INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

FOR THE PERIOD OF NINE MONTHS ENDING ON DECEMBER 31ST, 2016

DRAWN UP IN ACCORDANCE WITH INTERNATIONAL STANDARDS OF FINANCIAL REPORTING

Capital Group LIVECHAT SOFTWARE SA

Wrocław, February 2nd, 2017

CONTENTS

1. SELECTED FINANCIAL DATA

2. INTERIM CONDENSED CONSOLIDATED STATEMENT OF THE FINANCIAL STANDING

3. CONSOLIDATED STATEMENT OF THE FINANCIAL RESULT AND TOTAL INCOME (by-function format)

4. NET EARNINGS PER SINGLE ORDINARY SHARE (PLN)

5. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

6. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

7. FURTHER INFORMATION AND EXPLANATORY NOTES

1. GENERAL INFORMATION

2. BASIS FOR PREPARING THE STATEMENT AND ACCOUNTING PRINCIPLES

3. INTANGIBLE ASSETS

4. TANGIBLE FIXED ASSETS

5. LONG-TERM RECEIVABLES

6. TRADE AND OTHER RECEIVABLES

7. CASH AND ITS EQUIVALENTS

8. PREPAYMENTS AND ACCRUALS

9. EQUITY

10. TRADE AND OTHER LIABILITIES

11. REVENUES FROM SALES

12. OPERATING EXPENSES

13. OTHER REVENUES AND OPERATING EXPENSES

14. FINANCIAL REVENUES AND EXPENSES

15. DEFERRED INCOME TAX

16. FINANCIAL INSTRUMENTS

17. REMUNERATION TO THE KEY MANAGING STAFF ( INCLUDING SALARIES TO MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD)

18. CONDITIONAL/CONTINGENT ITEMS, OTHER OFF-BALANCE SHEET ITEMS

19. EMPLOYMENT

20. DESCRIPTION OF FACTORS AND EVENTS, ESPECIALLY OF NON-TYPICAL CHARACTER, AFFECTING THE FINANCIAL RESULTS ACHEIVED

21. EVENTS THAT OCCURRED AFTER THE INTERIM PERIOD NOT COMPRISED BY THE FINANCIAL STATEMENT

22. TRANSACTIONS WITH RELATED PARTIES

23. CYCLICALITY, SEASONALITY OF THE ACTIVITIES RUN

**1. SELECTED FINANCIAL DATA**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Title** | PLN | | EUR | | | | | |
| **01.04.2016 – 31.12.2016** | **01.04.2015 - 31.12.2015** | **01.04.2016 – 31.12.2016** | **01.04.2015 - 31.12.2015** | | | | |
| I. Net revenues from sales of products, goods and materials | 54 720 884 | 37 425 683 | 12 542 027 | 8 952 223 | | | | |
| II. Profit (loss) on operational activity | 38 375 066 | 25 229 291 | 8 795 565 | 6 034 846 | | | | |
| III. Gross profit (Loss) | 38 478 518 | 24 847 924 | 8 819 276 | 5 943 623 | | | | |
| IV. Net profit (Loss) | 30 879 610 | 19 962 906 | 7 077 607 | 4 775 127 | | | | |
| V. Net cash flow from operating activities | 30 205 669 | 21 825 108 | 6 923 139 | 5 220 566 | | | | |
| VI. Net cash flow from investing activities | (1 721 555) | (1 847 762) | (394 580) | (441 985) | | | | |
| VII. Net cash flow from financial activities | (27 810 000) | (18 282 500) | (6 374 052) | (4 373 174) | | | | |
| VIII. Net cash flow total | 674 114 | 1 694 846 | 154 507 | 405 407 | | | | |
| IX. Total assets | 35 760 630 | 24 673 063 | 8 081 902 | 5 790 768 | | | | |
| X. Liabilities and provision for liabilities | 3 106 420 | 3 138 587 | 702 051 | 736 626 | | | | |
| XI. Long-term liabilities | 493 | - | 111 | - | | | | |
| XII. Short-term liabilities | 3 105 927 | 3 138 587 | 701 939 | 736 626 | | | | |
| XIII. Equity | 32 654 210 | 21 534 476 | 7 379 852 | 5 054 142 | | | | |
| XIV. Share capital | 515 000 | 515 000 | 116 390 | 120 871 | | | | |
| XV. Number of shares | 25 750 000 | 25 750 000 | 25 750 000 | 25 750 000 | | | | |
| XVI. Profit (loss) per single ordinary share(in PLN/ EUR) | 1,20 | 0,78 | 0,27 | 0,19 | | | | |
| XVIII. Net book value per single share ( in PLN/ EUR)) | 1,27 | 0,84 | 0,29 | 0,20 | | | | |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Please state the exchange rate of PLN/EUR for calculating balance sheet figures | 0,2260 | 0,2347 |  |  |  |  |  |
| Please state the exchange rate of PLN/EUR for calculating the statement figures of the total revenues and cash flow statement | 0,2292 | 0,2392 |  |  |  |  |  |

2. INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL STANDING

STATEMENT OF FINANCIAL STANDING

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Specification** | **Note** | **Balance as at** | **Balance as at** | **Balance as at** |
| **31.12.2016** | **31.03.2016** | **31.12.2015** |
| **FIXED ASSETS** |  | **7 509 604** | **5 552 267** | **4 893 405** |
| Tangible fixed assets | [4](file:///E:\Documents%20and%20Settings\admin\Moje%20dokumenty\Tłu,maczenia%20finansowe\E:\Documents%20and%20Settings\admin\Moje%20dokumenty\Audyt\Livatech\sprawozdania%20finansowe\30.09.2016\Konsolidacja%20LC-noty%20SF%2030.09.2016.xlsx#RANGE!A1) | 579 762 | 568 151 | 524 003 |
| Investment real property |  | - | - | - |
| Goodwill |  | - | - | - |
| Other intangible assets | 3 | 4 410 690 | 3 778 326 | 3 441 365 |
| Shares and stocks |  | - | - | - |
| - including: investments accounted for using equity method |  | - | - | - |
| Long-term receivables | 5 | 40 091 | 52 538 | - |
| Other long-term financial assets |  | - | - | - |
| Deferred tax assets | [15](file:///E:\Documents%20and%20Settings\admin\Moje%20dokumenty\Tłu,maczenia%20finansowe\E:\Documents%20and%20Settings\admin\Moje%20dokumenty\Audyt\Livatech\sprawozdania%20finansowe\30.09.2016\Konsolidacja%20LC-noty%20SF%2030.09.2016.xlsx#RANGE!B2) | 257 288 | 176 416 | 168 147 |
| Other fixed assets | 8 | 2 221 775 | 976 836 | 759 891 |
| **CURRENT ASSETS** |  | **28 251 026** | **26 523 730** | **19 779 658** |
| Inventory |  | - | - | - |
| Trade receivables | 6 | 610 996 | 542 605 | 449 609 |
| Receivables for current income tax |  | - | - | - |
| Other receivables | 6 | 3 714 714 | 2 728 486 | 2 383 754 |
| Other financial assets |  | - | - |  |
| Cash and its equivalents | 7 | 23 888 048 | 23 213 934 | 16 852 926 |
| Prepayments and accruals | 8 | 37 269 | 38 705 | 93 369 |
| **ASSETS CLASSIFIED AS INTENDED FOR SALE** |  | **-** | **-** | **-** |
| Tangible fixed assets intended for sale |  | - | - | - |
| Other assets classified as intended for sale |  | - | - | - |
| **Total assets :** |  | **35 760 630** | **32 075 997** | **24 673 063** |

Wrocław, February 2nd, 2017.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

STATEMENT OF FINANCIAL STANDING

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Specification** | **Note** | **Balance as at** | **Balance as at** | **Balance as at** |
|  | **31.12.2016** | **31.03.2016** | **31.12.2015** |
| **EQUITY** |  | **32 654 210** | **29 526 115** | **21 534 476** |
| Share capital | 9.1 | 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 | 9.2 | 893 933 | 787 907 | 787 907 |
| Exchange rate differences after calculation |  | 1 967 | (5 906) | 2 919 |
| Revaluation reserve for the stock options incentive programme |  | - | - | - |
| Revaluation reserve for employee benefits |  | - | - | - |
| Reserve capital |  | - | - | - |
| Hedging reserve |  | - | - | - |
| Figures recognised directly in capital related to financial assets classified as available for sale |  | - | - | - |
| Undistributed result from previous years | 9.3 | 363 701 | 156 510 | 265 744 |
| Net profit (loss) of the business year | 9 | 30 879 610 | 28 072 604 | 19 962 906 |
| **Equity attributable to shareholders of the parent company** |  | **32 654 210** | **29 526 115** | **21 534 476** |
| **Equity attributable to non-controlling shares** |  | **-** | **-** | **-** |
| **LONG-TERM LIABILITIES** |  | **493** | **575** | **-** |
| Reserve due to deferred income tax | 15 | 493 | 575 | - |
| Provision for pension benefits and similar |  | - | - | - |
| Other provisions/ reserves |  | - | - | - |
| Credits and loans |  | - | - | - |
| Other financial liabilities |  | - | - | - |
| Other long-term liabilities |  | - | - | - |
| **SHORT-TERM LIABILITIES** |  | **3 105 927** | **2 549 307** | **3 138 587** |
| Credits and loans |  | - | - | - |
| Other financial liabilities |  | - | - | - |
| Trade liabilities | 10 | 1 103 795 | 667 944 | 465 714 |
| Tax payables | 10 | 651 014 | 972 860 | 1 836 655 |
| Provision for pension benefits and similar |  | - | - | - |
| Other short-term provisions/reserves |  | - | - | - |
| Other liabilities | 10 | 1 351 118 | 908 503 | 836 217 |
| Accrued income |  |  | - |  |
| **LIABILITIES DIRECTLY RELATED TO FIXED ASSETS CLASSIFIED AS INTENDED FOR SALE** | **-** | **-** | **-** | **-** |
| **Total liabilities :** |  | **35 760 630** | **32 075 997** | **24 673 063** |

Wrocław, February 2nd, 2017.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

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

***CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER TOTAL INCOME ( by-function format)***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Specification** |  |  | **Profit and Loss Statement for 01.04.2016 - 31.12..2016** | **Profit and Loss Statement for 01.04.2015 31.03.2016** |  | **Profit and Loss Statement for 01.04.2015 31.12.2015** |
| **Note** | **Profit and Loss Statement for 01.10.2016 – 31.12..2016** | **Profit and Loss Statement for 01.10.2015 31.12..2015** |
|  |  |  |
| **Continued activity** |  | **3 months** | **9 months** |  | **3 months** | **9 months** |
| Revenues from sales | [11](file:///E:\Documents%20and%20Settings\admin\Moje%20dokumenty\Tłu,maczenia%20finansowe\E:\Documents%20and%20Settings\admin\Moje%20dokumenty\Audyt\Livatech\sprawozdania%20finansowe\30.09.2016\Konsolidacja%20LC-noty%20SF%2030.09.2016.xlsx#RANGE!B3) | 20 173 001 | 54 720 884 | 53 032 517 | 13 746 654 | 37 425 683 |
| Prime costs of sale | 12 | 2 425 001 | 8 232 667 | 8 600 146 | 2 146 883 | 5 732 978 |
| **GROSS POFIT (LOSS) ON SALES** |  | **17 748 001** | **46 488 218** | **44 432 372** | **11 599 771** | **31 692 705** |
| Sales expenses | 12 | 1 752 832 | 5 037 438 | 5 655 834 | 1 491 822 | 3 747 512 |
| General and administrative costs | 12 | 1 029 861 | 3 084 946 | 3 839 089 | 643 110 | 2 718 158 |
| **POFIT (LOSS) ON SALES** |  | **14 965 308** | **38 365 834** | **34 937 449** | **9 464 839** | **25 227 035** |
| Other operating revenues | 13 | 3 224 | 9 232 | 13 238 | (2 009) | 2 256 |
| Other operating expenses | 13 | - | - | 2 000 | (2 000) | - |
| **PROFIT (LOSS) ON OPERATING ACTIVITY** |  | **14 968 532** | **38 375 066** | **34 948 686** | **9 464 830** | **25 229 291** |
| Financial revenues | 14 | 8 690 | 110 121 | 165 978 | 134 976 | 226 741 |
| Financial expenses | 14 | 4 339 | 6 670 | 44 044 | 608 080 | 608 109 |
| Profit on sales of shares to an associated company |  | - | - | - | - | - |
| Profit sharing in associated companies |  | - | - | - | - | - |
| **PROFIT (LOSS) BEFORE TAX** |  | **14 972 884** | **38 478 518** | **35 070 620** | **8 991 725** | **24 847 924** |
| Income tax | 15 | 2 924 392 | 7 598 908 | 6 998 017 | 1 740 630 | 4 885 018 |
| **PROFIT (LOSS ) ON CONTINUED ACTIVITY** |  | **12 048 492** | **30 879 610** | **28 072 603** | **7 251 096** | **19 962 906** |
| Profit (loss) on discontinued activity |  | - | - | - | - | - |
| **NET PROFIT (LOSS)** |  | **12 048 492** | **30 879 610** | **28 072 604** | **7 251 096** | **19 962 906** |
| **Other total revenues** |  | 50 613 | 50 613 | (2 872) | - | - |
| **Other comprehensive income items that will not be reclassified into profit or loss** |  | **-** | **-** | **-** | **-** | **-** |
| Actuarial gain or loss |  | - | - | - | - | - |
| Effects of revaluation of tangible assets |  | - | - | - |  | - |
| Income tax related to the other comprehensive income |  | - | - | - | - | - |
| **Other comprehensive income items that, after meeting certain requirements, will be reclassified into profit or loss** |  | **50 613** | **50 613** | **(2 872)** | **-** | **-** |
| Hedge accounting |  | - | - | - |  | - |
| Translation differences on foreign operations |  | 50 613 | 50 613 | (2 872) | - | - |
| Effects of revaluation of financial assets available for sale |  | - | - | - | - | - |
| Other profit sharing in associated companies |  | - | - | - | - | - |
| Income tax related to other total income |  | - | - | - | - | - |
| **Other total income** |  | **50 613** | **50 613** | **(2 872)** | **-** | **-** |
| **Total income** |  | **12 099 105** | **30 930 223** | **28 069 732** | **7 251 096** | **19 962 906** |

Wrocław, February 2nd, 2017.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

4. NET EARNINGS PER SINGLE ORDINARY SHARE (PLN)

|  |  |  |  |
| --- | --- | --- | --- |
| **Earnings per single share (in PLN/GR per single share)** | **Profit and Loss for 01.04.2016 - 31.12.2016** | **Profit and Loss for 01.04.2015 31.03.2016** | **Profit and Loss for 01.04.2015 31.12.2015** |
|
|
| **On continuing and discontinued activity** |  |  |  |
| Ordinary | 1,20 | 1,09 | 0,78 |
| Diluted | 1,20 | 1,09 | 0,78 |
|  |  |  |  |
| **On continuing and discontinued activity** |  |  |  |
| Ordinary | 1,20 | 1,09 | 0,78 |
| Diluted | 1,20 | 1,09 | 0,78 |
|  |  |  |  |
| Profit (loss) on continuing and discontinued activity | 30 879 610 | 28 072 604 | 19 962 906 |
| Profit (loss) on continuing activity | 30 879 610 | 28 072 604 | 19 962 906 |
| 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 |

5. **CONSOLIDATED CONDENSED INTERIM REPORT ON CHANGES IN EQUITY**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **CONSOLIDATED REPORT ON CHANGES IN EQUITY FOR THE PERIOD: 01.04.2016 – 31.12.2016** | **Equity attributable to the owners of the parent company** | | | | | | | |
| **Share capital** | **Own shares (-)** | **Reserve capital** | **Capital arising from application of hedge accounting** | **Translation differences of a subsidiary** | **Undistributed profit (loss) from previous years** | **Profit (loss) of the business year** | **Total equity** |
| **Balance on 01.04.2016** | **515 000** | **-** | **787 907** | **-** | **(5 906)** | **156 510** | **28 072 604** | **29 526 115** |
| Changes in accounting principles (policy) | - | - | - | - | - | - | - | - |
| Settlement of the result of a subsidiary | - | - | - | - | - | 50 613 | - | 50 613 |
| **Balance after adjustments** | **515 000** | **-** | **787 907** | **-** | **(5 906)** | **207 123** | **28 072 604** | **29 576 728** |
| Issuance of shares | - | - | - | - | - | - | - | - |
| Transfer of the net result | - | - | - | - | - | 28 072 604 | (28 072 604) | - |
| Transfer or loss or profit to capital | - | - | 106 026 | - | - | (106 026) | - | - |
| Payment of dividend | - | - | - | - | - | (27 810 000) | - | (27 810 000) |
| **Total transactions with owners** | **-** | **-** | **106 026** | **-** | - | - |  |  |
| Net profit/loss in the period: | - | - | - | - | **-** | **156 578** | **(28 072 604)** | **(27 810 000)** |
| Other total income: | - | - | - | - | - | - | 30 879 610 | 30 879 610 |
| Financial assets available for sale | - | - | - | - | - | - | - | - |
| Cash flow hedges | - | - | - | - | - | - | - | - |
| Exchange rate differences from revaluation of entities operating abroad | - | - | - | - | 7 873 | - | - | 7 873 |
| Exchange rate differences transferred to the financial result -sale of foreign entities | - | - | - | - | - | - | - | - |
| Share in the total income of entities evaluated with equity method | - | - | - | - | - | - | - | - |
| Income tax that refers to items of other total income | - | - | - | - | - | - | - | - |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **7 873** | **-** | **30 879 610** | **30 887 483** |
| Transfer to retained earnings (sale of reevaluated fixed assets) | - | - | - | - | - | - | - | - |
| **Balance as of 31.12. 2016** | **515 000** | **-** | **893 933** | **-** | **1 967** | **363 701** | **30 879 610** | **32 654 210** |

**6. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Specification** |  | **Cash flows for: 01.04.2016 – 31.12.2016** | **Cash flows for: 01.04.2015 31.03.2016** | **Cash flows for: 01.04.2015 31.12.2015** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |  |
| Net profit |  | 30 879 610 | 28 072 604 | 19 962 906 |
| Total adjustments |  | (673 941) | 407 531 | 1 862 202 |
| Depreciation and amortisation |  | 1 192 873 | 1 210 287 | 880 226 |
| Foreign exchange gain (loss) |  | - | - | - |
| Interest and profit sharing (dividend) |  | (103 452) | (121 934) | - |
| Profit (loss) on operating activity |  | - | - | - |
| Profit on sale of shares in the associate |  | - | - | - |
| Ineffective part of cash flows hedges |  | - | - | - |
| Changes in working capital |  | (1 741 501) | (802 756) | 865 564 |
| Change in provisions |  | - | (3 178) | - |
| Change in inventories |  | - | - | - |
| Change in receivables |  | (1 054 619) | (314 336) | (691 667) |
| Change in short-term liabilities – excluding financial liabilities |  | 556 620 | (158 010) | 1 593 096 |
| Change in prepayments and accruals |  | (1 243 502) | (327 232) | (35 865) |
| Other adjustments |  | (21 861) | - | 116 412 |
| **Net cash flows from operating activity** |  | **30 205 669** | **28 480 135** | **21 825 108** |
| **CSH FLOWS FROM INVESTING ACTIVITIES** | | | |  |
| Expenses on acquisition of intangible assets |  | (1 825 007) | (2 144 926) | (1 502 912) |
| Proceeds (inflows) from sale of intangible assets |  |  | - |  |
| Expenses on acquisition of tangible fixed assets |  |  |  | (344 850) |
| Proceeds (inflows) from sale of tangible fixed assets |  | - | - |  |
| 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 |  | 103 452 | 121 934 | - |
| Dividends received |  | - | - | - |
| **Net cash flows on investment activities** |  | **(1 721 555)** | **(2 022 992)** | **(1 847 762)** |
| **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 financial leasing |  | - | - | - |
| Dividend paid |  | (27 810 000) | (18 282 500) | (18 282 500) |
| Interest paid |  | - | - | - |
| **Net cash flows from financial activity** |  | **(27 810 000)** | **(18 282 500)** | **(18 282 500)** |
| **NET TOTAL CASH FLOWS** |  | **674 114** | **8 058 999** | **1 694 846** |
| **BALANCE CHANGE OF CASH, INCLUDING** |  | 674 114 | 8 055 854 | 1 694 846 |
| - change in cash due to exchange rate gains or losses |  | - | (3 145) | - |
| **OPENING BALANCE OF CASH** |  | 23 213 934 | 15 158 080 | 15 158 080 |
| **CLOSING BALANCE OF CASH (F +/- D), including** |  | **23 888 048** | **23 213 934** | **16 852 926** |
| -with limited disposability |  | - | - | - |

Wrocław, February 2nd , 2016.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

**7. FURTHER INFORMATION AND EXPLANATORY NOTES**

**1. General**

a) Information on the parent company

The interim condensed consolidated financial statement of the Capital group of LIVECHAT SOFTWARE SA (“Capital group”, “Group”) contains:

1. Interim condensed consolidated financial statement made on December 31st, 2016, which presents the total balance of assets, equity and liabilities in the amount of 35 760 630 PLN;

2. Interim condensed consolidated statement on the comprehensive/total income for the period from April 1st, 2016 until December 31st,, 2016 which presents the net profit of 30 879 610 PLN and the total income of 30 930 223 PLN;

3. Interim condensed consolidated statement of changes in equity for the business period of from April 1st, 2016 until December 31st, 2016 presenting equity capital increase by amount of 3 128 095 PLN;

4. Interim condensed consolidated statement of cash flows for the period from April 1st, 2016 until December 31st, 2016 presenting an increase of net cash flows by 674 114 PLN.

5. Further information

b) 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 3 Dębowa Street in Wrocław ( postal code: 53-134) which is also the basic location of the activities run by the Capital Group.

c) Composition of the Management Board and the Supervisory Board

The Management Board of the Parent Company as of 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 December 31st,2016 and on the day of approving the report for publishing was as follows:

Maciej Jarzębowski – President of the Supervisory Board

Andrzej Różycki – vice-President of the Supervisory Board

Marcin Mańdziak – member of the Supervisory Board

Jakub Sitarz – member of the Supervisory Board

Marta Ciepła – member of the Supervisory Board

d) Principal activity of the Group

The principal activity run by the Parent Company and its subsidiaries is, according to the Polish Classification of Businesses, computer programming activities and other services in information and computer technology

e) 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 MA 02110-2619, USA, in which the Parent company holds 100% of shares.

f) Approval for publication

The present interim financial statement was made for the period from April 1st, 2016 until December 31st, 2016 (including the comparable data) and was approved for publishing by the Company's Management Board on February 2nd, 2017.

g) Translation of figures presented in a foreign currency and translation into the presentation currency

The Company translated as of December 31st, 2016 its accounts presented in USD using the exchange rate of 1USD = 4,1793 PLN

**2. Basis for preparation of financial statements and accounting principles applied**

a) Declaration on compliance

The present interim condensed consolidated financial statement was prepared in accordance with accounting principles contained in the International Financial Reporting Standards (IFRS), especially with the International Financial Reporting Standard no 34 and the IFRS adopted by the European Union. Taking into account the process continuing in the European Union to introduce the IFRS as well as the activity run by the Group, there are no significant differences in terms of the principles of accounting applied by the Group between the IFRS in force and the standards approved by the European Union.

IFRS cover standards and interpretations accepted by the Council for the Financial Reporting Standards (CIFRS) and the Committee for Interpretation of the International Financial Reporting (CIIFR).

The present interim condensed 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.

The interim condensed consolidated financial statement does not comprise all the information and disclosures required for an annual consolidated financial statement and should be read along with the consolidated financial statement of the Group for the year ended on March 31st, 2016.

b) Effect of amendments in the standards or interpretations

During the reporting period the voluntarily applied standards and interpretations were not changed.

The principles (policy) of accounting used for drawing up the present condensed consolidated financial statement for the period of 9 months ending on December 31st, 2016 are coherent with the principles used for elaborating the annual consolidated financial statement for 2015/2016.

c) Principles of accounting

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.

In case of retrospective entering of amendments to accounting principles or error adjustments, the Company presents the report on its financial standing prepared additionally 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 December 31st, 2016. Control means the ability to influence financial and operating policy of a subsidiary in order to obtain economic benefits from the subsidiary's activities.

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 December 31st, 2016. 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 according to ISFR 3,

\* 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 ( according to IAS 12).

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.

Exchange rate differences resulting from recalculations or translations of monetary items other than derivatives, are recognised in the other revenues or operating expenses in the net value, excluding exchange rate differences capitalised in the assets in cases defined by accounting principles.

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 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 investments are recognized in the profit and loss account at the moment they are incurred.

R&D expenses are recognised as intangible assets 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 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.

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, 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% |

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 a possible depreciation adjustment 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 in the other revenues or operating expenses.

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 derecognized from the balance sheet in case the rights to economic benefits as well as the risk arising from a concluded contract have been exercised, ceased or the Group has waived them.

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 transaction cost (payment made or received). 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 profit and loss statement.

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

Financial assets

For the purpose of evaluation after initial recognition, the Group classifies financial assets other than hedging derivatives divided into:

\* loans and receivables

\* available-for-sale assets

The above categories are defined by accounting principles on the balance sheet day as well as by recognising revaluation profits or losses in the financial result or in other total income. Profits or losses recognised in the financial result are presented as financial revenues or expenses, except for write-offs to trade receivables, which are presented as the other operating expenses.

All financial assets, except for the assets presented at their fair value through the financial result, are measured on every balance sheet day due to the possibility of impairment loss. A financial asset is amortised if there is an objective evidence for its impairment loss. Impairment loss evidence is analysed for each category of financial assets separately, which is presented below.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. Loans and receivables are measured at the amortised cost using the effective interest method. Measurement of short-term receivables is made in the value of the amount to be received due to insignificant discount effects.

Financial assets classified as loans and receivables are presented in the balance sheet as:

\* short-term assets in the items referred to “Trade receivables and other receivables” and “Cash and its equivalents”.

Allowances for doubtful receivables are measured when receiving the full amount of receivables ceased to be probable. Significant balances of receivables are subject to individual evaluation in case of debtors that delay in payments or if there is an evidence that the debtor is not able to pay his dues ( for example, his difficult financial standing, court proceedings instituted against him, negative changes in his economic surroundings). For receivables that are not subject to individual analysis, signs of impairment loss are analysed as parts of particular asset categories defined due to credit risk ( resulting, for example, from a business branch, region or receivers). Thus, revaluation write-off factor for particular categories is based on observing trends related to date payment problems in a not remote past.

Available-for-sale assets are non-derivative financial assets which are designated as available for sale or are not classified as any of financial asset categories.

Under this category the Group recognises investments not held to maturity. Those assets are indicated in the balance sheet as “the other financial assets”.

Available-for-sale financial assets are measured at fair value. Revaluation profits and losses are recognised as the other comprehensive income and are accumulated in the available-for-sale financial asset revaluation capital, excluding impairment losses and exchange rate differences on cash which are recognised in the financial result. The financial result also includes interest, which would have been recognised when measuring those financial assets at amortised cost using the effective interest rate method.

Impairment loss reversal concerning financial assets available for sale is recognised in the other comprehensive income, except for revaluation write-offs to debt securities, the reversal of which is recognised in the financial result, if an increase of the instrument value can be objectively linked with an event occurring after the impairment loss has been recognised.

At the moment an asset is eliminated from the balance sheet, accumulated profits and losses, previously recognised in other comprehensive income are transferred from equity to the financial result and are presented in the other comprehensive income as reclassification due to transferring to the financial result.

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 at the amount required by the Code of Commercial Companies.

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 ISFR 3.

The company creates especially provisions for servers' maintenance costs due to the sale completed.

Revenues from sales

Sales revenues are recognised at fair value of payments received or due and represent product receivables ( access services) obtained in the process of regular operations, decreased by discounts, VAT and other trade taxes (excise tax). The revenues are recognised at the amount at which it is probable that the economic benefits associated with a particular transaction will flow to the Group and when the revenue amount can be measured reliably.

Sales of services

Revenues from sales of services are recognised if the following conditions are met:

\* the group has transferred to the buyer the significant risks and rewards of ownership of the goods. The condition is regarded as met at the moment the access to the offered software is established for the user.

\* the amount of the revenue can be measured reliably,

\* it is probable that economic benefits associated with the transaction will flow to the group,

\* the costs incurred and that will be incurred due to the transaction can be measured reliably.

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 costs by-function. The operating expenses also comprise exchange rate differences.

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.

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.

*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, 2016 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 related to maintenance of servers related to the sold accesses to the offered software.

*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 prospected 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 prospected cash flows and the rate with which the cash flows are discounted to the current value ( see the section on impairment loss of non-financial assets). In the process of measuring the current value of the future cash flows the prospected 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.

**3. Intangible assets**

|  |  |  |
| --- | --- | --- |
| **3.1 – Intangible assets** | **As at** | **As at** |
| **31.12.2016** | **31.03.2016** |
| Goodwill | - | - |
| Patents and licences | - | - |
| R&D expenses | 4 410 690 | 3 778 326 |
| **Other intangible assets, including the value of intangible assets under implementation** | - | - |
| **TOTAL INTANGIBLE ASSETS:** | **4 410 690** | **3 778 326** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **3.2** **Intangible assets in the reporting period**  **from 1.04.2016 to 31.12.2016** | **Goodwill** | **Patents and licences** | **R&D expenses** | **Other intangible assets** |
| **Gross opening balance** |  |  | **5 923 390** |  |
| Acquisition | **-** | **-** | - | **-** |
| Reclassification (from long-term prepayments and accruals) | - | - | 1 613 754 | - |
| Decrease due to sales | - | - | - | - |
| Decrease due to liquidation | - | - | (419 104) | - |
| Transfer (reclassification) onto fixed assets intended for sale | - | - | - | - |
| Decrease and increase due to reclassification | - | - | 229 | - |
| **Gross closing balance** | **-** | **-** | **7 118 269** | **-** |
| **Opening redemption balance** | **-** | **-** | **2 145 064** | **-** |
| Amortisation increase for the period | - | - | 981 619 | - |
| Reclassification | - | - | - | - |
| Decrease due to sales | - | - | - | - |
| Decrease due to liquidation | - | - | (419 104) | - |
| Transfer (reclassification) onto fixed assets intended for sale | - | - | - | - |
| Decrease and increase due to reclassification | - | - | - | - |
| **Gross closing balance** | **-** | **-** | **2 707 579** | **-** |
| **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** | **-** | **-** | **4 410 690** | **-** |

The most important intangible asset is the completed R&D related to subsequent versions of the products offered by the Group.

**4. Tangible assets**

|  |  |  |
| --- | --- | --- |
| **Tangible assets** | **As at** | **As at** |
| **31.12.2016** | **31.03.2016** |
| Land | - | - |
| Right to perpetual usufruct | - | - |
| Buildings and structures | - | - |
| Machinery and equipment | 579 762 | 568 151 |
| Vehicles | - | - |
| Other fixed assets | - | - |
| Fixed assets in the course of construction | - | - |
| Advances for fixed assets | - | - |
| **TOTAL FIXED ASSETS:** | **579 762** | **568 151** |

The most important element of of the other tangible assets is computer equipment. The value of the machinery purchased in the first half of the business year 2016/17 amounted to 222 864 PLN. As at December 31st,2016 there were no significant liabilities related to the purchase of fixed assets.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **4.2 Tangible fixed assets in the reporting period from 1.04.2016 to 31.12.2016** | **Land** | **Right to perpetual usufruct** | **Buildings and structures** | **Machinery and equipment** | **Vehicles** | **Other fixed assets** | **Fixed assets in the course of construction, advance payments** |
| **Opening gross balance** | **-** | **-** | **-** | **929 153** | **-** | **-** | **-** |
| Carried from fixed assets under construction | - | - | - | - | - | - | - |
| Direct acquisition | - | - | - | 222 864 | - | - | - |
| Reclassification | - | - | - | - | - | - | - |
| Increase due to combination of businesses | - | - | - | - | - | - | - |
| Decrease due to sales | - | - | - | - | - | - | - |
| Decrease due to liquidation | - | - | - | - | - | - | - |
| Transfer onto fixed assets intended for sale | - | - | - | - | - | - | - |
| Decrease and increase due to reclassification | - | - | - | - | - | - | - |
| **Gross closing balance** | **-** | **-** | **-** | **1 152 017** | **-** | **-** | **-** |
| **Opening redemption balance** | **-** | **-** | **-** | **361 002** | **-** | **-** | **-** |
| Amortisation increase for the period | - | - | - | 211 254 | - | 1- | - |
| Increase due to combination of businesses | - | - | - | - | - | - | - |
| Reclassification | - | - | - | - | - | - | - |
| Decrease due to sales | - | - | - | - | - | - | - |
| Decrease due to liquidation | - | - | - | - | - | - | - |
| Transfer onto fixed assets intended for sale | - | - | - | - | - | - | - |
| Decrease and increase due to reclassification | - | - | - | - | - | - | - |
| **Gross closing redemption balance** | **-** | **-** | **-** | **572 256** | **-** | **-** | **-** |
| **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** | **-** | **-** | **-** | **579 762** | **-** | **-** | **-** |

**5. Long-term receivables**

Long-term receivables as at December 31st, 2016 mainly refer to the deposits made.

**6. 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.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **6.1** **Receivables** | **31.12.2016** | | | **31.03.2016** | | |
| **Value** | **Revaluation write-off** | **Balance sheet value** | **Value** | **Revaluation write-off** | **Balance sheet value** |
| Trade receivables | 614 023 | 3 027 | 610 996 | 545 632 | 3 027 | 542 605 |
| Receivables due to the current income tax |  | - | - | - | - | - |
| Receivables due to the other taxes, duties, and social insurance | 3 714 714 | - | 3 714 714 | 2 728 486 | - | 2 728 486 |
| Other receivables | 3 474 888 | - | 3 474 888 | 2 377 130 | - | 2 377 130 |
| **TOTAL RECEIVABLES:** | **4 328 737** | **3 027** | **4 325 710** | **3 274 118** | **3 027** | **3 271 091** |

As at December 31st, 2016 the Group had no overdue receivables not covered by provisions.

**7. Cash and its equivalents**

Cash comprises cash in hand and on bank accounts.

**8. Prepayments and accruals**

Long term prepayments and accruals mainly refer to uncompleted R&D.

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

**9. Equity**

9.1 Share capital

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **SHARE CAPITAL (STRUCTURE) – 31.12.2016** | | | | | | | | |
|  | **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 | ,00750 | 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** | | | | | | | | |

Capital ownership structure as of December 31st, 2016

|  |  |  |  |
| --- | --- | --- | --- |
|  | **As of September 30th, 2016** | **As of December 31st, 2016** | **As of February 2nd, 2017** |
| Tar Heel Capital OS LLC | 7,31% | 7,31% | - |
| Copernicus Capital TFI | 9,47% | 9,47% | 9,47% |
| Nationale-Nederlanden PTE | 5,53% | 5,53% | 5,53% |
| **Shareholders' agreement including above 5 % of the Company's capital :** | 51,00% | 51,00% | 51,00% |
| *Mariusz Ciepły* | *17,39%* | *17,39%* | *17,39%* |
| *Maciej Jarzębowski* | *12,70%* | *12,70%* | *12,70%* |
| *Jakub Sitarz* | *12,75%* | *12,75%* | *12,75%* |
| Others | 26,69% | 26,69% | 34,00% |
| **Shares in public trading** | 100,00% | 100,00% | 100,00% |
| **TOTAL** | **100,00%** | **100,00%** | **100,00%** |

9.2 Supplementary capital

Supplementary capital was formed by retaining a part of the Company's profits from previous years.

9.3 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.

9.4 Information on the dividends paid

By virtue of the resolution no 6 adopted by the General Meeting of Shareholders of July 18th, 2016 the net profit of the parent company for 2015/2016 shall be allocated to:

- payment of dividend – 27. 810.000,00 PLN

- increasing supplementary capital – 106.025,35 PLN

**10. Trade and other liabilities**

|  |  |  |
| --- | --- | --- |
| **10.1** **Trade and other short-term liabilities** | **As at** | **As at** |
| **31.12.2016** | **31.03.2016** |
| Trade liabilities | 1 103 795 | 667 944 |
| Taxes | 651 014 | 959 329 |
| Payroll | - | - |
| Other taxation, custom duties and social insurance | - | 13 531 |
| Accruals and other liabilities | 1 351 118 | 908 503 |
| **TOTAL SHORT-TERM LIABILITIES:** | **3 105 927** | **2 549 307** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **10.2 Liabilities as at 31.12.2016 – Aging liabilities** | **Current** | **Up to 1 month** | **From 1-3 months** | **From 3 months to 1 year** | **From 1 year to 5 years** | **Total** |
|
| Trade liabilities | 1 103 795 | 1 103 795 | - | - | - | 1 103 795 |
| Due to current income tax | 651 014 | 651 014 | - | - | - | 651 014 |
| Payroll | - |  | - | - | - | - |
| Other taxation, custom duties and social insurance | - | - | - | - | - | - |
| Accruals and other liabilities | 1 351 118 | 1 351 118 | - | - | - | 1 351 118 |
| Total | **3 105 927** | **3 105 927** | **-** | **-** | **-** | **3 105 927** |

All liabilities are denominated in PLN.

**11. Revenues from sales**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **11.1 Sales revenues (continued activity)** |  |  |  |  |
| **For period ended 3 months** | **For period ended 9 months** | **For period ended 3 months** | **For period ended 9 months** |
| **31.12.2016** | **31.12.2016** | **31.12.2015** | **31.12.2015** |
| Revenues from sales of products | - | - |  | - |
| Revenues from sales of services | 20 173 001 | 54 720 884 | 13 746 654 | 37 425 683 |
| Revenues from sales of goods | - | - |  | - |
| Revenues from sales of materials | - | - |  | - |
| **TOTAL SALES REVENUES** | **20 173 001** | **54 720 884** | **13 746 654** | **37 425 683** |

Due to a uniform character of its operations the Company does not identify operating segments.

Almost 95% of the consolidated revenues from sales is generated by the Company through its subsidy in USA.

**12. Operating expenses**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **12.1 Cost by nature** | **For period ended** | **For period ended** | **For period ended** | **For period ended** |
| **3 months** | **9 months** | **3 months** | **9 months** |
| **31.12.2016** | **31.12.2016** | **31.12.2015** | **31.12.2016** |
| Amortisation | 440 661 | 1 192 873 | 320 373 | 880 226 |
| Energy and materials used | 49 714 | 148 025 | 95 042 | 405 317 |
| External services | 3 790 467 | 12 145 781 | 3 081 992 | 8 772 698 |
| Taxes and charges | 60 | 410 | 600 | 1 535 |
| Cost of employee benefits | 358 690 | 1 017 515 | 338 691 | 915 710 |
| Other cost by nature | 568 101 | 1 850 447 | 445 117 | 1 223 162 |
| Value of materials and goods sold | - | - | - | - |
| **TOTAL COST BY NATURE** | **5 207 693** | **16 355 051** | **4 281 815** | **12 198 648** |
| **Adjustments:** |  |  |  |  |
| Change in stock |  | - | - | - |
| Own cost of sales | 2 425 001 | 8 232 667 | 2 146 883 | 5 732 978 |
| Cost of sales | 1 752 832 | 5 037 438 | 1 491 822 | 3 747 512 |
| Administrative expenses | 1 029 861 | 3 084 946 | 643 110 | 2 718 158 |
| **TOTAL OPERATING EXPENSES** | **5 207 693** | **16 355 051** | **4 281 815** | **12 198 648** |

**13. Other operating income and expenses**

The other operating expenses basically comprise the revenues from sublease.

**14. Financial income and costs**

Financial income consists of the obtained interest on bank deposits and financial resources on bank accounts.

Financial costs merely refer to the interest paid

**15. Deferred income tax**

|  |  |  |
| --- | --- | --- |
|  | **01.04.2016 – 31.12.2016** | **01.04.2015 – 31.12.2015** |
| **Gross figure** | **38 330 345** | **24 847 924** |
| Temporary and fixed differences | 2 089 981 | 1 107 500 |
| Taxable base | 40 420 328 | 25 952 964 |
| **Income tax** | **7 679 862** | **4 931 063** |

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.

**16. Financial instruments**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **16.1 -Financial instruments by category** | **As at 31.12.2016** | | **As at 31.03.2016** | |
| **Book value** | **Fair value** | **Book value** | **Fair value** |
| **Financial assets** | **28 213 758** | **28 213 758** | **26 485 025** | **26 485 025** |
| Assets measured at fair value through profit and loss statement | - | - | - | - |
| Shares in subsidiaries measured at acquisition cost | - | - | - | - |
| Loans and own receivables measured at amortised cost | - | - | - | - |
| Own receivables measured at the nominal value | 4 325 710 | 4 325 710 | 3 271 091 | 3 271 091 |
| Assets held to maturity | - | - | - | - |
| Available-for-sale assets | - | - | - | - |
| Money | 23 888 048 | 23 888 048 | 23 213 934 | 23 213 934 |
| **Financial liabilities** | **3 105 927** | **3 105 927** | **2 549 307** | **2 549 307** |
| Liabilities measured at fair value through profit and loss statement | - | - | - | - |
| Liabilities measured at amortised cost | - | - | - | - |
| Liabilities at the nominal value | 3 105 927 | 3 105 927 | 2 549 307 | 2 549 307 |
| Financial guarantee agreements | - | - | - | - |
| Other financial liabilities | - | - | - | - |

**17. Benefits to the key managing staff ( including remuneration to the members of the Management Board and the Supervisory Board)**

Total amount of short-term employee benefits for the members of the Management Board was:

|  |  |  |
| --- | --- | --- |
| **Name and surname** | **01.04.2016 – 31.12.2016** | **01.04.2015 – 31.12.2015** |
| Mariusz Ciepły | 162 000,00 | 162 000,00 |
| Urszula Jarzębowska | 108 000,00 | 108 000,00 |
| **Razem** | **270 000,00** | **270 000,00** |

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**

As at December 31st, 2016 the company has receivables due to advance payments amounting to:

- Mariusz Ciepły – 115 653,21 PLN

- Urszula Jarzębowska – 61 770,50 PLN

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

**18. Contingent items, other off-balance sheet items and tax settlements**

There were no such items.

**19. Employment**

|  |  |  |
| --- | --- | --- |
| **Average employment by job positions** | **For the period ended** | **For the period ended** |
| **31.12.2016** | **31.12.2016** |
| Physical workers | - | - |
| Office workers | 69 | 57 |
| **Total number of job positions** | **69** | **57** |

**20. 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, 2016 until December 31st 2016 there were no major events of non-typical character having an impact on the financial results generated by the Group.

**21. Events after the balance sheet date**

no such events occurred

**22. Transactions with related parties**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Consolidated entities** | **Receivables** | **Liabilities** | **Sales** | **Purchase** |
| LiveChat, Inc | 6 363 812 | - | 54 110 679 | 9 869 202 |

**23. Cyclicality and seasonality of the activities run**

No cyclicality or seasonality of the sales can be observed in the capital group.

Wrocław, February 2nd, 2017

Mariusz Ciepły, President of the Management Board

Urszula Jarzębowska, member of the Management Board