	**(177.0)**	**(1.6)**	**(0.9)**	**–**	**(179.5)**
Net carrying amount as at January 1st 2019	**609.8**	**4.3**	**0.9**	**–**	**615.0**
New lease contracts	54.1	2.2	3.2	11.7	71.3
Changes resulting from contract modifications	226.1	0.8	(0.1)	4.8	231.6
Changes resulting from contract modification – shortening contract term – gross carrying amount	(19.9)	(1.8)	–	–	(21.7)
Gross carrying amount as at January 31st 2020	**1,047.1**	**7.1**	**4.9**	**16.5**	**1,075.6**
Accumulated depreciation as at January 1st 2019	(177.0)	(1.6)	(0.9)	–	(179.5)
Changes resulting from contract modification – shortening contract term – depreciation	5.3	0.6	–	–	5.9
Depreciation in period	(208.4)	(2.0)	(1.7)	(2.0)	(214.1)
Accumulated depreciation as at January 31st 2020	**(380.1)**	**(3.0)**	**(2.6)**	**(2.0)**	**(387.7)**
Net carrying amount as at January 31st 2020	**666.9**	**4.2**	**2.3**	**14.5**	**687.9**

Following the COVID-19 outbreak, the Company 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 Company 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 once all of the contracts are effectively amended.

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	**710.4**	**641.8**	**641.8**
Accrued interest	18.0	10.4	9.7
Lease payments	(122.6)	(220.6)	(203.4)
Exchange differences	43.2	0.1	(6.0)
New lease contracts	109.9	71.4	69.9
Modification of contract terms	123.0	223.2	199.3
Indexation	0.4	7.5	7.0
Change of scope	(10.0)	(15.7)	(7.9)
At end of period	**872.3**	**718.2**	**710.4**

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, which, under IFRS 16 Leases, are not recognised in the measurement of the lease liability.

CCC S.A. as the lessor

The Company subleases office, retail, and warehouse space to other companies of the CCC Group.

Finance income on the net investment in the lease is not material.

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

As at January 1st 2020	**–**
New lease contracts	45.4
Modification	44.8
Interest	1.5
Repayment of receivables	(8.8)
As at January 31st 2021	**82.8**

The table below presents an analysis of the maturities of the lease payments due (undiscounted).

Undiscounted lease payments	**January 31st 2021**
up to 1 year	14.3
1 to 2 years	15.9
2 to 3 years	16.6
3 to 4 years	15.5
4 to 5 years	12.7
over 5 years	11.9
Total undiscounted lease payments	**86.9**
Unrealised finance income	**(4.1)**
Total	**82.8**

No discounted unguaranteed residual value was recognised.

5.4 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.

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-footwear products are typically lower than for footwear; 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 footwear than is the case for non-footwear 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-footwear category. Moreover, the rotation of non-footwear inventory is faster which justifies lower write-downs.

In analysing the age of the footwear inventory, the Company 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 Company decided to recognise write-downs for inventories aged two years and older. 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.

Inventories and inventory write-downs as at the reporting date are presented below.

	January 31st 2021	January 31st 2020	December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Merchandise	361.7	408.5	350.0
Returns assets	1.9	–	–
Total (gross)	**363.6**	**408.5**	**350.0**
Loss allowance	(3.2)	(4.5)	(4.5)
Total (net)	**360.4**	**404.0**	**345.5**

Changes in inventory write-downs during the period are presented below.

Inventory write-downs	January 31st 2021	January 31st 2020	December 31st 2019
	AUDITED	UNAUDITED	AUDITED
At beginning of period	**(4.5)**	**(3.3)**	**(3.3)**
Expensed to cost of sales	(3.2)	(5.5)	(5.5)
Utilised	4.5	4.3	4.3
At end of period	**(3.2)**	**(4.5)**	**(4.5)**

The Company'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 Company 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 1.9m, and the amount of the liability was PLN 3.9m.

Aging of the inventories is presented below.

Aging of inventories	January 31st 2021	January 31st 2020	December 31st 2019
	AUDITED	UNAUDITED	AUDITED
up to 1 year	292.1	322.9	211.2
1 to 2 years	55.7	64.4	108.7
2 to 3 years	13.6	15.9	26.0
over 3 years	2.1	5.3	4.1
Total (gross)	**363.6**	**408.5**	**350.0**

5.5 TRADE RECEIVABLES AND OTHER RECEIVABLES

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.

	January 31st 2021	January 31st 2020	December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Gross trade receivables	231.8	6.7	6.7
Provision for receivables	(1.7)	(1.8)	(1.8)
Total net receivables	**230.1**	**4.9**	**4.9**
Prepaid deliveries	1.3	0.7	0.7
Accrued expenses	5.2	6.6	6.6
Sureties	–	0.3	0.3
Tax receivables	1.3	18.4	18.4
Receivables from sale of property, plant and equipment	2.2	–	–
Other	3.6	6.3	6.4
Other financial receivables	3.5	–	–
Total other receivables	**17.1**	**32.3**	**32.4**

Trade receivables included mainly receivables from the subsidiary CCC.eu Sp. z o.o. of PLN 222.7m.

For details of the risks, see Note 6.1.
For information on the terms of related-party transactions, see Note 3.3.

Trade receivables are non-interest bearing and typically have a market-based payment term. 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 Company.

PAST DUE TRADE RECEIVABLES AND IMPAIRMENT LOSSES

Aging of trade receivables	January 31st 2021	January 31st 2020	December 31st 2019
	AUDITED	UNAUDITED	AUDITED
a) current	0.4	2.0	2.0
b) up to 1 month	12.2	1.2	1.2
c) over 1 month to 3 months	217.1	0.7	0.7
d) over 3 months to 6 months	0.4	0.2	0.2
e) over 6 months	1.7	2.6	2.6
Total trade receivables, gross	**231.8**	**6.7**	**6.7**

Impairment losses on trade receivables	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	**(1.8)**	**0.9**	**0.9**
a) increase	–	(2.7)	(2.7)
b) decrease – use	–	–	–
b) decrease – reversal	0.1	–	–
At end of period	(1.7)	(1.8)	(1.8)
Total trade receivables, net	**230.1**	**4.9**	**4.9**

Impairment losses on other receivables	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	**–**	**–**	**–**
a) increase	(0.6)	–	–
b) decrease – use	–	–	–
b) decrease – reversal	–	–	–
At end of period	**(0.6)**	**–**	**–**

As at January 31st 2021,The Company had trade receivables mainly from subsidiaries with established creditworthiness. As at the reporting date, trade receivables of PLN 229.3m were past due up to three months, and trade receivables of PLN 2.1m were past due more than three months. In the Company's opinion, past due receivables are not impaired, and the loss allowance on unprovisioned receivables is immaterial.

5.6 CASH AND CASH EQUIVALENTS

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	4.1	9.7	9.6
Cash at bank	193.7	8.5	23.0
Short-term deposits (up to 3 months)	–	32.3	62.8
Cash in transit	1.7	–	–
Total	**199.5**	**50.4**	**95.4**

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, and also section 5 of the Directors' Report.

Cash at bank is not restricted.

The significant increase in cash was attributable to a PLN 250m credit facility obtained on December 23rd 2020, secured, among other things, by Bank Gospodarstwa Krajowego guarantee.

5.7 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 Company incurs costs related to the operation of the Employee Capital Plans ("PPK") by making contribution to the pension fund. These are post-employment benefits in the form of a defined contribution plan. Costs of contributions to 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 and other payables			
• trade payables – net of reverse factoring	8.8	398.7	408.4
• trade payables – including reverse factoring	–	55.9	30.9
• investment liabilities	8.0	10.2	17.2
Total trade and other payables	**16.8**	**464.8**	**456.5**
Indirect taxes, customs duties, and other public charges payable	25.8	2.2	2.3
Amounts due to employees	28.7	25.6	23.0
Sureties received	–	2.6	2.6
Accrued expenses	37.9	23.5	21.6
Returns liabilities	3.9	–	–
Obligation to pay to associate	–	21.6	32.7
Liability due to acquisition of Adler International Sp. z o.o.	–	–	2.5
Other liabilities	6.0	7.0	4.3
Total other current liabilities	**102.3**	**82.5**	**89.0**

	January 31st 2021	January 31st 2020	December 31st 2019
	AUDITED	UNAUDITED	AUDITED
Amounts due to employees	–	5.5	5.5
Total non-current liabilities to employees	**–**	**5.5**	**5.5**

As at January 31st 2020 and December 31st 2019, most of the trade payables were liabilities to the Group companies, mainly CCC.eu Sp. z o.o. The amount of the liability to CCC.eu Sp. z o.o. as at January 31st 2020 and December 31st 2019 was PLN 354.1m, and trade receivables from the company were PLN 222.7m as at January 31st 2021.
The Company 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 Company pays its liabilities towards the factor's bank within the time limit originally specified in the invoices, therefore, from the Company's perspective, there is no extension of payment terms. In the Company's opinion, the nature of these liabilities does not change and therefore they continue to be classified as trade payables.

Accruals and deferrals include a provision for future costs of store closures in Germany of PLN 23.3m, as described in Note 2.2 – the total amount of the cost was PLN 36.4m.

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 and other payables approximates their carrying amount.

EXPENDITURE COMMITMENTS AND OTHER FUTURE LIABILITIES

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

5.8 PROVISIONS

ACCOUNTING POLICY

Provisions include mainly a provision for jubilee and retirement benefits, litigation and expected credit losses under sureties.

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 Company recognises a provision for future retirement benefit obligations in order to allocate the related costs to the relevant periods.

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.

The Company recognises a provision for future jubilee benefits based on an actuarial valuation using the projected unit credit method.

The Company recognises a provision for expected credit losses (ECL) on financial guarantees.

AUDITED	PROVISION FOR JUBILEE AND RETIREMENT BENEFITS	PROVISION FOR RETURNS	OTHER PROVISIONS	TOTAL
As at January 1st 2019	**3.2**	**–**	**76.4**	**79.6**
short-term	0.9	–	76.4	77.3
long-term	2.2	–	–	2.2
As at January 1st 2019	**3.1**	**–**	**76.4**	**79.5**
Recognised	0.9	–	22.0	22.9
Utilised	–	–	(98.4)	(98.4)
As at December 31st 2019	**4.0**	**–**	**–**	**4.0**
short-term	1.2	–	–	1.2
long-term	2.8	–	–	2.8
As at January 1st 2020	**4.0**	**–**	**–**	**4.0**
Recognised	2.0	3.8	261.2	267.0
Utilised	–	–	–	–
Reversed	–	–	–	–
As at January 31st 2021	**6.0**	**3.8**	**261.2**	**271.0**
short-term	1.2	3.8	261.2	266.2
long-term	4.8	–	–	4.8

UNAUDITED	PROVISION FOR JUBILEE AND RETIREMENT BENEFITS	PROVISION FOR RETURNS	OTHER PROVISIONS	TOTAL
As at January 1st 2019	**3.1**	**–**	**76.4**	**79.5**
short-term	0.9	–	76.4	77.3
long-term	2.2	–	–	2.2
As at January 1st 2019	**3.1**	**–**	**76.4**	**79.5**
Recognised	0.9	–	22.0	22.9
Utilised	–	–	(98.4)	(98.4)
As at January 31st 2020	**4.0**	**–**	**–**	**4.0**
short-term	1.2	–	–	1.2
long-term	2.8	–	–	2.8

Other provisions recognised in the current financial year, of PLN 261.2m, include provisions for sureties for credit facilities used by subsidiaries of PLN 133.9m; for more information, see Notes 2.3 and 3.2. The Company also recognised a provision for a PLN 127.3m guarantee for trade payables of a subsidiary. The Company is required to compensate losses incurred by creditors in case of failure by NG2 Suisse s.a.r.l. and Karl Voegele AG to pay the amounts due (the amount of the claims as at the reporting date was PLN 93.7m). Due to the material impact of the COVID-19 pandemic on the operating results of Karl Voegele AG and its prospects, as well as the planned sale of the shares of NG2 Suisse s.a.r.l., which holds shares in Karl Voegele AG, the Company concluded it would not be able to recover the loans and recognised an allowance for expected credit losses in an amount equal to 100% of the value of the guaranteed liabilities.

Based on the valuation prepared by a professional actuarial firm, the Company recognises a provision for the present value of retirement and jubilee benefits.

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

Discount rate	1.50%
Mortality tables	pttz2019
Assumed average annual increase in base amount to calculate retirement and disability benefits in 2018-2027	2.80%
Average assumed annual increase in base amount to calculate jubilee benefits in 2018-2027	2.80%
Employee mobility ratio	20-80%
Average duration of post-employment benefits (years)	5.1

The sensitivity analysis for changes in the amount of provision for actuarial valuation is presented below.

Provision January 31st 2021 – AUDITED	Finance discount rate		Planned increase in base amount	
	-1pp	+1pp	-1pp	+1pp
Retirement benefits	0.6	0.6	0.5	0.6
Jubilee benefits	11.0	10.6	5.2	5.6
Death benefits	0.4	0.4	0.2	0.2
Total provisions	**12.0**	**11.6**	**5.9**	**6.4**

Provision January 31st 2019 – AUDITED	Finance discount rate		Planned increase in base amount	
	-1pp	+1pp	-1pp	+1pp
Retirement benefits	0.1	0.1	0.1	0.1
Jubilee benefits	3.8	3.6	3.6	3.8
Death benefits	0.1	0.1	0.1	0.1
Total provisions	**4.1**	**3.9**	**3.8**	**4.1**

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 Company classifies financial assets based on its business model of financial asset management and the assets' contractual cash flow characteristics (the SPPI test). The Company 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 Company 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 Company 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 Company 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. In the category of financial assets measured at fair value through profit or loss, the Company classifies derivative financial instruments and listed equity instruments that have not been irrevocably designated for fair value through other comprehensive income. 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 Company:

• 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 Company 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 Company uses its historical data on credit losses, adjusted where appropriate for the impact of forward-looking information.

For other financial assets, the Company 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 Company measures the loss allowance in an amount equal to lifetime expected credit losses.

The Company 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 Company 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 Company 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		January 31st 2020		December 31st 2019	
	AUDITED		UNAUDITED		AUDITED	
	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES
Financial assets at amortised cost						
Loans	47.3	–	242.3	–	250.6	–
Trade receivables	230.1	–	4.9	–	4.9	–
Receivables from sale of property, plant and equipment	2.2	–	2.9	–	2.9	–
Lease receivables	82.8	–	–	–	–	–
Cash and cash equivalents	199.5	–	50.4	–	95.4	–
Financial assets measured at fair value through profit or loss						
Other financial assets	–	–	13.3	–	13.3	–
Financial liabilities at amortised cost						
Financing liabilities	–	457.5	–	323.2	–	321.4
Trade and other payables	–	16.8	–	464.8	–	456.5
Returns liability	–	3.9	–	–	–	–
Lease liabilities	–	872.3	–	718.2	–	710.4
Obligation to pay for acquired company	–	–	–	–	–	2.5
Obligation to pay to associate	–	–	–	21.6	–	32.7

Under other financial assets, the Company presents the call option on shares in HR Group of PLN 0.0m as at January 31st 2021 (December 31st 2019 and January 31st 2020: PLN 13.3m). The valuation of the option is prepared by an independent expert.
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 fair value of the other financial instruments did not materially differ from their carrying amounts.

The asset and liability hierarchy levels are presented in the table below.

January 31st 2021	TOTAL CARRYING AMOUNT	LEVEL OF FAIR VALUE HIERARCHY
AUDITED		
Financial assets measured at fair value through profit or loss		
Other financial assets (HR Group option)	–	3

January 31st 2020	TOTAL CARRYING AMOUNT	LEVEL OF FAIR VALUE HIERARCHY
UNAUDITED		
Financial assets measured at fair value through profit or loss		
Other financial assets (HR Group option)	13.3	3

December 31st 2019	TOTAL CARRYING AMOUNT	LEVEL OF FAIR VALUE HIERARCHY
AUDITED		
Financial assets measured at fair value through profit or loss		
Other financial assets (HR Group option)	13.3	3

FINANCIAL RISK MANAGEMENT

The business of the Company involves a number of different financial risks. The main risks identified by the Management Board are currency risk, interest rate risk, credit risk and liquidity risk (see Note 4.2).

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

CCC S.A. operates internationally and, therefore, is exposed to the risk of movements in foreign exchange rates, in particular the euro exchange rates as the Company's retail space lease contracts and loans are denominated in the currency.

The main items of the statement of financial position exposed to the currency risk are lease liabilities, trade receivables, lease receivables (under sublease of stores), loans and cash.

The Company 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 Company does not use hedging instruments.

Where required, amounts were translated into the functional currency using the exchange rate prevailing at the last day of the reporting period:

• the exchange rate as at January 31st 2021 was EUR 1 = PLN 4.5385

• the exchange rate as at January 31st 2021 was EUR 1 = PLN 4.3010

• the exchange rate as at December 31st 2021 was EUR 1 = PLN 4.2585

• the exchange rate as at January 31st 2021 was USD 1 = PLN 3.7460

• the exchange rate as at January 31st 2020 was USD 1 = PLN 3.8999

• the exchange rate as at December 31st 2019 was USD 1 = PLN 3.7977.

The amounts were translated at the exchange rates specified above by dividing amounts expressed in millions of the złoty by the exchange rate.

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

January 31st 2021	TOTAL CARRYING AMOUNT	IN FOREIGN CURRENCY AFTER TRANSLATION INTO PLN			IN FUNCTIONAL CURRENCY
AUDITED		USD	EUR	OTHER	
Financial assets at amortised cost	**561.9**	**32.7**	**86.3**	**11.4**	**431.5**
Loans	47.3	32.7	3.3	11.2	0.1
Trade receivables	230.1	–	–	0.2	229.9
Receivables on sale of property, plant and equipment	2.2	–	–	–	2.2
Lease receivables	82.8	–	82.8	–	–
Cash and cash equivalents	199.5	–	0.2	–	199.3
Financial liabilities at amortised cost	**1,350.5**	**–**	**756.8**	**0.2**	**593.5**
Financing liabilities	457.5	–	–	–	457.5
Trade and other payables	16.8	–	0.3	0.2	16.3
Returns liability	3.9	–	–	–	3.9
Lease liabilities	872.3	–	756.5	–	115.8

January 31st 2020	TOTAL CARRYING AMOUNT	IN FOREIGN CURRENCY AFTER TRANSLATION INTO PLN			IN FUNCTIONAL CURRENCY
UNAUDITED		USD	EUR	OTHER	
Financial assets at amortised cost	**300.5**	**35.6**	**94.2**	**89.1**	**81.6**
Loans	242.3	34.3	76.2	89.1	42.7
Trade receivables	4.9	–	–	–	4.9
Receivables on sale of property, plant and equipment	2.9	–	–	–	2.9
Cash and cash equivalents	50.4	1.3	18.0	–	31.1
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	**1,527.3**	**–**	**742.9**	**0.4**	**784.0**
Financing liabilities	322.7	–	112.7	–	210.0
Trade and other payables	464.8	–	1.9	0.4	462.5
Lease liabilities	718.2	–	606.7	–	111.5
Obligation to pay to associate	21.6	–	21.6	–	–

December 31st 2019 AUDITED	**TOTAL CARRYING AMOUNT**	**IN FOREIGN CURRENCY AFTER TRANSLATION INTO PLN**			**IN FUNCTIONAL CURRENCY**
		USD	**EUR**	**OTHER**	
Financial assets at amortised cost	**350.9**	**35.6**	**102.6**	**89.1**	**123.6**
Loans	250.6	34.3	84.6	89.1	42.6
Trade receivables	2.0	–	–	–	2.0
Receivables on sale of property, plant and equipment	2.9	–	–	–	2.9
Cash and cash equivalents	95.4	1.3	18.0	–	76.1
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	**1,523.5**	**–**	**752.4**	**0.3**	**770.8**
Financing liabilities	321.4	–	111.1	–	210.3
Trade and other payables	456.5	–	1.9	0.3	454.3
Lease liabilities	710.4	–	606.7	–	103.7
Obligation to pay for acquired company	2.5	–	–	–	2.5
Obligation to pay to associate	32.7	–	32.7	–	–

The analysis of sensitivity to foreign exchange risk of exposures as at the reporting date is presented in the table below. 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 of such currency movements on profit before tax would be as follows:

January 31st 2021 AUDITED	**Increase/decrease in USD exchange rate**					
	In foreign currency – USD	**0.05**	**-0.05**	**In foreign currency – EUR**	**0.05**	**-0.05**
Financial assets at amortised cost	**32.7**	**0.5**	**(0.5)**	**86.3**	**1.0**	**(1.0)**
Loans	32.7	0.5	(0.5)	3.3	0.0	(0.0)
Trade receivables	–	–	–	–	–	–
Lease receivables	–	–	–	82.8	1.0	(1.0)
Cash and cash equivalents	–	–	–	0.2	0.0	(0.0)
Financial liabilities at amortised cost	**–**	**–**	**–**	**154.4**	**1.8**	**(1.8)**
Financing liabilities	–	–	–	–	–	–
Trade and other payables	–	–	–	0.3	0.0	(0.0)
Returns liability	–	–	–	–	–	–
Lease liabilities	–	–	–	154.1	1.8	(1.8)

January 31st 2020	Increase/decrease in USD exchange rate					
UNAUDITED	In foreign currency – USD	0.05	-0.05	In foreign currency – EUR	0.05	-0.05
Financial assets at amortised cost	**35.6**	**0.5**	**(0.5)**	**94.2**	**1.1**	**(1.1)**
Loans	34.3	0.5	(0.5)	76.2	0.9	(0.9)
Trade receivables	–	–	–	–	–	–
Cash and cash equivalents	1.3	0.0	(0.0)	18.0	0.2	(0.2)
Financial assets measured at fair value through profit or loss	**–**	**–**	**–**	**13.3**	**0.2**	**(0.2)**
Other financial assets (HR Group option)	–	–	–	13.3	0.2	(0.2)
Financial liabilities at amortised cost	**–**	**–**	**–**	**742.9**	**8.7**	**(8.7)**
Financing liabilities	–	–	–	112.7	1.3	(1.3)
Trade and other payables	–	–	–	1.9	0.0	(0.0)
Lease liabilities	–	–	–	606.7	7.1	(7.1)
Obligation to pay to associate	–	–	–	21.6	0.3	(0.3)

December 31st 2019	Increase/decrease in USD exchange rate					
AUDITED	In foreign currency – USD	0.05	-0.05	In foreign currency – EUR	0.05	-0.05
Financial assets at amortised cost	**35.6**	**0.5**	**(0.5)**	**102.6**	**1.2**	**(1.2)**
Loans	34.3	0.6	(0.6)	84.6	1.0	(1.0)
Trade receivables	–	–	–	–	–	–
Cash and cash equivalents	1.3	–	–	18.0	0.2	(0.2)
Financial assets measured at fair value through profit or loss	**–**	**–**	**–**	**13.3**	**0.2**	**(0.2)**
Other financial assets (HR Group option)	–	–	–	13.3	0.2	(0.2)
Financial liabilities at amortised cost	**–**	**–**	**–**	**752.4**	**8.8**	**(8.8)**
Financing liabilities	–	–	–	111.1	1.3	(1.3)
Trade and other payables	–	–	–	1.9	–	–
Lease liabilities	–	–	–	606.7	7.1	(7.1)
Obligation to pay to associate	–	–	–	32.7	0.4	(0.4)

INTEREST RATE RISK

The Company 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. 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. Loans denominated in PLN bear interest at a variable WIBOR rate plus margin.

Items bearing interest at variable rates expose the Company to the risk of changes in cash flows due to interest rate movements. The Company 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 Company's opinion would be reasonably possible in the indicated periods.

	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						
Cash at banks	193.7	23.0	23.0	1.9	(1.9)	0.2	(0.2)	0.2	(0.2)
Loans	47.3	242.1	250.6	0.5	(0.5)	2.4	(2.4)	2.5	(2.5)
Other financial assets (HR Group option)	–	13.3	13.3	–	–	0.1	(0.1)	0.1	(0.1)
Financing liabilities	(457.5)	(323.2)	(321.4)	(4.6)	4.6	(3.2)	3.2	(3.2)	3.2
Returns liability	(3.9)	–	–	(0.0)	0.0	–	–	–	–
Lease liabilities	(872.3)	(718.2)	(710.4)	(8.7)	8.7	(7.2)	7.2	(7.1)	7.1
Effect on net profit (loss)				**(10.9)**	**10.9**	**(7.6)**	**7.6**	**(7.4)**	**7.4**

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 10.9m lower (2019: PLN 7.4m).

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk mainly through its trade receivables, 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
Loans	47.3	242.3	250.6
Trade receivables	231.8	4.9	4.9
Cash and cash equivalents	199.5	50.4	95.4
Total	**478.6**	**297.6**	**350.9**

As disclosed in Note 5.5, trade receivables are mainly due from the Group's subsidiaries. The company independently monitors the exposures by periodically analysing the financial condition of the trading partners and setting credit limits.

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.

As at January 31st 2021, the Company recognised a provision for financial guarantees of PLN 133.9m. For more information, see Note 3.2.

The table below presents the value of collateral provided by CCC S.A. to its subsidiaries.

	January 31st 2021	January 31st 2020	December 31st 2019
	AMOUNT AND/OR CARRYING AMOUNT OF COLLATERAL		
	AUDITED	UNAUDITED	AUDITED
Sureties	1,643.2	1,676.6	1,676.6
Security mortgages on real estate	2,636.1	1,323.0	1,323.0
Registered pledge on movable property	536.2	1,141.0	1,141.0
Blank promissory notes	851.8	564.8	564.8

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	January 31st 2020	December 31st 2019
A-rated banks	188.2	40.7	85.8
Other-not classified [1]	5.5	–	–
Total cash at banks	**193.7**	**40.7**	**85.8**

[1] 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.

The Company has no significant concentration of credit risk. The risk is spread over many relationship banks and customers.

6.2. 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 reporting period January 1st 2020–January 31st 2021, no changes were made in the share-based payment plan. For detailed information, see the financial statements for the year and the period ended December 31st 2019.

6.3. EVENTS AFTER REPORTING DATE

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 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 with the Investors, on March 31st 2021 the Group entered into 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 made a decision to close 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 plans 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.

6.4 REMUNERATION OF THE AUDITOR

The table below presents fees paid or payable to qualified auditors of financial statements for the period ended January 31st 2021 and the year ended December 31st 2019, by type of service.

REMUNERATION OF THE AUDITOR	January 1st 2020 – January 31st	January 1st 2019 – January 31st 2020	January 1st 2019 – December 31st
Audit and review of financial statements	0.4	-	0.4
SUBSIDIARIES			
Audit and review of financial statements	0.3		0.3
TOTAL	**0.7**	**–**	**0.7**

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

Polkowice, May 18th 2021