INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

FOR THE PERIOD OF 3 MONTHS ENDED ON JUNE 30TH, 2020

DRAWN UP IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Capital Group LIVECHAT SOFTWARE SA

Wrocław, August 28th, 2020

CONTENTS

1. SELECTED FINANCIAL DATA

Specification	thousand PLN		thousand EUR	
	for the period of 3 months ended 30.06.2020	for the period of 3 months ended 30.06.2019	for the period of 3 months ended 30.06.2020	for the period of 3 months ended 30.06.2019
Profit and loss statement				
Net revenues from sales of products, goods and materials	41 628	30 177	9 279	7 098
Profit (loss) on operational activity	25 822	18 199	5 756	4 280
Gross profit (Loss)	25 271	18 225	5 633	4 287
Net profit (Loss)	20 802	14 714	4 637	3 461
Profit (loss) per single ordinary share (in PLN/ EUR)	0,81	0,57	0,18	0,13
Number of shares (in thousand items)	25 750	25 750	25 750	25 750
Cash flow statement				
Net cash flow from operating activities	24 310	13 756	5 419	3 235
Net cash flow from investing activities	(2 910)	(2 665)	(646)	(627)
Net cash flow from financial activities	(209)	-	(47)	-
Net cash flow total	21 191	11 091	4 724	2 609
Specification	**thousand PLN**		**thousand EUR**	
	30.06.2020	**31.03.2020**	**30.06.2020**	**31.03.2020**
Balance sheet				
Total assets	108 908	87 629	24 386	19 249
Liabilities and provision for liabilities	9 597	8 948	2 149	1 966
Long-term liabilities	2 135	2 339	478	514
Short-term liabilities	7 461	6 609	1 671	1 452
Equity	99 311	78 681	22 237	17 284
Share capital	515	515	115	113
Net book value per single share (in PLN/ EUR)	3,86	3,06	0,86	0,67
Number of shares (in thousand items)	25 750	25 750	25 750	25 750

Exchange rate PLN / EUR	1.04.2020 – 30.06.2020	1.04.2019 - 31.03.2020	1.04.2019 - 30.06.2019
For the balance sheet figures	0,2239	0,2197	0,2330

For the figures in the profit and loss statement and the cash flow statement	0,2229	0,2323	0,2352
The highest rate for the period	0,2280	0,2365	0,2405
The lowest rate for the period	0,2184	0,2172	0,2274

Wrocław, August 28th, 2020

Mariusz Ciepły, President of the Board , Urszula Jarzębowska, member of the Board, Joanna Alwin, Financial Director

2. CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL STANDING - ASSETS

Specification	Note	Balance on 30.06.2020	Balance on 31.03.2020	Balance on 30.06.2019
FIXED ASSETS		**34 379 958**	**33 071 399**	**20 024 958**
Tangible fixed assets	1	4 069 673	4 321 082	1 503 469
Investment real property		-	-	-
Goodwill		-	-	-
Other intangible assets	2	27 478 419	26 528 261	15 308 690
Shares and stocks		-	-	-
- including investments accounted for using equity method		-	-	-
Long-term receivables	3	181 915	181 915	147 600
Other long-term financial assets		-	-	-
Deferred tax assets	14	739 682	145 902	555 334
Long-term prepayments and accruals	4	1 910 270	1 894 240	2 509 865
CURRENT ASSETS		**74 528 106**	**54 557 415**	**55 156 963**
Inventory		-	-	-
Trade receivables	5	588 029	485 832	1 374 686
Receivables for current income tax		-	-	-
Other receivables	5	14 005 085	15 329 346	10 017 191
Other financial assets		-	-	-
Cash and its equivalents	6	59 872 827	38 681 765	43 715 364
Prepayments and accruals	4	62 165	60 472	49 722
Assets classified as designed for sale		**-**	**-**	**-**
Tangible fixed assets designed for sale		-	-	-
Other assets classified as designed for sale		-	-	-
TOTAL ASSETS		**108 908 064**	**87 628 815**	**75 181 921**

Wrocław, August 28th, 2020.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

Joanna Alwin, Financial Director

3. CONDENSED INTERIM CONSOLIDATED STATEMENT OF THE FINANCIAL STANDING- LIABILITIES

Specification	Note	Balance on 30.06.2020	Balance on 31.03.2020	Balance on 30.06.2019
EQUITY		**99 311 177**	**78 680 663**	**69 178 017**
Share capital	7.1.	515 000	515 000	515 000
Own shares		-	-	-
Called up share capital		-	-	-
Supplementary capital from issuance of shares		-	-	-
Supplementary capital from retained earnings and transactions of mergers under common control	7.2.	16 578 404	16 578 404	9 806 990
Exchange rate differences after calculation		9 541	180 777	63 672
Revaluation reserve for employee benefits		-	-	-
Reserve capital		-	-	-
Hedging reserve		-	-	-
Figures recognised directly in capital related to financial assets classified as available for sale		-	-	-
Dividend paid		-	(15 450 000)	-
Undistributed result from previous years	7.3.	61 406 482	737 638	44 078 637
Net profit (loss) of the business year	7.4.	20 801 750	76 118 844	14 713 718
Equity attributable to shareholders of the parent company		**99 311 177**	**78 680 663**	**69 178 017**
Equity attributable to non-controlling shares		-	-	-
LONG-TERM LIABILITIES		**2 135 402**	**2 338 711**	-
Reserve due to deferred income tax	14	-	424	-
Provision for pension benefits and similar		-	-	-
Other provisions/ reserves		-	-	-
Credits and loans		-	-	-
Other financial liabilities	8	2 135 402	2 338 287	-
Other long-term liabilities		-	-	-
SHORT-TERM LIABILITIES		**7 461 485**	**6 609 441**	**6 003 904**
Credits and loans		-	-	-
Other financial liabilities	8	820 571	826 657	-
Trade liabilities	9	6 291 012	4 855 563	4 530 173
Tax payables	9	92 049	687 329	1 289 002
Provision for pension benefits and similar		-	-	-
Other short-term provisions/reserves		-	-	-
Other liabilities	9	257 853	239 891	184 728
Accrued income		-	-	-
LIABILITIES DIRECTLY RELATED TO FIXED ASSETS CLASSIFIED AS INTENDED FOR SALE		-	-	-
TOTAL LIABILITIES		**108 908 064**	**87 628 815**	**75 181 921**

Wrocław, August 28th, 2020.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

Joanna Alwin, Financial Director

4. CONDENSED INTERIM CONSOLIDATED STATEMENT OF THE TOTAL INCOME (by-function format)

Specification	Note	for the period of 3 months ended 30.06.2020	for the period of 12 months ended 31.03.2020	for the period of 3 months ended 30.06.2019
Continued activity				
Revenues from sales	10	41 627 541	130 867 175	30 177 385
Prime costs of sale	11	5 603 238	17 459 676	4 728 394
GROSS POFIT (LOSS) ON SALES		**36 024 303**	**113 407 500**	**25 448 991**
Sales expenses	11	7 768 049	19 804 242	3 903 559
General and administrative costs	11	2 411 877	11 631 606	3 347 679
POFIT (LOSS) ON SALES		**25 844 377**	**81 971 651**	**18 197 753**
Other operating revenues	12	11 974	12 975	3 975
Other operating expenses	12	34 418	61 751	2 907
PROFIT (LOSS) ON OPERATING ACTIVITY		**25 821 933**	**81 922 875**	**18 198 820**
Financial revenues	13	3 449	68 682	26 478
Financial expenses	13	554 834	114 071	-
Profit on sales of shares to an associated company		-	-	-
Profit sharing in associated companies		-	-	-
PROFIT (LOSS) BEFORE TAX		**25 270 548**	**81 877 485**	**18 225 299**
Income tax	14	4 468 798	5 758 641	3 511 581
PROFIT (LOSS) ON CONTINUED ACTIVITY		**20 801 750**	**76 118 844**	**14 713 718**
Profit (loss) on discontinued activity		-	-	-
NET PROFIT (LOSS)		**20 801 750**	**76 118 844**	**14 713 718**
Other total revenues		-	-	-
Other comprehensive income items that will not be reclassicified into profit or loss		-	-	-
Acruarial profit and loss		-	-	-
Effects of revaluation of fixed assets		-	-	-
Income tax related to other total revenues		-	-	-
Other comprehensive income items that, after meeting certain requirements, will be reclassicified into profit or loss		**(171 236)**	**236 136**	**119 032**
Hedge accounting		-	-	-
Translation differences on foreign operations		(171 236)	236 136	119 032
Effects of revaluation of financial assets available for sale		-	-	-
Other profit sharing in associated companies		-	-	-
Income tax related to other total revenues		-	-	-
Other total income		**(171 236)**	**236 136**	**119 032**
Total income		**20 630 514**	**76 354 980**	**14 832 750**

Wrocław, August 28th, 2020.

Mariusz Ciepły, President of the Board
Urszula Jarzębowska, member of the Board

Joanna Alwin. Financial Director

5. NET EARNINGS PER SINGLE ORDINARY SHARE (PLN)

Earnings per single share (in PLN/gr per single share)		for the period of 3 months ended	for the period of 12 months ended	for the period of 3 months ended
On continuing and discontinued activity				
Ordinary		0,81	2,96	0,57
Diluted		0,81	2,96	0,57
On continuing activity				
Ordinary		0,81	2,96	0,57
Diluted		0,81	2,96	0,57
Profit (loss) on continuing and discontinued activity		20 801 750	76 118 844	14 713 718
Profit (loss) on continuing activity		20 801 750	76 118 844	14 713 718
Weighted average number of shares		25 750 000	25 750 000	25 750 000
Weighted average diluted number of ordinary shares		25 750 000	25 750 000	25 750 000

Basic earnings on the continuing activity per share are measured as the quotient of profit on continuing activity attributable to ordinary shareholders of a parent company and weighted average number of issued ordinary shares in the business year.

Diluted earnings on continuing activity per single share are computed as the quotient of profit on continuing activity attributable to ordinary shareholders of a parent company (after deduction of interest on redeemed preference shares converted into ordinary shares) and the weighted average number of issued ordinary shares in the business year (adjusted with the effect of diluting options and diluting redeemed preference shares converted into ordinary shares).

6. CONDENSED INTERIM CONSOLIDATED REPORT ON CHANGES IN EQUITY

	CONSOLIDATED REPORT ON CHANGES IN EQUITY FOR THE PERIOD OF 3 MONTHS ENDED ON 30.06.2020							
	Share capital	Own shares	Supplementary capital	Currency translation profit/loss of a subsidiary	Dividend advancement paid	Undistributed profit /loss from previous years	Profit (loss) of the business year	Total equity
Equity balance on 01.04.2020	**515 000**	**-**	**16 578 404**	**180 777**	**(15 450 000)**	**737 638**	**76 118 844**	**78 680 663**

Changes in accounting principles (policy)	-	-		-	-	-	-	-
Settlement of the result of a subsidiary	-	-	-	-	-	-	-	-
Balance after adjustments	515 000	-	16 578 404	180 777	(15 450 000)	737 638	76 118 844	**78 680 663**
Issuance of shares	-	-	-	-	-	-	-	-
Transfer of the net result	-	-	-	-	-	60 668 844	(60 668 844)	-
Transfer of the financial result to capital	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	15 450 000	-	(15 450 000)	-
Buyback	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	15 450 000	60 668 844	(76 118 844)	-
Net profit/loss in the period:	-	-	-	-	-	-	20 801 750	**20 801 750**
Other total income:	-	-	-	-	-	-	-	-
Reevaluation of fixed assets	-	-	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-
Exchange rate differences from revaluation of entities operating abroad	-	-	-	(171 236)	-	-	-	**(171 236)**
Exchange rate differences transferred to the financial result - sale of foreign entities	-	-	-	-	-	-	-	-
Actuarial profit and loss	-	-	-	-	-	-	-	-
Share in the other total income of entities evaluated with equity method	-	-	-	-	-	-	-	-
Income tax that refers to items of other total income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(171 236)	-	-	20 801 750	**20 630 514**
Transfer to retained earnings (sale of reevaluated fixed assets)	-	-	-	-	-	-	-	-
Equity Balance as of 30.06.2020	**515 000**	**-**	**16 578 404**	**9 541**	**-**	**61 406 482**	**20 801 750**	**99 311 177**

	CONSOLIDATED REPORT ON CHANGES IN EQUITY FOR THE PERIOD OF 12 MONTHS ENDED ON 31.03.2020							
	Share capital	**Own shares**	**Supplementary capital**	**Currency translation profit/loss of a subsidiary**	**Dividend advancement paid**	**Undistributed profit /loss from previous years**	**Profit (loss) of the business year**	**Total equity**
Equity balance on 01.04.2019	**515 000**	**-**	**9 806 990**	**(55 360)**	**(13 905 000)**	**737 638**	**57 245 999**	**54 345 268**

Changes in accounting principles (policy)	-	-		-	-	-	-	-
Settlement of the result of a subsidiary	-	-	-	-	-	-	-	-
Balance after adjustments	**515 000**	**-**	**9 806 990**	**(55 360)**	**(13 905 000)**	**737 638**	**57 245 999**	**54 345 268**
Issuance of shares	-	-	-	-	-	-	-	-
Transfer of the net result	-	-	-	-	13 905 000	57 245 999	(57 245 999)	**13 905 000**
Transfer of the financial result to capital	-	-	6 771 414	-	-	(6 771 414)	-	-
Dividend paid	-	-	-	-	(15 450 000)	(50 474 585)		**(65 924 585)**
Buyback	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**6 771 414**	**-**	**(1 545 000)**	**-**	**(57 245 999)**	**(52 019 585)**
Net profit/loss in the period:	-	-	-	-	-	-	76 118 844	**76 118 844**
Other total income:	-	-	-	-	-	-	-	-
Reevaluation of fixed assets	-	-	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-
Exchange rate differences from revaluation of entities operating abroad	-	-	-	236 136	-	-	-	**236 136**
Exchange rate differences transferred to the financial result - sale of foreign entities	-	-	-	-	-	-	-	-
Actuarial profit and loss	-	-	-	-	-	-	-	-
Share in the other total income of entities evaluated with equity method	-	-	-	-	-	-	-	-
Income tax that refers to items of other total income	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**236 136**	**-**	**-**	**76 118 844**	**76 354 980**
Transfer to retained earnings (sale of reevaluated fixed assets)	-	-	-	-	-	-	-	-
EQUITY BALANCE Balance as of 31.03.2020	**515 000**	**-**	**16 578 404**	**180 777**	**(15 450 000)**	**737 638**	**76 118 844**	**78 680 663**

Wrocław, August 28th, 2020

Mariusz Ciepły, President of the Board
Urszula Jarzębowska, member of the Board
Joanna Alwin. Financial Director

7. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Specification		for the period of 3 months ended 30.06.2020	for the period of 12 months ended 31.03.2020	for the period of 3 months ended 30.06.2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Gross profit (loss) before taxation		**25 270 548**	**81 877 485**	**18 225 299**
Total adjustments		**(960 706)**	**(6 060 007)**	**(4 469 548)**
Depreciation and amortisation		2 224 519	6 489 791	1 267 910
Foreign exchange gain (loss)		-	(5 548)	-
Interest and profit sharing (dividend)		(2 412)	45 417	(26 478)
Profit (loss) on operating activity		-	-	-
Profit on sale of shares in the associate		-	-	-
Ineffective part of cash flows hedges		-	-	-
Changes in working capital		2 079 579	(4 875 735)	(845 780)
Change in provisions		(424)	(9 819)	-
Change in inventories		-	-	-
Change in receivables		1 222 065	(5 760 442)	(1 043 454)
Change in short-term liabilities – excluding financial liabilities		1 453 411	573 261	192 708
Change in prepayments and accruals		(595 473)	321 265	4 966
Paid income tax		(5 064 078)	(7 713 933)	(4 865 200)
Other adjustments		(198 314)	-	-
Net cash flows from operating activity		**24 309 842**	**75 817 478**	**13 755 751**
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenses on acquisition of intangible assets		(2 946 126)	(17 489 621)	(2 691 234)
Proceeds (inflows) from sale of intangible assets		-	-	-
Expenses on acquisition of tangible fixed assets		-	-	-
Proceeds (inflows) from sale of tangible fixed assets		33 906	21 396	-
Expenses on acquisition of investment property		-	-	-
Proceeds (inflows) from sale of investment property		-	-	-
Expenses on acquisition of financial assets available for sale		-	-	-
Proceeds (inflows) from sale of financial assets available for sale		-	-	-
Expenses on acquisition of financial assets intended for trading		-	-	-
Proceeds (inflows) from sale of financial assets intended for trading		-	-	-
Expenses on acquisition of subsidiaries (decreased by assets taken over)		-	-	-
Proceeds (inflows) from sale of subsidiaries		-	-	-
Loans granted		-	-	-
Repayment of granted loans and other financial assets		-	-	-
Interest received		2 412	-	26 478
Dividends received		-	-	-
Net cash flows on investment activities		**(2 909 808)**	**(17 468 225)**	**(2 664 756)**
CASH FLOWS FROM FINANCIAL ACTIVITY				
Net proceeds from issuance of shares		-	-	-
Buy back		-	-	-
Proceeds from issuance of debt securities		-	-	-
Redemption of debt securities		-	-	-
Proceeds from incurred credits and loans		-	-	-
Repayment of credits and loans		-	-	-
Payment of liabilities arising from leasing		(208 971)	(488 940)	-
Dividend paid		-	(51 757 500)	-
Interest paid		-	(45 417)	-
Net cash flows from financial activity		**(208 971)**	**(52 291 857)**	**-**

NET TOTAL CASH FLOWS		**21 191 062**	**6 057 396**	**11 090 995**
BALANCE CHANGE OF CASH, INCLUDING		21 191 062	6 057 396	11 090 995
- change in cash due to exchange rate gains or losses		-	(5 548)	-
OPENING BALANCE OF CASH		38 681 765	32 624 369	32 624 369
CLOSING BALANCE OF CASH, including		**59 872 827**	**38 681 765**	**43 715 364**
--with limited disposability		-	-	-

Wrocław, June 28th, 2020.

Mariusz Ciepły, President of the Board
Urszula Jarzębowska, member of the Board
Joanna Alwin, Financial Director

8. GENERAL INFORMATION

Information on the parent company

Consolidated financial statement of the Capital group of LIVECHAT SOFTWARE SA ("Capital group", "Group") contains:

*Consolidated financial statement made on June 30th, 2020, which presents the total balance of assets and liabilities in the amount of 108.908.064,86 PLN.

* Consolidated statement on the total income for the period from April 1st, 2020 until June 30th, 2020 which presents the net profit of 20.801.750,29 PLN and the total income of 20.630.514,14 PLN,

* Consolidated statement of changes in equity for the business period of from April 1st, 2020 until June 30th, 2020 presenting equity capital increase by amount of 20.630.514,14 PLN,

* Consolidated statement of cash flows for the period from April 1st, 2020 until June 30th, 2020 presenting an increase of net cash flows by 21.191.062,37 PLN.

* Further information and explanatory notes

Capital group

The parent company of LIVECHAT SOFTWARE Joint Stock (hereinafter referred to as the "Capital group", "Group") is LIVECHAT SA (hereinafter referred to as "Parent Company").

The Parent Company was established by virtue of a Notarial deed of September 10th, 2007. Its particulars are entered into the register of entrepreneurs of the National Court Register kept by the Regional Court of Wrocław- Wrocław Fabryczna – VI Economic Division under the number KRS 0000290756. The Parent Company was granted the statistical number REGON 932803200.

The Company's head office is located at 47 Zwycięska Street in Wrocław 53-033 which is also the basic location of the activities run by the Capital Group.

Composition of the Management Board and the Supervisory Board
The Management Board of the Parent Company as of the balance day and the day of approving the financial statement for publishing was composed of:
* Mariusz Ciepły – President of the Management Board
*Urszula Jarzębowska – member of the Management Board

During the reporting period the composition of the Management Board of the Parent Company did not change.

The Supervisory Board of the Parent Company as of March 31st, 2020 as well as of the day of approving the statement for publishing was composed of:

- Maciej Jarzębowski – President of the Supervisory Board
- Marta Ciepła – member of the Supervisory Board
- Marcin Mańdziak – member of the Supervisory Board
- Jakub Sitarz – member of the Supervisory Board
- Michał Markowski - member of the Supervisory Board

Principal activity of the Group
The principal activity run by the Parent Company and its subsidiaries is according to the Polish Classification of Businesses – 62.01.Z – Activity related to software

Information on the Capital group
The Consolidated financial statement of the Capital group of LIVECHAT SOFTWARE SA comprised the subsidiary LiveChat Inc based in One International Place, Suite 1400, Boston, MA 02110-2619, USA, in which the Parent company holds 100% of shares.

Approval for publication
The present consolidated financial statement was made for the period from 1.04.2020 - 30.06.2020 including comparative data for the period 1.04.2019 - 30.06.2019.
The presented financial statement was approved for publishing by the parent Company's Management Board on 28.08.2020.

Translation of figures presented in a foreign currency and translation into the presentation currency
The Company translated as of 30.06.2020 its balance sheet items presented in USD using the exchange rate of 1USD = 3,9806 PLN whereas the items of the financial statement, the total income and of the cash flows statement were translated using the exchange rate of 1 USD= 4,0522 PLN. The value of shares in LiveChat Inc. was translated using the historical exchange rate of 1 USD= 3,3129 PLN.

9. Basis for preparation of financial statements and accounting principles applied

The present consolidated financial statement is presented in PLN.

The statement was prepared assuming that the companies in the group will continue to operate in the foreseeable future. As at the date of approving the consolidated financial statement there is no evidence indicating that the companies of the group may not be able to continue its operations.

Declaration on compliance and the basis for preparation

The present consolidated financial statement was prepared in accordance with accounting principles contained in the International Financial Reporting Standards (IFRS) which were adopted by the European Union, published and binding on March 31st, 2020 (that is the balance sheet date of the last annual consolidated financial statement of the Group).

Effect of amendments in the standards or interpretations

For the present consolidated financial statement the Group applied the following standards and amendments to the existing standards published by Council for the Financial Reporting Standards (CIFRS) and approved by EU, which were enforced in the business year 2019/2020:

* <u>IFRS 16 "Leasing"</u>

In the previous year the group applied for the first time IFRS 16 leasing which replaced IAS 17 Leasing.

IFRS defines rules of recognizing certain leasing items in terms of assessment, presentation and disclosure of information. The basic change that results from new regulations that concerns a lessee is stopping to divide leasing into a financial one and an operating one. According to the new rules all contracts complying with the definition of a leasing or contracts that include leasing are presented according to the model that so far has been applied to financial leasing contracts.

Implementation of the new standard has the greatest influence on presentation of a lease of building contracts that are concluded on a limited period of time and which, due to their economic contents, were qualified according to IAS 17 as operating leasing contracts. As a result, the financial statements presented by the Group did not recognize assets that were subject to such contracts.

In the current year , in compliance with the new regulations, such contracts constitute a lease and have been recognized in accordance with a uniform model of a lessee accounting, which entailed recognizing assets due to the right of use of buildings and liabilities thereto, which reflect the obligation to make lease payments.

The Group identified a single agreement, which according to IFRS 16, meets the criteria a leasing - a contract for a lease of the office and the registered office of the parent company.

The Group decided to implement the IFRS 16 standard by applying the simplified approach, namely retrospectively with a total effect of the first application of the said standard recognized on the day of its first application., namely 1.04.2019. This makes it possible to leave the comparable data unconverted and to recognize the effect of the application of the said standard as an adjustment of the opening balance of the profits retained on the day of the first application of the standard.

As a result of following the simplified approach, the Group should apply IAS 36 on the day of the first application of IFRS 16 in order to verify the need to recognize the asset write-downs due to the right of use. For this purpose the Group also took advantage of a practical solution and applied IAS 17 for assessing whether lease contracts as of 31.03.2019 did not generate any encumbrance. The analysis made did not detect such contracts.

In the contracts classified as financial lease as of 31.03.2019 according to IAS 17, the value of the right of use was fixed at the amount equal to the value of assets subject to the lease as specified in IAS 17. The value of the lease liability as of the day of the first application (1.04.2019) is equal to the financial lease liability amount as specified in IAS 17.

Having analysed the lease contracts, the Company's Management Board assessed that the application of the said standard did not affect the financial figures presented by the Group and there was no need to adjust the opening balance of the profits retained on April 1st, 2019.

Owing to the above the lease liability divided into long-term and short-term liability has been recognized. Implementation of the IFRS 16 standard has a significant effect on the consolidated financial statement, because it increased the sum of assets and liabilities and thus affected some financial indicators which refer to those amounts.

Furthermore, the implementation of IFRS 16 caused an increase in depreciation cost and financial cost along with a simultaneous decrease of service price (that is the cost of the office lease so far presented in the sales and administrative costs) thus improving EBITDA.

The Group decided to present the assets due to the right of use within the same item, within which the relevant underlying assets would be presented if they belonged to the leaseholder (Group): the right of use of office space - they are presented in the balance sheet under *tangible fixed assets*.
Owing to the above the lease liability divided into long-term and short-term liability has been recognized.

The effect of the application of IFRS 16 for the first time on April 1st, 2019 is illustrated by the table below:

Specification	01.04.2019	ADJUSTMENTS to the implementation of IFRS 16 leasing	31.03.2019
FIXED ASSETS	**65 174 209**	**3 653 884**	**61 520 326**
FIXED ASSETS	**22 222 541**	**3 653 884**	**18 568 657**
Intangible fixed assets	13 809 233	-	13 809 233
Tangible fixed assets	5 183 483	3 653 884	1 529 599
Long-term receivables	147 600	-	147 600
Long-term prepayments and accruals	3 082 225	-	3 082 225
CURRENT ASSETS	**42 951 669**	**-**	**42 951 669**
LIABILITIES	**65 174 209**	**3 653 884**	**61 520 325**
EQUITY, including	**54 345 268**	**-**	**54 345 268**

Undistributed result of the previous years	737 638	-	737 638
LONG-TERM LIABILITIES, including	**3 306 854**	**3 296 611**	**10 243**
Other financial liabilities	3 296 611	3 296 611	-
SHORT-TERM LIABILITIES	**7 522 087**	**357 273**	**7 164 814**
Other financial liabilities	357 273	357 273	-

In the business year 2019/2020 the Group did not identify financial lease, whereas it recognized operating lease. The lease of office space was presented in the expenses (lease fees) by linear method.

* IFRS 9 “Financial Instruments”

The amendment means allowing to recognize as assets measured at amortised cost such instruments which, in case of a pre-mature payment cause that an entity gets a smaller payment than the sum of the principal amount and the interest (the so called negative compensation).
The change of the standard did not affect the consolidated financial statement because there were no transactions covered by amendments.

* Amendment of IAS 19 "Employee benefits"
The change of the standard did not affect the consolidated financial statement because the Group does not offer to its employees benefit schemes after employment termination.

Amendment of IAS 28 "Investments in associates and joint ventures"

The amendment specifies that associates and joint ventures must apply IFRS 9 for financial instruments other than those measured by equity method even if such instruments are an element of a net investment in such an entity.

The change of the standard did not affect the consolidated financial statement because the Group does not have such financial instruments.

* Adjustments to IFRS (2015-2017) - amendments according to the procedure of making annual adjustments to IFRS - binding for reporting periods beginning on or after January 1st,2019.

The amendments concern four standards: IAS 12 *Income tax* in terms of presenting the effect of income tax on dividend, IAS 23 *Cost of external financing* in terms of modifying assets prepared for the planned disposal or sale, IFRS 3 *Mergers* in terms of taking over control over an entity involved in joint operations and IFRS 11 *Joint arrangements* in terms of not taking over control by a participant over a joint undertaking.

The amendments do not have any significant effect on the accounting policy applied by the Group in relation to the activities run by the Group or on its consolidated financial results.

* IFRIC 23 Uncertainty over income tax treatments - binding for reporting periods beginning on or after January 1st,2019.

The interpretation explains how to apply requirements concerning treatments and evaluations stipulated in IAS 12 *Income Tax* in case there is uncertainty over the income tax treatment. Uncertain tax treatment means that there are doubts whether it can be accepted by tax authorities. If an entity finds that its doubts concerning tax treatment are significant, it should state reasons for this uncertainty over the book entries in the period when such findings were made, for example, by presenting an additional tax liability or by applying a higher tax rate. The effects of such uncertainty should be measured by a method of the most probable amount or a method of expected value.

This interpretation does not have any significant effect on the accounting policy applied by the Group in relation to the activities run by the Group or on its consolidated financial results.

* Standards published and adopted by EU, which have not been entered into force and their effect on the consolidated financial statements

When approving of the present financial statement, the Company did not apply the following standards, amendments to standards and interpretations, which were published and approved for use in EU, however which had not been entered into force.

Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments are related to the IBOR reform. They provide for temporary and narrow deviations from hedge accounting requirements, owing to which entities can continue to comply with the requirements in force, assuming that the existing interest rate reference ratios will not change as a result of the reform of interbank deposit interest rates.

The group does not expect a significant effect on the amendments made on the accounting policy applied by the Group in relation to the activities run by the Group or on its consolidated financial results.

Amendment to IAS 1 Presentation of financial statements and IAS 8 Rule (policy) of accounting, changes in accounting estimates and errors.

The change means introducing a new definition of the term "significant" (for omissions or deformations in financial statements). The definition used so far in IAS 1 and IAS 8 differed from the one contained in the Key Assumptions of Financial Reporting which may have caused it difficult for entities drawing up financial statements to make judgements. The change will definitely unify the definition in all IASs and IFRSs that are binding.

The Group estimates, that the new standard will not affect its financial statements because the judgements concerning significance that have been made so far are consistent with those that would have been made by applying the new definition.

Changes in reference to the Key Assumptions in IFRS

The changes concern replacement of the reference to the previous assumptions, the existing standards and interpretations by the reference to the amended hey assumptions issued in 2018.

The Group does not expect a significant effect on the amendments made on the accounting policy applied by the Group in relation to the activities run by the Group or on its consolidated financial results.

Standards and interpretations accepted by RMSR, which have not been yet approved by EU for use

When approving of the present financial statement, the Company did not apply the following standards, amendments to standards and interpretations, which were published and approved for use in EU, however which had not been entered into force.

New IFRS 17 Insurance Contracts

The new standard regulating treatment, assessment, presentation and disclosure concerning insurance and reassurance contracts. The standard replaces the IFRS applied so far. The standard shall be binding for the periods beginning on January 1st,2021 or after. The Group finds that the new standard will not affect its financial statements because it does not run an insurance activity.

Amendments to IFRS 3 Business combinations

The amendment refers to a definition of a business and covers, first of all, the following issues where it:
- specifies, that the taken over assets and operations, in order to be treated as an undertaking must also cover the contribution made and important processes that will be significantly involved in working out a return,
- narrows the definition of a return and the undertaking at the same time, focusing on goods and services delivered to receivers, removing from the definition the reference to return as cost decrease,
- adds instructions and examples showing how to easily assess whether a combination of businesses took over a significant process,
- omits making an assessment whether it is possible to substitute for a missing contribution or process and continue operating the undertaking in order to obtain a return,
-adds an optional possibility to make a simplified assessment in order to exclude that the taken over activities and assets are an undertaking.

The amendment is in force for combinations of businesses for which the take over day comes during the first annual reporting period, commencing on January 1st,2020 or after as well as for acquisitions of assets, which occurred during this reporting period or after. Owing to this, the amendment shall not affect the figures shown in the financial statements of the Group drawn up so far. Today, the Group is not able to foresee future transactions of business acquisitions.

Amendment IAS 1 Presentation of financial statements

The IAS Council specified the rules governing classification of liabilities as long-term or short-term ones, especially taking into account the two issues:
- it specified that the classification depends of the rights possessed by an entity on the balance day,
- intentions of the management in terms of accelerating or slowing down liability payments are not taken into account.

The amendments are binding for year periods beginning on January 1st, 2022 or after. The Group is analysing the effect of changes on its financial reports.

The Group intends to implement the above regulations on dates that are due in accordance with standards and applications.

Principles of accounting

The principles (policy) of accounting used for drawing up the present condensed consolidated financial statement are coherent with the principles used for elaborating the annual consolidated financial statement ending on 31.03.2019.

The statement was prepared according to the principle of historical cost.

Presentation of financial statements

The financial statement is presented in accordance with IAS 1.
"Consolidated statement on total income" is presented by-function format, whereas "Consolidated statement of cash flows" is presented using an indirect method.
In case of retrospective entering of amendments to accounting principles or error adjustments, the Company presents the balance sheet additionally prepared for the beginning of the reference period.

Consolidation

The consolidated financial statement comprises a consolidated financial statement of the parent company as well as a consolidated financial statement of the company controlled by the Group, that is its subsidiary, made as at June 30st, 2020. The parent company makes an assessment whether it has control as specified in IFRS 10. According to the definition, an investor exercises control over an entity in which he made some investment, if due to his involvement in this entity he is subject to exposure to variable returns or if he has rights to variable returns, and has a possibility to influence such returns by exercising control over the entity.

Financial statements of the parent company and the subsidiary comprised by the consolidated financial statement are prepared as at the same balance sheet day, namely June 30th,2020. Where it is necessary, adjustments are made into the financial statement of the subsidiary in order to standardise the accounting principles used by the company to adapt to the principles used by the Capital Group.

The subsidiary is covered by consolidation using the full consolidation method.

The full method of consolidation means combining financial statement of a parent company and its subsidiary by summing up the full amounts, particular items of assets, liabilities, equity, revenues and expenses. In order to present the Capital Group as a single economic entity, the following exclusions are made:
* at the moment of acquiring control the company's goodwill or profit are recognised
* non-controlling interests and shares are presented separately,
* intra Capital Group balances (revenues, expenses, dividends) are eliminated in full,
* profits or losses from intra Capital Group transactions that are recognised in the balance value of assets such as inventories and fixed assets, are eliminated. Losses from intra Group transactions are analysed in terms of asset impairment loss from the Group perspective,
* the deferred tax due to temporary differences resulting from eliminating profits and losses on intra Capital group transactions is recognised .

Transactions in foreign currencies

The consolidated financial statement is presented in PLN which is also the functional currency of the parent Company.

Transactions in other than PLN currencies are translated into Polish zloty using the exchange rate on the date of the transaction (spot exchange rate).

On the balance sheet day the financial items in foreign currencies are translated into Polish zloty at the closing exchange rate at the end of the reporting period, that is the average exchange rate fixed for a particular foreign currency by the National Bank of Poland.

Non-monetary items are measured in terms of historical cost in a foreign currency and shown at the historical cost value on the transaction day.

Non-monetary items in the consolidated financial statement measured at their fair value presented in a foreign currency are evaluated at the exchange rate on the date the fair value is determined, that is the average rate fixed for a particular foreign currency published by the National Bank of Poland.

Intangible assets

Intangible assets cover patents and licences, software, R&D expenses and the other intangible assets that meet the criteria of IAS 38. The Group dos not show any intangible assets with an unlimited period of use.

The intangible assets are presented on the balance sheet day at their acquisition cost or manufacture cost lowered by a depreciable amount and an impairment write-off/ allowance.
Intangible assets with finite useful life are amortised using straight-line method over the period of their economic useful life. Periods of use of particular intangible assets are verified annually and, when necessary, adjusted from the beginning of the next business year.

Expected useful life period for particular intangible asset groups is:

Group	Rate
R&D	20 – 30%

Maintenance cost of software incurred in the following periods is recognised as the cost of the period at the time it was incurred.

R&D expenses are recognised in the profit and loss statement at the moment they are incurred.

R&D expenses are activated only if the criteria below are met:
* completion of an intangible asset is feasible from the technical point of view so that it can be intended for use or sale,
*The group intends to complete an asset and its use or sale,
*the group is able to use or sell the intangible asset,
* the intangible assets will bring economic benefits, and the group can prove such benefits, for example by the existence of such an item in the market or its usability for the Group needs,
* the Group is provided with technical, financial or other sources necessary for completing R&D works for a single intangible asset,
* investments made during R&D works can be fairly evaluated and assign to a particular intangible asset.

Investments made on R&D conducted as part of a single project are carried forward onto the next period, if it is possible, it would be advisable to state that they can be recovered in future. Evaluation of future benefits is made in accordance with the principles referred to in IAS 36.

After the investments are initially recognised in R&D the historical cost model is applied according to which assets are recognised at their acquisition cost or manufacture cost lowered by accumulated amortisation and accumulated impairment write-offs/allowances. Completed R& D are amortised using a straight-line method over the foreseen period of their economic useful life, which, on the average, is 3 years.

Profit and loss on disposal of intangible assets is defined as a difference between revenues from sale and the net value of those fixed assets and are recognised in the profit and loss account of the other revenue or operating expense at the moment the purchaser takes control over the intangible asset being sold according to the requirements listed in IFRS 15. The remuneration amount due to the sale of an intangible asset is established according to the requirements of IFRS 15 concerning the procedure of determining a transaction price.

Tangible assets

Tangible assets are initially recognised at the acquisition costs or manufacture costs. The acquisition cost is increased by all the costs directly attributable to bringing the asset to use.
After initial recognition of tangible assets, excluding land, they are then presented at their acquisition cost or manufacture cost lowered by depreciation and impairment loss. Tangible assets during the manufacture process are not amortised until the construction or installation is completed and the tangible asset is commissioned.
Fixed assets are amortised with straightline method over the estimated period of a given asset useful life, which for particular fixed asset groups is:

Group	Rate
Computers	30%
Investment in the third party fixed asset	50%

Depreciation starts in a month following the month in which the fixed asset becomes ready for use. Economic useful life and depreciation methods are verified once a year and may result in depreciation made in the years to come.

Fixed assets are divided into elements being items of a significant value, to which a separate useful life period can be assigned. A fixed asset element can also be the cost of a major inspection as well as significant spare parts and equipment, if they are used over a period longer than one year. Current expenses incurred after a fixed asset commissioning, such as maintenance and repair costs are recognised in the profit and loss amount on the day they are incurred.

A fixed asset item can be cancelled from the balance sheet after it is sold or if it is not expected that further use of such an item can bring economic benefits. Profit or loss on sale, liquidation or stopping to use fixed assets are determined as a difference between revenues from sale and the net value of these fixed assets and are recognised in the profit and loss account as other revenues or operating expenses at the moment the purchaser takes control over the intangible asset being sold according to the requirements listed in IFRS 15. The remuneration amount due to the sale of an intangible asset is established according to the requirements of IFRS 15 concerning the procedure of determining a transaction price.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
A financial asset or a financial liability is presented in the balance sheet when the Group becomes a party to such an instrument contract. Standardised contracts of purchase and sale of financial assets and liabilities are recognised as at the day the transaction is made.

A financial asset is excluded from the financial statement when the rights to cash flows from the financial asset expire or when the financial asset and basically the risk and benefits resulting from this asset are transferred onto another entity.

The Group derecognizes from its statement a financial liability only when it expired, that means when the obligation specified in the contract was discharged, expired or cancelled.
On the acquisition day the Group measures a financial asset or liability at its fair value, that is at the fair value of the payment made in case of an asset or payment received in case of a liability. The Group classifies the transaction costs as the initial value of all the financial assets and liabilities, except for assets and liabilities evaluated at their fair value through consolidated report on total income.

On the balance sheet day financial assets or liabilities are measured according to the principles shown below:

Financial assets
According to IFRS 9 the Group qualifies financial assets into the following categories:
- measured at the amortised cost,
- measured at the fair value through the other comprehensive income,
- measured at the fair value through the financial result.
The classification is made at the moment of the initial recognition of an asset. The classification of debt financial assets depends on a business model of financial asset management and on the characteristics of contractual cash flow (SPPI test) for a particular financial asset.

For the category of assets measured at the amortised cost the Group classifies trade receivables, granted loans that successfully passed the SPPI test, the other receivables, deposits, cash and its equivalents.
Financial assets measured at the amortised cost are measured at the amount of the amortised cost using the effective interest rate method and taking into account possible write-offs for impairment loss. Trade receivables with the maturity over 12 months from the date they become due (that is, exclusive of a financing element) not transferred for factoring are not subject to discounting and are measured at the nominal value.

For the category of assets measured at the fair value through the other comprehensive income the Group classifies a financial asset upon fulfilment of the following conditions:
- it is maintained in a business model the purpose of which is to obtain contractual cash flow due to the financial assets possessed or due to a sale of financial assets, and
- contractual conditions give a right to obtain on defined dates the cash flow that forms only the capital and interest on capital (that is successfully passed the SPPI test).
The effects of changes of the fair value are recognized into the other comprehensive income until the asset is not presented in a financial statement any more, when the accumulated profit/loss are recognized in the statement of the company performance results.

For the category of assets measured at the fair value through the financial result the group classifies all financial instruments that have not been classified as measured at the amortised cost or measured at the fair value through the other comprehensive income.
Profit and loss on a financial asset classified as measured at the fair value through the financial result are recognized in the financial result of the period in which they were generated (including revenues from interest and dividend).

IFRS 9 offers a new approach to loss assessment with respect to financial assets measured at the amortised cost. This approach is based on determining the expected loss, irrespectively of whether there were signs for the impairment loss or not. Due to the specificity of the activities run (sales without a significant credit risk, no financial asset revaluation write-offs, cooperation with big financial institutions with a stable rating), the Group has not recognized in its financial statement revaluation write-offs on the grounds of the expected loss, as it finds them insignificant.

The Group does not apply hedge accounting, therefore the IFRS 9 standard does not find application here.

Financial liabilities

Financial liabilities other than hedging derivatives are presented in the following balance sheet items:

* trade liabilities and other liabilities

After the initial recognition the Group measures financial liabilities at amortised cost using the effective exchange rate method, excluding financial liabilities intended for sale or designated as measured at fair value through the financial result.
The Group designates as financial liabilities measured at fair value through the financial result derivatives which are not designated as hedging instruments. Short-term trade liabilities are measured at the value of the amounts to be received due to insignificant discount effects.

Profits and losses on measurement of financial liabilities are recognised in the company's performance financial result.

Cash and its equivalents

Cash and its equivalents covers cash on hand and in bank accounts, as well as short-term investments of great liquidity, easily exchangeable for cash with low risk of changing value.

Equity

Share capital is presented at the nominal value of issued shares in accordance with the By-laws of the parent company and an entry in the National Court Register.
Shares of the parent company acquired and held by the parent company or consolidated subsidiaries decrease the equity. Own shares are measured at acquisition cost.
The capital from the sale of shares above their nominal value is created from the surplus of the issue price above the share nominal value decreased by the issuance cost.
The other capitals comprise retained earnings by the Company.

Provisions, contingent liabilities and assets

Provisions are created when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that settling this obligation will require an outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. Date of incurring as well as the amount of the obligation can be uncertain.

Provisions for future operating losses are not made.

Provisions are recognised at the value of estimated investments necessary to settle the present obligation basing on the most probable evidence available on the day of preparing the consolidated financial statement , including risk and degree of uncertainty. In case money impact in time is significant, the provision amount is determined by discounting the prospected future cash flows to the current value using a discount rate reflecting current market assessments of money value in time and the possible risk related to a particular obligation. If the discounting method is applied, the increase of provisions with time is recognised as financial expenses.

If the Group expects that the expenses covered by the provision will be paid back, for example by virtue of an insurance contract, than the payment back is recognised as a separate element of assets, but only, when there is a sufficient indicator ensuring that such a payment back is likely to occur. However, the value of such an asset cannot exceed the amount of the provision.

In case outflow of resources for settling the present obligation is not possible, the contingent liability is not recognised in the balance sheet, except for contingent liabilities identified in the process of combining economic entities according to IFRS 3.
The parent company creates especially provisions for servers' maintenance costs due to the sale completed.

Revenues from sales

IFRS 15 " Revenues from agreements with clients" was published by the IFRS Council on May 28th,2014 and applies for a single year periods commencing on January 1st,2018 or after this date.
According to the above standard revenues are recognized at the amount to which an entity is entitled in exchange of handing over promised goods or services.

IFRS 15 standardizes presentation and disclosure of information. The fundamental principle of the new standard is that the revenues are recognized at the moment the control over the goods and services is transferred onto the client at the transaction price. Any goods or services sold as part of a package, which can be separated as a package part, should be recognized separately, furthermore, any deductions off the transaction price must be, as principle, allocated to particular elements of the package. According to the standard varied amounts are classified as revenues, provided there is a strong likelihood, that in future there will be no reversal of the revenue recognition as a result of revaluation. Recognition and revaluation in the standard are also applied for recognizing and evaluating profit/loss on the sale of non-financial assets, if this sale is not comprised by a regular course of the economic activities run.

The Group presents the recognized revenues from agreements with clients divided into categories, which reflect the way economic factors affect the character, amount, payment date and uncertainty of revenues and cash flows.
Revenues from sales are made exclusively from revenues generated by contracts concluded with clients which are subject to IFRS 15. The way of treating revenues from sales in the consolidated financial statement of the Group, including the value as well as the moment of recognizing the revenues, is defined by the five-stage model consisting of the following steps:
* identifying the contract with a client,
* identifying obligations to render services,
* determining the transaction price,
* attributing the transaction price to the obligations to render services,
* recognizing the revenue when performing the obligations to render services or after they have been completed.

Sales revenues are recognised at fair value of payments received or due and represent product receivables obtained in the process of regular operations, decreased by discounts, VAT and other trade taxes (excise tax).

Interest and dividend
Revenues from interest are recognised successively as they grow using the effective exchange rate method. Dividends are recognised at the moment of establishing the shareholders' rights to dividends.

Operating expenses

Operating expenses are recognised in the profit and loss statement using the matching principle. In its consolidated financial statement the Group presents according to the respective cost centres. The operating expenses also comprises exchange rate profits or gains (excluding exchange rate differences related to financial activities).

Income tax (including deferred tax)

The tax charged to the financial result comprises current tax and deferred tax, which was not recognised in other comprehensive income or directly in equity.

Current tax is determined basing on the taxable profit for a given business year. Taxable profit (loss) differs from the gross profit (loss) presented in the books due to a temporary transfer of taxable revenues and costs being the cost of obtained revenues to other periods and due to excluding revenue and expense items which will never be subject to taxation. Tax charges are computed basing on tax rates in force in a given tax year.

The parent company as a company that runs R&D activities gets its revenues from qualifying intellectual property rights and uses the preferential tax rate. The Company, as of October 22nd,2019 was granted an individual interpretation of tax law regulations concerning corporate income tax and issues related to preferential tax rates applied to income generated by intellectual property rights. In order to be eligible for the IP Box tax relief the Company:

- divides the taxable income into the income from qualifying intellectual property rights and from the other sources,
- calculates the nexus ratio for the income from qualifying intellectual property rights according to the rules defined in the Act on corporate income tax,
- -the nexus ratio is used for computing the amount of tax for each income source.

Deferred tax is computed using a balance method as tax to be paid or refunded in future periods on differences between balance sheet values of assets and liabilities and the corresponding tax values used for calculating the taxable base.

Provision for deferred tax is created from all positive temporary differences subject to taxation, whereas an asset due to deferred tax is recognised up to the value at which it is probable, that it will be possible to decrease future taxable profits by the recognised negative temporary differences. Neither an asset nor provision is recognised if the temporary difference results from the initial recognition of assets or liabilities in a transaction which is not a business combination and which at the time of its occurrence does not have an impact either on the taxable or accounting result. Provision for deferred income is not recognised on goodwill which is not subject to amortisation according to tax law.

Deferred tax is measured using tax rates which will be in force when an asset item is realized or provision settled in accordance with regulations in force on the balance sheet day.

The value of an asset due to deferred tax is analysed for each balance sheet day, and in case the prospected taxable profits will not be sufficient to realize the asset or its part, a relevant write-off is made.

Subjective judgement made by the Management Board and unreliability of assessments

When preparing the consolidated financial statement the Management Board of the parent company follows judgement when making estimates and assumptions that affect the applied methods and the presented amounts of assets, liabilities, equity, revenues and expenses. The actual results may differ from the estimates of the Management Board. Information on the estimates and assumptions which are significant for the consolidated financial statement are presented below.

Recognizing revenues from contracts with clients

The Company recognizes revenues by applying the so called Model of Five Steps referred to in IFRS 15. The revenues comprise only the amounts received or due that are equal to transaction prices the Company is entitled to after meeting (or when meeting) the obligation to render services, namely to transfer the promised goods or services (that is an asset) to the client. The transaction price means the amount, to which, as the Company expects, the Company will be entitled to for transferring the promised goods or services, lowered by the VAT due.

Periods of economic useful life of fixed assets

The Management Board of the parent company verifies annually (on the balance sheet day) periods of economic useful life of fixed assets subject to amortisation. As at March 31st, 2020 the Management Board estimates, that the economic useful life periods accepted by the Group for amortisation purposes reflect the expected period of receiving economic benefits by those assets in future. However, the real periods of receiving benefits by those assets in future may differ from the assumed ones, also due to technical ageing of the assets.

P*rovisions*

The Management Board of the parent company assesses the cost of maintenance of servers related to the sold accesses to the offered software. The cost estimates are made basing on the number of clients and distribution of licences in time as well as on the expenses incurred on the service maintenance. This creates the basis for computing a provision for expenses necessary for a correct and stable functioning of the license in future periods purchased by clients, they comprise servers costs and support care.

Assets for deferred tax

Probability of settling an asset due to deferred tax with future taxable profits is based on the budget of the companies comprised by the Group approved by the Management Board of the parent company. If the projected financial results show that the Group companies will reach the taxable income, the assets for deferred tax are recognised in the full amount.

Impairment loss of non-financial assets

In order to determine the use value the Management Board assesses the projected cash flows and the rate with which the cash flows are discounted to the current value. In the process of measuring the current value of the future cash flows the projected financial results are assumed. The assumptions refer to future events and circumstances. The actually realized values may differ from the estimated ones, which in the following reporting periods may cause adjustments in the value of the assets of the Group.

Expected credit losses from financial assets

Losses due to financial assets measured at amortised cost are assessed by determining the expected losses, independently of whether there were circumstances for impairment loss or not. Owing to the character of the activities run (sales to clients with low credit risk, no revaluation write-downs on financial assets ascertained on the grounds of assessments made and on the fact that in the past there were no significant liabilities that have not been met, cooperation with financial institutions that have a stable rating). The Group has not recognized in its consolidated report revaluation write-offs basing on the expected losses because it found them insignificant.

10. FURTHER INFORMATION AND EXPLANATORY NOTES

10.1 Explanatory notes to the report on the financial standing

Note 1 Tangible fixed assets

Tangible assets	As at 30.06.2020	As at 31.03.2020
Land	-	-
Right to perpetual usufruct	-	-
Buildings and structures	2 955 973	3 164 944
Machinery and equipment	1 113 700	1 156 138
Vehicles	-	-
Other fixed assets	-	-
Fixed assets in the course of construction	-	-
Advances for fixed assets	-	-
TOTAL FIXED ASSETS:	**4 069 673**	**4 321 082**

The most important element of of the other tangible assets is computer equipment. As of June 30th,2020 there were no significant liabilities related to the purchase of fixed assets. Buildings and structures refer to the investments made for the new company's seat.

Tangible fixed assets in the reporting period from 01.04.2020 to 30.06.2020	Land	Right to perpetual usufruct	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets in the course of construction, advancements
Opening gross balance	**-**	**-**	**4 271 991**	**3 257 645**	-	-	-
Carried from fixed assets under construction	-	-	-	-	-	-	-
Direct acquisition	-	-	-	126 219	-	-	-
Reclassification	-	-	-	-	-	-	-
Decrease due to sales	-	-	-	-	-	-	-
Decrease due to liquidation	-	-	-	33 906	-	-	-
Transfer onto fixed assets intended for sale	-	-	-	-	-	-	-
Decrease and increase due to reclassification	-	-	-	-	-	-	-
Gross closing balance	**-**	**-**	**4 271 991**	**3 349 957**	-	-	-
Opening redemption balance	**-**	**-**	**1 107 047**	**2 101 507**	-	-	-
Amortisation increase for the period	-	-	208 971	160 873	-	-	-
Increase due to combination of businesses	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Decrease due to sales	-	-	-	-	-	-	-
Decrease due to liquidation	-	-	-	26 123	-	-	-
Transfer onto fixed assets intended for sale	-	-	-	-	-	-	-
Decrease and increase due to reclassification	-	-	-	-	-	-	-
Redemption closing balance	**-**	**-**	**1 316 018**	**2 236 258**	-	-	-
Opening revaluation write-offs	**-**	**-**	-	-	-	-	-
Increase over the period	-	-	-	-		-	-

					-		
Reclassification	-	-	-	-	-	-	-
Decrease due to sales	-	-	-	-	-	-	-
Decrease due to liquidation	-	-	-	-	-	-	-
Transfer onto fixed assets intended for sale	-	-	-	-	-	-	-
Release of write-offs	-	-	-	-	-	-	-
Closing revaluation write-offs	**-**	**-**	-	-	-	-	-
Closing net value	**-**	**-**	**2 955 973**	**1 113 700**	-	-	-

* The group has been implementing IFRS 16 since April 1st,2019. As a result of this application the assets due to the right of use of office space were recognized in the balance sheet as of April 1st,2019. These assets are presented in the consolidated balance sheet under *Tangible fixed assets, Buildings and Structures*. As a result of implementing IFRS 16 for the first time in business year 2019/2020 , the value of this category of assets increased as of the balance sheet day 31.03.2020 by 3.072.512 PLN. The details of the application of IFRS 16 are referred to in the note 8 *"The basis for preparing the statement and accounting principles"*.

The value of the machinery and equipment purchased in the current period amounted to 126.218,68 PLN. As of June 30th, 2020 there were no significant liabilities due to the purchase of fixed assets.

Note 2. Intangible assets

Intangible assets	As at	As at
	30.06.2020	**31.03.2020**
Goodwill	-	-
Patents and licences	-	-
R&D expenses	27 478 419	26 528 261
Other intangible assets, including the value of intangible assets under implementation	-	-
TOTAL INTANGIBLE ASSETS:	**27 478 419**	**26 528 261**

Intangible assets in the reporting period from 01.04.2020 to 30.06.2020	Goodwill	Patents and licences	R&D expenses	Other intangible assets, including in the process of construction
Gross opening balance	**-**	**-**	**38 131 045**	**-**
Acquisition	-	-	2 803 877	-
Reclassification (from long-term prepayments and accruals)	-	-	-	-
Decrease due to sales	-	-	-	-
Decrease due to liquidation	-	-	-	-
Transfer (reclassification) onto fixed assets intended for sale	-	-	-	-
Decrease and increase due to reclassification	-	-	-	-
Gross closing balance	**-**	**-**	**40 934 922**	**-**
Opening redemption balance	**-**	**-**	**11 602 784**	**-**
Amortisation increase for the period	-	-	1 853 720	-
Reclassification	-	-	-	-
Decrease due to sales	-	-	-	-
Decrease due to liquidation	-	-		-

Transfer (reclassification) onto fixed assets intended for sale	-	-	-	-
Decrease and increase due to reclassification	-	-	-	-
Gross closing balance	**-**	**-**	**13 456 503**	**-**
Opening revaluation write-offs	**-**	**-**	**-**	**-**
Increase over the period	-	-	-	-
Reclassification	-	-	-	-
Decrease due to sales	-	-	-	-
Decrease due to liquidation	-	-	-	-
Transfer (reclassification) onto fixed assets intended for sale	-	-	-	-
Release of write-offs	-	-	-	-
Closing revaluation write-offs	**-**	**-**	**-**	**-**
Closing net value	**-**	**-**	**27 478 419**	**-**

The most important element of intangible assets is completed R&D related to the new versions of products offered by the Company.

Intangible assets are not in any of the presented periods subject of hedge accounting. The Group does not possess intangible assets intended for sale.

In the opinion of the Board there was no loss in the value of the investments made on R&D.

The table below presents the main items of R&D works related to the applications.

The cost of R&D including related to the following applications	As of 30.06.2020	As of 31.03.2020
LiveChat	23 838 170	23 076 695
ChatBot	1 075 810	1 035 343
HelpDesk	2 564 438	2 416 223
	27 478 419	**26 528 261**

Note 3. Long-term receivables

Long-term receivables as of June 30th, 2020 mainly refer to the deposits made.
In the period from 1.04.2020 until 30.06.2020 as well as in the comparative period year the Company did not make any revaluation write-offs on long-term receivables.

Note 4 Prepayments and accruals

Long-term active prepayments and accruals	As of 30.06.2020	As of 31.03.2020
Uncompleted R & D projects	1 910 270	1 894 240
TOTAL LONG-TERM PREPAYMENT AND ACCRUALS:	**1 910 270**	**1 894 240**

Short-term prepayments and accruals refer to the expenses settled over time.

Note 5. Trade receivables and other receivables

The majority of trade receivables concerns short-term receivables from payment agents and transfer of payments collected from customers. The other trade receivables mature at up to 30 days.
Trade receivables and the other receivables are measured at the amount of the amortised cost using the effective exchange rate method and taking into account the revaluation write-offs on receivables. The accounting value of the receivables is close to their fair value. Trade receivables with maturity date of below 360 days following the date they became due are not subject to discounting.

Receivables	30.06.2020			31.03.2020		
	Value	Revaluation write-off	Balance sheet value	Value	Revaluation write-off	Balance sheet value
Trade receivables	588 029	-	588 029	485 832	-	485 832
Receivables due to the current income tax	-	-	-	-	-	-
Other receivables	14 005 085	-	14 005 085	15 329 346	-	15 329 346
- including tax	13 811 446	-	13 811 446	15 298 668	-	15 298 668
TOTAL RECEIVABLES:	**14 593 113**	**-**	**14 593 113**	**15 815 178**	**-**	**15 815 178**

As of June 30th, 2020 the Group had no overdue receivables.

6. Cash and its equivalents

Cash in bank bears the interest according to a variable interest rate. The fair value of cash and cash equivalents equals its balance sheet value.

Cash	As of 30.06.2020	As of 31.03.2020
Cash in hand	-	-
Cash on bank accounts	59 860 401	38 461 491
Other cash and its equivalents	12 426	220 274
TOTAL CASH:	**59 872 827**	**38 681 765**
- including cash of restricted access funds	-	-

Cash in foreign currencies is evaluated on the balance sheet day according to the average rate for a particular currency fixed by the National Bank of Poland for this day. I

Cash- currency structure	As at 30.06.2020	As at 31.03.2020
Cash in PLN	24 982 768	36 834 899
Cash in USD	34 890 059	1 846 865
Cash in EUR	-	-
TOTAL CASH:	**59 872 827**	**38 681 765**

7. Equity

7.1 Share capital

SHARE CAPITAL (STRUCTURE) – 30.06.2020								
	Share type	**Type of share preference**	**Type of share right limits**	**Number of shares (in thousand items)**	**Series/issuance value by nominal value**	**Method of capital payment**	**Registration date**	**Dividend entitlement**
Series A	Ordinary bearer's	No	no	25 000,00	500 000	Contribution in cash	18.12.2013	According to KSH
Series B	Ordinary bearer's	No	no	750,00	15 000	Contribution in cash	18.12.2013	According to KSH
Total shares				**25 750,00**				
Total share capital					**515 000**			
Nominal value of a single share= 0,02 PLN								

SHARE CAPITAL (STRUCTURE) – 31.03.2020								
	Share type	**Type of share preference**	**Type of share right limits**	**Number of shares (in thousand items)**	**Series/issuance value by nominal value**	**Method of capital payment**	**Registration date**	**Dividend entitlement**
Series A	Ordinary bearer's	No	no	25 000,00	500 000	Contribution in cash	18.12.2013	According to KSH
Series B	Ordinary bearer's	No	no	750,00	15 000	Contribution in cash	18.12.2013	According to KSH
Total shares				**25 750,00**				
Total share capital					**515 000**			
Nominal value of a single share= 0,02 PLN								

People who are entitled to dividend are people who on dividend day will have shares of LIVECHAT Software Spółka Akcyjna on a securities account. The Company's Shareholders are entitled to dividend from the net profit presented in the statement of LIVECHAT Software Spółka Akcyjna in the amount fixed by the General Annual Meeting of Shareholders. A single ordinary share entitles to cast one vote.

Series A shares:

Series A shares are the series issued in relation to the transformation of „LIVECHAT" Ltd., the legal previous predecessor of the Issuer, into LiveChat Joinmt Stock. The transformation was adopted by the resolution of the shareholders' meeting of „LIVECHAT" Ltd. of September 10th, 2007. The resolution was recorded by Marek Leśniak, Notary Public of the Notarial Office Leśniak i Kawecka-Pysz partnership based in Wrocław, under repertory A no 1324/2007. The transformation was registered by virtue of the decision of the Regional Court for Wrocław-Fabryczna in Wrocław, VI Economic Division – KRS of October 16th, 2007.

At the time of transformation the Issuer's share capital amounted to 500.000 PLN and was divided into 5.000.000 A series ordinary bearer's shares with the nominal value of 0,10 PLN each.

On November 29th, 2013 The Issuer's Shareholders' Meeting passed a resolution to change the Issuer's By-laws, comprising, among other things, stock split, fixing the nominal stock value of 0,02 (two grosze) PLN. The resolution was recorded by Karolina Warczak-Mańdziak , Notary Public of the Notarial Office Wisława Boć-Mazur and Karolina Warczak-Mańdziak civil partnership based in Wrocław, under repertory A no 12380/2013. The shares were split in the proportion of 1:5 so that each single Issuer's share, including each single A series share, was split into 5 shares. The change in the Issuer's By-laws covering a change in the share nominal value was registered by virtue of a decision of the Regional Court for Wrocław-Fabryczna in Wrocław, VI Economic Division – KRS of December 18th, 2013. As a result of the above-mentioned registration, A series shares comprise 25.000.000 ordinary bearer's shares with the nominal value of 0,02 PLN each.

Series B shares

On April 26th, 2010 the Issuer's Shareholders' Meeting passed a resolution to increase the Issuer's share capital by the amount of 15.000 PLN through series B bearer's shares waiving the pre-emptive right of the Company's current shareholders as well as to amend the Company's By-laws. By virtue of the said resolution the Shareholders' Meeting decided to increase the share capital by 15.000 PLN by issuing 150.000 series B ordinary bearer's shares with the nominal value of 0,10 PLN. The series B shares were in full subscribed for by Mariusz Ciepły and paid with cash of 15.000 PLN. The issue price of a series B share was 0,10 PLN per single share.

On November 29th, 2013 The Issuer's Shareholders' Meeting passed a resolution to change the Issuer's By-laws, comprising, among other things, stock split, fixing the nominal stock value of 0,02 (two grosze) PLN. The resolution was recorded by Karolina Warczak-Mańdziak , Notary Public of the Notarial Office Wisława Boć-Mazur and Karolina Warczak-Mańdziak civil partnership based in Wrocław, under repertory A no 12380/2013. The shares were split in the proportion of 1:5 so that each single Issuer's share, including each single B series share, was split into 5 shares. The change in the Issuer's By-laws covering a change in the share nominal value was registered by virtue of a decision of the Regional Court for Wrocław-Fabryczna in Wrocław, VI Economic Division – KRS of December 18th, 2013. As a result of the above-mentioned registration, B series shares comprise 750.000 ordinary bearer's shares with the nominal value of 0,02 PLN each.

Shareholders	**Capital share as of 31.03.2020**	**Capital share as of 30.06.2020**	**Capital share on the day of drawing up the financial statement**
Nationale-Nederlanden PTE	6,18%	6,18%	6,18%
Aviva OFE Aviva Santander	6,55%	6,55%	6,55%
Shareholders' Agreement including above 5 % of the Company's equity	47,00%	46,90%	46,90%
Mariusz Ciepły	*15,57%*	*15,57%*	*15,57%*
Maciej Jarzębowski	*11,69%*	*11,69%*	*11,69%*
Jakub Sitarz	*11,69%*	*11,69%*	*11,69%*
Others	40,27%	40,37%	40,37%
TOTAL	**100%**	**100%**	**100%**

7.2 Supplementary capital

Supplementary capital was formed when the Company retained a part of its profits from previous years. The Company made a distribution of the previous year's result according to art. 347 § 4 in the commercial companies code.

7.3 Undistributed result from previous years

The item undistributed result of previous years refers only to undistributed net result of previous years and does not contain any other economic events.

7.4 Dividends

By virtue of the resolution adopted by the General Meeting of Shareholders of August 18th, 2020 the net profit of the parent company for 2019/2020 was allocated to:
- payment of dividend – 63.860.000,00 PLN (dividend payment date is 1.09.2020)
- increasing supplementary capital of the parent Company – 11.968.987,97 PLN

Note 8 Leasing liabilities

Long-term liabilities include other financial liabilities related to the lease treated in accordance with IFRS 16 and amounting to 2.135.402,10 PLN.
Financial liabilities of 820.570,62 PLN refer to the short-term part of the lease liability.
Details concerning application of IFRS 16 Leasing are referred to in 8 *Basis for preparing the financial statement and accounting principles.*

Note 9 . Trade and other short-term liabilities

Trade and other short-term liabilities	As at 30.06.2020	As at 31.03.2020
Trade liabilities	6 291 012	4 855 563
Due to current income tax	92 049	687 329
Payroll	-	-
Financial liabilities	820 571	826 657
Other taxation, custom duties and social insurance	-	-
Accruals and other liabilities	257 853	239 891
TOTAL SHORT-TERM LIABILITIES:	**7 461 485**	**6 609 441**

Liabilities as of 30.06.2020 – age structure	Current	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5	Total
Trade liabilities	6 291 012	6 291 012	-	-	-	6 291 012
Due to current income tax	92 049	92 049	-	-	-	92 049
Payroll	-	-	-	-	-	-
Financial liabilities	820 571	820 571	-	-	-	820 571
Other taxation, custom duties and social insurance	-	-	-	-	-	-
Accruals and other liabilities	257 853	257 853	-	-	-	257 853
Total	**7 461 485**	**7 461 485**	**-**	**-**	**-**	**7 461 485**

Liabilities – currency structure	30.06.2020		31.03.2020	
	in foreign currencies	in PLN after translation	in foreign currencies	in PLN after translation
PLN	6 813 266	6 813 266	6 425 840	6 425 840
EUR	0	0	0	0
USD	162 845	648 219	44 277	183 601
TOTAL	-	**7 461 485**	-	**6 609 441**

Almost all liabilities are denominated in PLN.
Trade liabilities also include provision for the estimated cost of maintenance of servers amounting to 2.711.914,88 PLN .

Change of the provision for the maintenance of servers	For the period ended	For the period ended
	3 months	12 months
	30.06.2020	31.03.2020
As of 1.04.2020	**2 259 619**	**2 095 841**
Creating a provision during a business year	452 295	179 320
Disposal of the provision	-	-
Release of the provision	-	- 15 542
As of 30.06.2020	**2 711 914**	**2 259 619**

10. 2 Explanatory notes to the report on total income

Note 10 Revenues from sale

Sales revenues (continued activity)	For period ended 3 months	Fore period ended 3 months
	30.06.2020	30.06.2020
Revenues from sales of products	41 627 541	30 177 385
Revenues from sales of services	-	-
Revenues from sales of goods	-	-
Revenues from sales of materials	-	-
TOTAL SALES REVENUES	**41 627 541**	**30 177 385**

When identifying operating segments the Company takes into account product lines that represent the main products supplied by the Group. Each of the segments is managed separately within a particular product line due to the characteristics of the products manufactured. Owing to the uniform character of the activities run the parent Company does not identify other operating segments than a product line.

Revenues from sales (product line), including:	For the period ended	For the period ended
	3months	3 months
	30.06.2020	30.06.2019
LiveChat	40 283 433	29 819 382
ChatBot	1 249 491	358 003
HelpDesk	94 617	0

TOTAL REVENUES FROM SALES	**41 627 541**	**30 177 385**

Revenues from sales (geographical structure)	For the period ended	For the period ended
	3 months	3 months
	30.06.2020	30.06.2019
Poland	23 712	19 694
Other	41 603 829	30 157 691
TOTAL REVENUES FROM SALES	**41 627 541**	**30 177 385**

Almost 95% of the consolidated revenues from sales is generated by the Company through LiveChat Inc. in USA. They comprise 1,3,6 and 12 months' licences for LiveChat products in B2B segment. The sales are based on fixed prices.
The Company does not have significant long-term sales contracts. A single sale is entered into the books at the time of payment for the sale of a license, so there is no risk related to a deferred payment. Owing to the above there are no assessments of revenues valuation.
The right to return occurs rather rarely in a changed form. The unused part of the license can be changed, however, it cannot be given back. It is also not possible to return the used license part.

Note 11 Operating expenses

11.1 Cost by nature	For period ended 3 months	For period ended 3 months
	30.06.2020	30.06.2019
Amortisation	2 224 519	1 267 908
Energy and materials used	81 583	195 905
External services	12 481 534	8 909 570
Taxes and charges	608	12 432
Cost of employee benefits	563 539	489 794
Other cost by nature	376 227	1 104 024
Value of materials and goods sold	-	-
Exchange differences related to the operating activity	55 153	-
TOTAL COST BY NATURE	**15 783 165**	**11 979 633**
Adjustments:		
Change of inventory	-	-
Own cost of sales	5 603 238	4 728 394
Cost of sales	7 768 049	3 903 559
Administrative expenses	2 411 877	3 347 679
TOTAL OPERATING EXPENSES	**15 783 165**	**11 979 633**

Note 12 Other operating income and expenses

The other operating income refers mainly to the income from sublease. Insignificant amounts in terms of a consolidated financial statement).
The sublease contract was concluded on 2.11.2009 and concerns making a workplace available.

Note 13 Financial income and expenses

Financial income	For period of 3 months ended	For period of 3 months
	30.06.2020	30.06.2020
Interest	3 449	26 478
Surplus of exchange gains over exchange losses	0,00	0,00
Profit from sale of shares, stocks and other securities	0,00	0,00
Dividend received	0,00	0,00
Release of financial assets write-offs	0,00	0,00
Other	0,00	0,00
TOTAL FINANCIAL INCOME	**3 449**	**26 478**

Financial expenses	For period of 3 months ended	For period of 3 months ended
	30.06.2020	30.06.2019
Interest	1 038	0,00
Surplus of exchange gains over exchange losses	553 796	0,00
Profit from sale of shares, stocks and other securities	0,00	0,00
Dividend received	0,00	0,00
Release of financial assets write-offs	0,00	0,00
Other		0,00
TOTAL FINANCIAL EXPENSES	**554 834**	**0,00**

Note 14 Income and deferred tax

CURRENT INCOME TAX IN PLN	for the period of 3 months ended on June 30th, 2020	for the period of 3 months ended on June 30th, 2019
1. Gross profit (loss)	25 270 549	18 225 298
2. Differences between gross profit (loss) and income tax base	1 467 311	792 879
3.Taxable income	26 737 860	19 018 177
4. Income tax calculated with the rate of 19%	5 080 193	3 613 454
5. Income tax	4 468 798	3 511 581

The difference between the value of the income tax presented above and the amount of the tax indicated in the consolidated statement note on comprehensive income is a change in the deferred tax status.
The deferred tax was calculated only basing on temporary differences between the tax and balance valuation of the fixed assets provisions and the exchange rate differences on the balance valuation of cash.

For the business year 2019/2020 the Company applied for the first time the so called IP Box relief/exemption. This relief means measuring tax on the income generated from the qualified property rights by applying the rate of 5% instead of the standardized rate of 19%. However, the regulations concerning corporate income tax frequently change and as a result it is hard to refer to fixed regulations or legal precedents.

The regulations in force are also not clear which causes differences in opinion on legal interpretation of tax regulations both among government bodies as well as between government bodies and entrepreneurs. Tax and other settlements can be audited by entities which are entitled to impose high fines and due additional payments identified during an audit must be paid promptly including big interest amounts. Those circumstances cause that tax risk in Poland is higher than the one that exists in other countries where the tax system is well developed. Tax settlements are subject to auditing for the period of five years. As a result, the figures shown in financial reports may change in the next period after the final amount has been determined by revenue offices.
The current part of the income tax for the period ended 30.06.2020 and 30.06.2020 was established according to the corporate income tax rate of 19% applied for the taxable base corresponding to the total income of the Company.
For the period of 12 months ended on 31.03.2020 the effective tax rate resulting from the IP Box exemption was 6,86%.

As of the balance sheet date 30.06.2020 the Company presents the asset due to the deferred income tax of 739.681,73 PLN as well as the provision for the deferred income tax of 0,00 PLN.

Note 15 Financial instruments

Financial instruments by category	As of 30.06.2020		As of 31.03.2020	
	Book value	Fair value	Book value	Fair value
Financial assets	**74 465 940**	**74 465 940**	**54 496 943**	**54 496 943**
Assets measured at fair value through financial result	-	-	-	-
Financial assets measured at the amortised cost , including	**74 465 940**	**74 465 940**	**54 496 943**	**54 496 943**
- own receivables	14 593 113	14 593 113	15 815 178	15 815 178
- cash	59 872 827	59 872 827	38 681 765	38 681 765
Assets measured at fair value through financial result	-	-	-	-
Financial liabilities	**9 596 887**	**9 596 887**	**8 947 727**	**8 947 727**
Liabilities measured at amortised cost	9 596 887	9 596 887	8 947 727	8 947 727

Financial assets measured at amortised cost cover: cash, trade receivables and other short-term receivables.
Financial liabilities measured at amortised cost cover: other long-term financial liabilities, trade liabilities, current income tax liabilities, other short-term financial liabilities, other short-term liabilities.

9.3 Other explanatory notes

Note 16 Benefits to the key managing staff (including remuneration to the members of the Management Board and the Supervisory Board)

Remuneration to the Management Board
The remuneration of the Board of Directors/Management Board of LiveChat Software SA collected from 1.04.2020 until 30.06.2020 also comprises bonus granted by the Supervisory Board for the operation of the Management Board and the performance results in 2019/2020.

Surname and name	1.04.2020 – 30.06.2020	1.04.2019 – 30.06.2019
Mariusz Ciepły	152 606,53	135 000,00
Urszula Jarzębowska	101 737,69	90 000,00
	254 344,22	**225 000,00**

Members of the Management Board did not receive any other remuneration.

Remuneration to the Supervisory Board
Members of the Supervisory Board did not receive any remuneration.

Other benefits and unsettled loans and advance payments of the key managing staff
not present

All transactions with the key managing staff of the Company are made according to market conditions.

Note 17 Contingent items, other off-balance sheet items and tax settlements

There were no such items.

Note 18 Employment

The Group does not employ employees, it only liaises with economic entities on civil-law contract basis.

Average employment by job positions	for the period of 3 months ended 30.06.2020	for the period of 12 months ended 31.03.2020	for the period of 12 months ended 31.03.2019
Physical workers	0	0	0
Office workers	174	169	131
Total number of job positions	**174**	**169**	**131**

Note 19 Description of factors and events, especially of non-typical character, having an impact on the financial results generated.

In the opinion of the Company's Management Board in the period from April 1st, 2020 until June 30th, 2020 there were no major events of non-typical character having an impact on the financial results generated by the Group.

Note 20 Events after the balance sheet date

COVID-19 outbreak has affected the Company's activities since the middle of March 2020. From March 9th to 15th, bearing in mind the co-workers' safety, the Company decided on a 100% remote work model.
In July 2020 the Company re-opened its offices to its co-workers, however with new safety precautions and limitations binding (for example, some desks were closed, the number of people in the office is monitored, sanitizers have been made available). On the other hand, the Company informed its co-workers that remote work was the most desired form and that the Company was willing to continue this organizational model. This results from positive attitude of workers towards the changes introduced and from very good performance results.

The Company still claims that coronavirus outbreak did not negatively influence the continuity of the Company's operation, its development as well as the quality of services rendered or its R&D. Business figures of the Company are affected by various factors , including economic situation on the key markets (for example USA, Great Britain, Canada), changes made in products, marketing activities, activities of competitive companies and many other things, which make it difficult to calculate the effect of the coronavirus outbreak on the business. However, in March and April the Company experienced an increase of the churn rate (the rate at which customers stop doing business with an entity), which started to fall beginning in May and has remained since then on the historical average of 3% monthly.
The number of new trials (potential clients testing LiveChat products) has been on a higher level than in the same period in the previous year and the first months of 2020 (January, February), which may be explained by the increased need for online communication solutions during the coronavirus outbreak.

Note 21 Transactions with related parties

The Company did not make transactions with related parties under other than market conditions. Balance and result categories resulting from transactions made with related parties are presented below:

Revenues from sales to LiveChatInc	40.259.721,38 PLN
Cost of services purchased from LiveChatInc	7.927.214,84 PLN
Receivables due from LiveChatInc	29.618.772,62 PLN
Liabilities to LiveChatInc	0,00 PLN

The above transactions have been excluded from the consolidated financial statement.
The company did not make any transactions with related parties upon other than market conditions.

Note 22 Cyclicality and seasonality of the activities run
No cyclicality or seasonality of the sales can be observed in the capital group.

Note 23 Remuneration of an auditor

The company concluded an agreement with the auditing company Grant Thornton Polska sp. z o.o. sp. k. on 4.11.2019.

The agreement comprised the following works related to the business year 2019/2020:

- auditing the half-year separate financial statement for the period from April 1st,2019 until September 30th, 2019 ended with issuing the audit report,
- reviewing the half-year consolidated financial statement for the period from April 1st,2019 until September 30th, 2019 ended with issuing the audit report,
- auditing the annual separate financial statement for the period from April 1st,2019 until March 31st, 2020 ended with issuing the audit report,
- auditing the consolidated financial statement of the capital group for the period from April 1st,2019 until March 31st, 2020 ended with issuing the audit report.

For this contract the Company paid the remuneration to the auditor Grant Thornton Polska sp. z o.o. amounting to net 29.320,01 PLN.

Note 24 Objective and principles of risk management

The main financial instruments used by the entity and its subsidiaries are cash and short-term deposits. The main objective of those financial instruments is optimization of the financial result of the Group and securing exchange rate risk. The group also has other financial instruments, such as trade receivables and liabilities, which become due in the course of the operations carried out.

The principle applied by the Group presently and throughout the reporting period is not trading with financial instruments.

Foreign exchange risk

Since over 95% of the sales is performed in USD the Group is exposed to foreign exchange risk due to the transactions made.

In the reporting period the Group did not secure (hedge) its sales denominated in foreign currencies. In order to decrease foreign exchange risk the parent company's Management Board exchanges the received USD into Polish zloty.

Moreover, the Management Board regularly monitors USD exchange rate and adapts its price policy thereto. Cash denominated in USD, is, as compared to the cash in PLN, an insignificant element as far as the value is concerned. Furthermore, the sales model assumed that is based on autonomous payment by credit cards and regular USD exchanging minimize foreign exchange risk.

Interest rate risk

Exposure of the Group to the risk resulting from changing interest rate first of all refers to depositing the generated financial surplus. Due to the character of operations carried out, the Company does not have financial liabilities.

Price risk

The basic type of the services purchased are services rendered by qualified IT engineers. Due to the fact that the company's operations are run in Wrocław, where there are many qualified IT engineers operating, and the local technical university educates many IT students, the risk of price increase is not crucial here.

The Company's Management Board regularly monitors the level if IT service prices.

Credit risk

The business model adopted by the group assumes sales completion only when receiving payment is guaranteed.

The share of customers to whom merchandise credit is granted is hardly 3%.

The Management Board of the parent company regularly monitors credit risk of its contracting parties.

Credit risk related to cash is marginal owing to the reputation and financial stability of financial institutions the Group liaises with. In view of the above, any estimates concerning expected credit losses are on a very low level. Therefore the consolidated financial statement does not present revaluation write-offs related to credit risk.

Risk related to liquidity

Due to the character of the operations of the Group, this type of risk is not practically important here.

The value of cash exceeded several times the value of short-term liabilities as of the balance sheet day 30.06.2020 and 31.03.2020, therefore presentation of an analysis of liquidity risk is waived.

Wrocław, August 28th, 2020

Mariusz Ciepły, President of the Management Board
Urszula Jarzębowska, member of the Management Board
Joanna Alwin, Financial Director