

# **HOTBLOK SPÓŁKA AKCYJNA**

**FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR  
FROM 1 JANUARY 2016 TO 31 DECEMBER 2016**

**HOTBLOK SPÓŁKA AKCYJNA**  
**ul. Emilii Plater 49, 00-125 Warsaw**

**Financial statements for the financial year from 1 January 2016 to 31 December 2016**

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# **HOTBLOK SPÓŁKA AKCYJNA**

**ul. Emilii Plater 49, 00-125 Warsaw**

**Financial statements for the financial year from 1 January 2016 to 31 December 2016**

## **MANAGEMENT BOARD REPRESENTATION**

In accordance with the requirements resulting from Article 52 Section 2 of the Accounting Act dated 29 September 1994 (Journal of Laws of 2016, item 1047, as amended), the Management Board of HOTBLOK SPÓŁKA AKCYJNA hereby presents the financial statements that constitute of the following:

- 1) Introduction to the financial statement;
- 2) Balance sheet drafted as at 31 December 2016 with the total of PLN 2,806,938.26 recognized on the side of assets and liabilities;
- 3) Profit and loss account for the period from 1 January 2016 to 31 December 2016 with the amount of PLN 599,727.34 recognized as a net loss;
- 4) Statement of changes in equity for the period from 1 January 2016 until 31 December 2016 recognizing a decrease of equity by PLN 599,727.34;
- 5) Cash flows statement for the period from 1 January 2006 until 31 December 2006 recognizing an increase in cash inflows to the net amount of PLN 6,827.29.
- 6) Additional information and notes.

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*Piotr Tyranowski*  
*President of the Management Board*

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*Person responsible for bookkeeping*  
*Anna Jędrzejewska*

*Warsaw, 29 May 2017*

# HOTBLOK SPÓŁKA AKCYJNA

ul. Emilii Plater 49, 00-125 Warsaw

## Introduction to the financial statements

### 1. Details of the Company

#### 1. 1. Company name:

Hotblok S.A.

#### 1. 2. Company's registered office

ul. Emilii Plater 49  
00-125 Warsaw

#### 1. 3. Registration in the National Court Register

Seat of the court: District Court in Warsaw, 12th Business Division of the  
National Court Register

Date: 24.01.2003

Registration number: 0000148769

#### 1. 4. Core business and duration of the Company

As per the Company's articles of association, the business activities of the Company shall be, among others:

- MANUFACTURE OF CONCRETE PRODUCTS FOR CONSTRUCTION PURPOSES,
- CONSTRUCTION WORKS RELATED TO CONSTRUCTION OF RESIDENTIAL AND NON-RESIDENTIAL BUILDINGS,
- OTHER SPECIALIZED CONSTRUCTION ACTIVITIES
- WHOLESALE ON COMMISSION,
- WHOLESALE OF MACHINERY, EQUIPMENT, AND SUPPLIES
- OTHER FINANCIAL SERVICE ACTIVITIES, EXCEPT INSURANCE AND PENSION FUNDING,
- ACTIVITY AUXILIARY TO FINANCIAL SERVICES EXCLUDING INSURANCE AND PENSION FUNDS,
- BUYING AND SELLING REAL ESTATE ON OWN ACCOUNT,
- ACTIVITIES RELATED TO HANDLING REAL ESTATE MARKET PERFORMED ON COMMISSION

The Company was established for an indefinite time.

#### 1. 5. Financial year

Financial statements was drafted for the financial year from 1 January 2016 to 31 December 2016. The comparative data cover the period from 1 January 2015 to 31 December 2015.

# HOTBLOK SPÓŁKA AKCYJNA

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## Introduction to the financial statements

### **1. 6** *Going concern assumption*

The financial statements have been prepared based on the assumption that the company will operate as a going concern in foreseeable future.

### **2.** **Key accounting principles**

The financial statements was drafted with application of the below accounting principles.

#### **2. 1** *Basis for preparation of the financial statements*

The financial statements have been drafted in accordance with policies applied by the entities operating in Poland, based on the accounting principles resulting from the Accounting Act of 29 September 1994 (Journal of Laws of 2016, item 1047, as amended) and subsequent implementing provisions issued on the basis thereof.

#### **2. 2** *Revenues and costs*

Revenues and costs are recognized with application of accruals principle, i.e. in the periods to which they apply, regardless of the date of receiving or making the payment.

##### *Sales revenues*

Revenues from sale of products, goods and materials is recognized in the profit and loss account when the Company has transferred on the buyer significant risk and benefits resulting from ownership right to products, goods and materials. Revenues from the sale of services with a period of implementation shorter than 6 months are recognized at the end of the service.

The Company keeps register of costs by type and drafts consolidated profit and loss account.

#### **2. 3** *Intangible assets*

Intangible assets are valued in the books at acquisition price or cost borne for their manufacturing, less depreciation and impairment losses.

Intangible assets are redeemed using straight-line method with application of the following depreciation rates:

Material copyrights	20%
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# HOTBLOK SPÓŁKA AKCYJNA

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## Introduction to the financial statements

### 2. 4 *Tangible assets*

Tangible assets are valued in the books at acquisition price or cost borne for their manufacturing, including the effects of revaluation (remeasurement), less depreciation and impairment losses.

Acquisition price and production cost of tangible assets covers the total cost incurred by the entity during construction, installation, adaptation and improvement to the date of adopting for use, including also the cost of servicing debts incurred in order to finance them and related foreign exchange differences, less the relevant revenues.

The initial value that constitutes acquisition price and production cost of tangible asset is increased by its improvement costs that constitutes redevelopment, extension, modernization, or reconstruction that results in a fact that usable value of such asset following the improvement process exceeds the initial value of the asset upon the acquisition.

Fixed assets are amortized using straight-line method, at the rates provided in the relevant tax regulations. The amortization begins in the month following the month in which a given tangible asset was adopted for use.

### 2. 5 *Investments*

Investments include all assets acquired for economic gains that arise from increase in their value, generating income in a form of interests, dividends (share in profits) or other benefits, including also from commercial transaction, in particular financial assets and such properties and intangible assets that are no longer used by the entity, but have been acquired for economic gains.

### 2. 6 *Impairment of assets*

As at each balance sheet date, it is assessed if there exist any objective evidence to impairment of asset or a group of assets. If such evidence exists, an estimated, recoverable value of an asset is established and an impairment loss is made in the amount equal to the difference between recoverable value and balance sheet value. Less resulting from the impairment is recognized in the profit or loss account. If the effects of an previous revaluation of such assets have been recognised as revaluation reserve, the loss is decreased by the amount of such a reserve and the remaining portion of loss is recognised in the profit and loss account.

# HOTBLOK SPÓŁKA AKCYJNA

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## Introduction to the financial statements

### 2. 7 *Receivables, claims, and liabilities*

Receivables are recognized with the application of prudent valuation principle, at the amount of due payment. The receivables are remeasured taking into consideration the probability of their payment by making an impairment loss that is recognised as other operating costs or financial costs respectively - depending on the type of liability to which such an impairment loss refers.

Liabilities are recognized in the books at payable amount.

Receivables and liabilities expressed in foreign currencies are recognized as at the day of the relevant operation at average exchange rate of the National Bank of Poland published for a given currency as at the day preceding the operation.

As at the balance sheet date, the receivables and liabilities expressed in foreign currencies are measured at average exchange rate effective as at this day published for a given currency by the National Bank of Poland.

### 2. 8 *Accruals*

The Company settles deferred expenses if they are related with future reporting periods. Accrued expenses are settled at the amount of probable liabilities from the current reporting period.

### 2. 9 *Provisions for liabilities*

The provisions constitute liabilities whose maturity date or value is not certain.

### 2. 10 *Income tax*

Income tax recognized in the profit and loss account includes the current portion calculated in accordance with the tax regulations.

### 2. 11 *Foreign exchange differences*

Foreign exchange differences that result from valuation as at the balance sheet date of assets and liabilities expressed in foreign currencies, except for long-term investments, as well as the ones that arise due to payment of liabilities and receivables in foreign currencies, as well as during sales of currencies, are recognized as financial revenues or cost, or – in justified cases – as product manufacturing costs or goods purchase price, as well as purchase price and manufacturing cost of fixed assets, fixed assets under construction or intangible assets.

To measure balance sheet items expressed in foreign currencies the following foreign exchange rates were adopted (in PLN):

# HOTBLOK SPÓŁKA AKCYJNA

ul. Emilii Plater 49, 00-125 Warsaw

## Introduction to the financial statements

	31.12.2016	31.12.2015
EUR	4.4240	4.2615

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*Piotr Tyranowski*  
*President of the*  
*Management Board*

*Person responsible for bookkeeping*  
*Anna Jędrzejewska*

*Warsaw, 29 May 2017*



# HOTBLOK SPÓŁKA AKCYJNA

ul. Emilii Plater 49, 00-125 Warsaw

## BALANCE SHEET

ASSETS	Note	31.12.2016 PLN	31.12.2015 PLN
<b>A. Fixed assets</b>		<b><u>2 075 015.98</u></b>	<b><u>2 219 163.25</u></b>
<b>I. Intangible assets</b>	1	<b>1 415 533.61</b>	<b>1 540 433.57</b>
3. Other intangible assets		1 415 533.61	1 540 433.57
<b>II. Tangible fixed assets</b>	2	<b>376 726.37</b>	<b>453 198.68</b>
c) technical equipment and machines		373 507.22	447 521.21
b) vehicles		3 219.15	5 677.47
<b>III. Long-term receivables</b>		-	-
<b>IV. Long-term investments</b>		-	-
<b>V. Long-term accruals</b>		<b>282 756.00</b>	<b>225 531.00</b>
1. Deferred tax assets		282 756.00	225 531.00
<b>B. Current assets</b>		<b><u>731 922.28</u></b>	<b><u>229 894.07</u></b>
<b>I. Inventories</b>	3	<b>186 123.00</b>	<b>195 888.98</b>
4. Goods		186 123.00	195 888.98
<b>II. Short-term receivables</b>	4	<b>512 002.20</b>	<b>7 536.18</b>
3. Receivables from other entities		512 002.20	7 536.18
a) trade receivables	4.1	457 985.28	1 215.29
b) tax receivables	4.2	52 636.00	5 352.00
c) other	4.3	1 380.92	968.89
<b>III. Short-term investments</b>	5.	<b>32 771.20</b>	<b>25 943.91</b>
1. Short-term financial assets		32 771.20	25 943.91
c) cash and other cash assets		32 771.20	25 943.91
- cash in hand and at bank		32 771.20	25 943.91
<b>IV. Short-term accruals</b>	6.	<b>1 025.88</b>	<b>525.00</b>
<b>C. Called up initial capital (fund)</b>		-	-
<b>D. Own shares (stocks)</b>		-	-
<b>TOTAL ASSETS</b>		<b><u>2 806 938.26</u></b>	<b><u>2 449 057.32</u></b>

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*Piotr Tyranowski*  
*President of the Management Board*

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*Person responsible for bookkeeping*  
*Anna Jędrzejewska*

*Warsaw, 29 May 2017*

Balance sheet should be analysed along with additional information and notes that constitute an integral part of the financial statements.

# HOTBLOK SPÓŁKA AKCYJNA

ul. Emilii Plater 49, 00-125 Warsaw

## Balance sheet

LIABILITIES	Note	31.12.2016	31.12.2015
		PLN	PLN
<b>A. Equity</b>	7.	<b>(663 323.09)</b>	<b>(63 595.75)</b>
<b>I. Share capital</b>	7.1	10 781 666.61	10 781 666.61
<b>II. Supplementary capital, including:</b>	7.2	379 588.00	379 588.00
- surplus of the share issue value over their par value		-	-
<b>IV. Other reserve capital</b>		733 405.02	733 405.02
- established as per the company's articles of association		733 405.02	733 405.02
<b>V. Previous year profit (loss)</b>		(11,958,255.38)	(11,035,904.63)
<b>VI. Gross loss</b>	7.3	(599,727.34)	(922,350.75)
<b>VII. Appropriations on net profit during the financial year</b>		-	-
<b>B. Liabilities and provisions for liabilities</b>		<b>3 470 261.35</b>	<b>2 512 653.07</b>
<b>I. Provisions for liabilities</b>	8	621 956.51	504 952.28
3. Other provisions		621 956.51	504 952.28
- long-term		-	-
- short-term	8.1	621 956.51	504 952.28
<b>II. Long-term liabilities</b>		-	-
<b>III. Short-term liabilities</b>	9.	<b>2 426 694.84</b>	<b>2 007 700.79</b>
1. to related entities		-	-
3. to related entities		2 426 694.84	2 007 700.79
a) credits and loans	9.1	2 167 163.27	1 816 187.19
d) trade receivables	9.2	174 786.89	138 077.91
e) received advance payments towards deliveries		50 000.00	22 600.34
g) tax liabilities		7 171.00	8 533.31
h) from remunerations		21 770.83	21 773.70
i) other		5 802.85	528.34
<b>IV. Accruals</b>		<b>421 610.00</b>	-
2. Other prepayments		421 610.00	-
- short-term		421 610.00	-
<b>TOTAL LIABILITIES</b>		<b><u>2 806 938.26</u></b>	<b><u>2 449 057.32</u></b>

\_\_\_\_\_  
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*President of the Management Board*

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Warsaw, 29 May 2017

Balance sheet should be analysed along with additional information and notes that constitute an integral part of the financial statements.

# HOTBLOK SPÓŁKA AKCYJNA

ul. Emilii Plater 49, 00-125 Warsaw

## Profit and loss account

	Note	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
		PLN	PLN
<b>A. Net revenues from sale and equivalent</b>		<b>329 101.45</b>	<b>183 659.47</b>
- including from related entities		-	-
I. Net revenues from sales of products	10.	1 000.00	-
IV. Net revenues from sales of goods and materials		328 101.45	183 659.47
<b>B. Operating expenses</b>		<b>(869 750.14)</b>	<b>(999 618.76)</b>
I. Depreciation and amortization		(201 372.27)	(222 359.87)
II. Consumption of materials and energy		(7 036.84)	(42 085.78)
III. External services		(66 726.31)	(79 253.75)
IV. Taxes and charges		(10 841.63)	(7 271.86)
V. Wages and salaries		(210 887.92)	(404 519.00)
VI. Social insurance and other charges		(11 013.24)	(17 348.48)
- including retirement benefits		(9 650.62)	(15 027.44)
VII. Other expenses by type		(77 707.25)	(54 210.76)
VIII. Value of sold goods and materials		(284 164.68)	(172 569.26)
<b>C. Profit – loss from sale</b>		<b>(540 648.69)</b>	<b>(815 959.29)</b>
<b>D. Other operating revenues</b>		<b>19 789.88</b>	<b>19 711.64</b>
IV. Other operating revenues		19 789.88	19 711.64
<b>E. Other operating expenses</b>		<b>(22 735.01)</b>	<b>(22 827.04)</b>
II. Remeasurement of non-financial tangible assets		(13 162.24)	(1 124.80)
III. Other operating expenses		(9 572.77)	(21 702.24)
<b>F. Operating profit</b>		<b>(543 593.82)</b>	<b>(819 074.69)</b>
<b>G. Financial revenues</b>		<b>18 582.76</b>	-
II. Interest:		414.68	-
V. Other		18 168.08	-
<b>H. Financing costs</b>		<b>(131 941.28)</b>	<b>(180 333.06)</b>
I. Interest	11.	(131 941.28)	(180 327.05)
- including from related entities		-	-
IV. Other		-	(6.01)
<b>I. Gross loss</b>		<b>(656 952.34)</b>	<b>(999 407.75)</b>
<b>J. Income tax</b>	12.	<b>57 225.00</b>	<b>77 057.00</b>
<b>K. Gross loss</b>		<b>(599 727.34)</b>	<b>(922 350.75)</b>

*Piotr Tyranowski*  
*President of the Management Board*

*Person responsible for bookkeeping*  
*Anna Jędrzejewska*  
*Warsaw, 29 May 2017*

The profit and loss account should be analysed along with additional information and notes that constitute an integral part of the financial statements.

# HOTBLOK SPÓŁKA AKCYJNA

ul. Emilii Plater 49, 00-125 Warsaw

## Statement of changes in equity

	<b>01.01.2016 - 31.12.2016</b>	<b>01.01.2015 - 31.12.2015</b>
	<b>PLN</b>	<b>PLN</b>
<b>I. Equity at the beginning of the period</b>	<u>(63 625.75)</u>	<u>663 755.22</u>
<b>I.a. Equity at the beginning of the period after adjustments</b>	<u><b>(63 625.75)</b></u>	<u><b>663 755.22</b></u>
<b>1. Share capital at the beginning of the period</b>	10 781 666.61	10 586 666.61
1.1 Changes in share capital		
a) increases due to issue of shares	-	195 000.00
<b>1.2 Share capital at the end of the period</b>	<u><b>10 781 666.61</b></u>	<u><b>10 781 666.61</b></u>
<b>2. Supplementary capital at the beginning of the period</b>	379 588.00	379 588.00
<b>2.2 Supplementary capital at the end of the period</b>	<u><b>379 588.00</b></u>	<u><b>379 588.00</b></u>
<b>3. Revaluation reserve at the beginning of the period</b>	-	-
<b>3.2 Revaluation reserve at the end of the period</b>	<u>-</u>	<u>-</u>
<b>4. Other reserve capital at the beginning of the period</b>	733 405.02	733 405.02
<b>4.2 Other reserve capital at the end of the period</b>	<u><b>733 405.02</b></u>	<u><b>733 405.02</b></u>
<b>5. Retained profits (losses) at the beginning of the period</b>	(11 035 904.63)	(10 024 906.21)
5.4 Retained loss at the beginning of the period	-	(10 024 906.21)
5.5 Retained loss at the beginning of the period after adjustments	(11 035 904.63)	(10 024 906.21)
a) transfer of accumulated loss	(922 350.75)	(1 010 998.42)
- accumulated net loss	(922 350.75)	(1 010 998.42)
5.6 Retained losses at the end of the period	<u>(11 958 255.38)</u>	<u>(11 035 904.63)</u>
<b>5.7 Retained profits (losses) at the end of the period</b>	<u><b>(11 958 255.38)</b></u>	<u><b>(11 035 904.63)</b></u>
<b>6. Net result</b>		
a) net loss	(599 727.34)	(922 350.75)
<b>II. Equity at the end of the period</b>	<u><b>(663 323.09)</b></u>	<u><b>(63 625.75)</b></u>
<b>III. Equity after recognition of proposed loss coverage</b>	<u><b>(663 323.09)</b></u>	<u><b>(63 625.75)</b></u>

*Piotr Tyranowski*  
*President of the Management Board*

*Person responsible for bookkeeping*  
*Anna Jędrzejewska*

*Warsaw, 29 May 2017*

Statement of changes in equity should be analysed along with additional information and notes that constitute an integral part of the financial statements.

**HOTBLOK SPÓŁKA AKCYJNA**  
**ul. Emilii Plater 49, 00-125 Warsaw**  
**Cash flow statement**

	<b>01.01.2016 - 31.12.2016</b>	<b>01.01.2015 - 31.12.2015</b>
<b>A. Cash flow from operating activities</b>		
I Net profit (loss)	(599 727.34)	(922 350.75)
II. Total adjustments:		
1. Depreciation and amortization	201 372.27	222 359.87
3. Interest and shares in profits (dividends)	126 345.73	115 770.99
5. Change in provisions	117 004.23	276 946.70
6. Change in provisions	9 765.98	55 700.46
7. Change in receivables	(504 466.02)	12 098.57
8. Change in short-term liabilities, except for loans and credits	68 017.97	132 292.52
9. Change in accruals	363 884.12	(76 715.33)
10. Other adjustments	-	(0.22)
	<u>381 924.28</u>	<u>738 453.56</u>
<b>III. Net cash flows from operating activities</b>	<b><u>(217 803.06)</u></b>	<b><u>(183 897.19)</u></b>
<b>B. Cash flows from investment activities</b>		
I Inflows	-	-
II. Outflows	-	(7 500.00)
1. Purchase of intangible assets and fixed tangible assets	-	(7 500.00)
4. Other investment outflows	-	-
<b>III. Net cash flow from investment activities</b>	<b><u>-</u></b>	<b><u>(7 500.00)</u></b>
<b>C Cash flows from financial activities</b>		
I Inflows	224 630.35	205 000.00
1. Net inflows from issue of shares (stocks) and other capital instruments, as well as capital contributions	-	195 000.00
2. Credits and loans	224 630.35	10 000.00
II. Outflows	-	-
<b>III. Net cash flows from financial activities</b>	<b><u>224 630.35</u></b>	<b><u>205 000.00</u></b>
<b>D. Total net cash flows</b>	<b><u>6 827.29</u></b>	<b><u>13 602.81</u></b>
<b>E Balance sheet change in cash</b>	<b>6 827.29</b>	<b>13 602.81</b>
<b>F. Cash at the beginning of the period</b>	<b>25 943.91</b>	<b>12 341.10</b>
<b>G. Cash at the end of the period</b>	<b><u>32 771.20</u></b>	<b><u>25 943.91</u></b>
<i>- including restricted cash</i>	<u>-</u>	<u>-</u>

*Piotr Tyranowski*  
*President of the Management Board*

*Person responsible for bookkeeping*  
*Anna Jędrzejewska*

*Warsaw, 29 May 2017*

Cash flow statement should be analysed along with additional information and notes that constitute an integral part of the financial statements.

# HOTBLOK SPÓŁKA AKCYJNA

ul. Emilii Plater 49, 00-125 Warsaw

## Supplementary information and explanations

### 1. Intangible assets

#### *Changes in intangible assets*

	Costs of completed development works	License	Other intangible assets	Advance payments for intangible assets	Total
<b>Gross value</b>					
OB 01.01.2016	598 267.71	2 500 880.00	8 040.40	-	3 107 188.11
Increases	-	-	-	-	-
CB 31.12.2016	598 267.71	2 500 880.00	8 040.40	-	3 107 188.11
<b>Depreciation</b>					
OB 01.01.2016	(598 267.71)	(960 446.43)	(8 040.40)	-	(1 566 754.54)
Increases	-	(124 899.96)	-	-	(124 899.96)
CB 31.12.2016	(598 267.71)	(1 085 346.39)	(8 040.40)	-	(1 691 654.50)
<b>Net value</b>					
OB 01.01.2016	-	<b>1 540 433.57</b>	-	-	<b>1 540 433.57</b>
CB 31.12.2016	-	<b>1 415 533.61</b>	-	-	<b>1 415 533.61</b>

### 2. Fixed tangible assets

#### *Change in fixed assets*

	Lands	Buildings and structures	Technical equipment and machines	Other fixed assets	Total
<b>Gross value</b>					
OB 01.01.2016	-	-	1 179 134.22	17 559.35	1 196 693.57
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
CB 31.12.2016	-	-	1 179 134.22	17 559.35	1 196 693.57
<b>Depreciation</b>					
OB 01.01.2016	-	-	(731 613.01)	(11 881.88)	(743 494.89)
Increases	-	-	(74 013.99)	(2 458.32)	(76 472.31)
Decreases	-	-	-	-	-
CB 31.12.2016	-	-	(805 627.00)	(14 340.20)	(819 967.20)
<b>Net value</b>					
OB 01.01.2016	-	-	<b>447 521.21</b>	<b>5 677.47</b>	<b>453 198.68</b>
CB 31.12.2016	-	-	<b>373 507.22</b>	<b>3 219.15</b>	<b>376 726.37</b>

## HOTBLOK SPÓŁKA AKCYJNA

ul. Emilii Plater 49, 00-125 Warsaw

### Supplementary information and explanations

#### 3. Inventories

Inventories are recognised in the balance sheet in net amount, i.e. less impermanent losses at PLN 43 476.64.

#### 4. Short-term receivables

##### 4.1 Age analysis of short-term trade receivables from other entities

	<u>31.12.2016</u>	<u>31.12.2015</u>
<i>with maturity period:</i>		
Up to 12 months	469 986.09	13 216.10
Over 12 months	-	-
	<u>469 986.09</u>	<u>13 216.10</u>
Gross receivables	469 986.09	13 216.10
Impairment loss of receivables	(12 000.81)	(12 000.81)
Net receivables	<u>457 985.28</u>	<u>1 215.29</u>

#### 5. Short-term investments

##### Cash and other cash assets

	<u>31.12.2016</u>	<u>31.12.2015</u>
Cash in hand and at bank	32 771.20	25 943.91
	<u>32 771.20</u>	<u>25 943.91</u>

#### 6. Short-term accruals

	<u>31.12.2016</u>	<u>31.12.2015</u>
Patent renewal	555.00	525.00
Website	400.00	-
Anti-virus protection license	70.88	-
	<u>1 025.88</u>	<u>525.00</u>

#### 7. Equity

##### 7.1 Share capital ownership structure

Shareholder	type of share	Number of shares/stocks	Nominal value of shares/stocks	% share
Carlson Ventures International Limite	A	10 503 600	1 365 468.00	12.66%
Rainbow Central and Eastern	A	6 965 426	905 505.38	8.40%
Jacek Ładny	A	4 759 684	618 758.92	5.74%
Małgorzata Trzaskoma	A	6 375 000	828 750.00	7.69%
Tugeb Polbud	A	4 787 500	622 375.00	5.77%
Other investors	A	49 544 687	6 440 809.31	59.74%
Total		82 935 897	10 781 666.61	100.00%

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### Supplementary information and explanations

#### 7. 2 Changes in equity structure

There were no changes in the equity structure of the Company in the current financial year.

#### 7. 3 Proposed manner of loss coverage for the financial year

The Company's Management Board proposes to cover the net loss of PLN 599 727.34 from profits generated in the subsequent periods.

### 8. Provisions

#### 8. 1 Other short-term provisions

	<i>Remuneration of the supervisory board</i>	<i>Remuneration of Audit the management board</i>		<i>Other provisions</i>	<b>Total</b>
OB 01.01.2015	240 369.51	217 405.38	5 500.00	41 667.39	504 942.28
Increases	40 762.95	118 633.99	5 500.00	72 964.92	237 861.86
Use	-	-	(5 500.00)	-	(5 500.00)
Release	(75 326.84)	(12 098.00)	-	(27 922.79)	115 347.63
CB 31.12.2015	205 805.62	323 941.37	5 500.00	86 709.52	621 956.51

### 9. Short-term liabilities, pledge over the Company's assets

#### 9. 1 Credits and loans

The loans granted to the Company in the amount of PLN 2 167 163.27 have been secured with a pledge over the patent owned by the Company

#### 9. 2 The short-term trade liabilities towards other entities in the amount of PLN 174 786.89 are payable within up to 12 months following the balance sheet date.

### 10. Structure of sales revenues

	<b>01.01.2016 - 31.12.2016</b>	<b>01.01.2015 - 31.12.2015</b>
<i>Regional structure</i>		
<b>Revenue from sale of services</b>		
Country	1 000.00	-
Export	-	-
	<u>1 000.00</u>	<u>-</u>
<b>Revenue from sale of goods and materials</b>		
Country	171 239.30	90 065.96
Export	156 862.15	93 593.51
	<u>328 101.45</u>	<u>183 659.47</u>



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### 11. Interest expense (including incurred financial liabilities)

from 1 January 2016 to 31 December 2016

	Unrealised interests of payment period				Total
	Realised interests	to 3 months	of 3 to 12 months	over 12 months	
Other short-term financial liabilities	-	-	129 396.36	-	129 396.36
Other liabilities	2 544.92	-	-	-	2 544.92
<b>Total</b>	<b>2 544.92</b>	<b>-</b>	<b>129 396.36</b>	<b>-</b>	<b>131 941.28</b>

from 1 January 2015 to 31 December 2015

	Unrealised interests of payment period				Total
	Realised interests	up to 3 months	of 3 to 12 months	over 12 months	
Other short-term financial liabilities	-	-	180 095.38	-	180 095.38
Other liabilities	231.67	-	-	-	231.67
<b>Total</b>	<b>231.67</b>	<b>-</b>	<b>180 095.38</b>	<b>-</b>	<b>180 327.05</b>

### 12. Corporate income tax

#### 12. 1 Structure of corporate income tax

	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Current income tax	-	-
Additional tax payable for the years	-	-
Changes in deferred income tax	(57 225.00)	(51 773.00)
	<u>(57 225.00)</u>	<u>(51 773.00)</u>

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## Supplementary information and explanations

### 12. 2 Calculation of corporate income tax

	<b>01.01.2016 - 31.12.2016</b>	<b>01.01.2015 - 31.12.2015</b>
Gross profit/(loss)	(656 952.34)	(999 407.75)
I. Non-tax deductible expenses		
Non-tax deductible depreciation	124 899.96	124 899.96
Unpaid interest	129 396.36	114 658.09
Provision for audits	5 500.00	5 500.00
Provision for remunerations	174 468.55	227 946.89
Remeasurement of goods	13 162.24	1 124.80
Other non-tax deductible costs of operating activities	296.93	3 545.74
Other non-tax deductible borrowing costs	-	95.40
Other non-tax deductible operating costs	9 569.70	4 801.61
Unpaid remuneration	-	577.36
Social security contributions (ZUS) from remuneration	360.00	2 104.31
Total	<u>457 653.74</u>	<u>485 254.16</u>
II. Amounts that reduce taxable profit		
Paid remuneration	4 360.51	4 360.51
Social security contributions (ZUS) from remuneration	9 641.73	9 641.73
Audit costs	5 500.00	5 500.00
Total	<u>19 502.24</u>	<u>19 502.24</u>
III. Amounts that increase taxable profit		
Non-balance sheet tax revenues	421 610.00	-
Total	421 610.00	-
IV. Revenues other than tax revenues		
Other operating revenues	-	19 687.22
Total	<u>-</u>	<u>19 687.22</u>
Taxable profit	202 809.16	(553 343.05)
Accumulated losses	(202 809.16)	-
Tax base	<u>-</u>	<u>(553 343.05)</u>
Income tax	<u>-</u>	<u>-</u>

### 12. 3 Deferred income tax

	<b>31.12.2016</b>	<b>31.12.2015</b>
Negative temporary differences:		
• Unpaid interest	857 766.45	728 370.09
• Provisions	630 421.02	455 952.47
• Unpaid remuneration	-	2 681.67
Total negative temporary differences	<u>1 488 187.47</u>	<u>1 187 004.23</u>
Gross deferred tax assets	<u>282 755.62</u>	<u>225 530.80</u>
Net deferred tax assets	<u><b>282 755.62</b></u>	<u><b>225 530.80</b></u>

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Deferred tax assets recognised in balance sheet	<u>282 756.00</u>	<u>225 531.00</u>
Deferred tax liabilities recognised in balance sheet	-	-
Balance sheet difference arising from net deferred tax assets/liabilities	<u>57 225.00</u>	<u>77 057.00</u>
Deferred tax recognised in reverses in the period	-	-
Deferred tax difference recognised in the profit and loss account	<u>57 225.00</u>	<u>77 057.00</u>

### 13. Events following the financial statements date

Absent

### 14. Previous year events included in financial statements for the financial period

Absent

### 15. Employment as at 31.12.2016

	<u>Women</u>	<u>Men</u>	<u>Total</u>
Employees for full time positions	1	-	1
Employees for part-time time positions	1	-	1
	<u>2</u>	<u>-</u>	<u>2</u>

### 16. Remunerations and loans and equivalent performances to the benefit of members of the company's management and supervisory bodies

In the financial year, remuneration of members of the Supervisory Board amounted to PLN 40 663.42.  
In the financial year, remuneration of members of the Management Board amounted to PLN 113 256.

### 17. Related party transactions

Absent

### 18. Discontinued operations

Absent

### 19. Remuneration of chartered auditor or the entity authorized to audit financial statements

Remuneration of the entity authorized to audit financial statements for the financial year amounted to net PLN 5 500 and was fully allocated towards the audit of the annual financial statements.

## **HOTBLOK SPÓŁKA AKCYJNA**

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### **Supplementary information and explanations**

**20. Severe threat to continuity of the operations**

As per the financial statements 2016, the loss is greater than the sum of supplementary and reserve provisions and one third of the share capital. As a result, the General Shareholders' Meeting is required to adopt a resolution on continuity of the Company's operations. The Management Board believes that the Company will be able to operate within the next 12 months, because the issue of series L share issued as a part of conditional increase of the share capital to 28 November 2017 is still open, and agreement for the sale of licence is being executed. The Management Board actively works to further boost sales of licences, both on European and domestic markets. At the same time, the Management Board takes up restructuring activities to decrease operating costs.

**21. Other items listed in Appendix 1 to the Accounting Act do not refer to the company or are not relevant to its operations.**

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*Piotr Tyranowski*  
*President of the Management Board*

*Person responsible for bookkeeping*  
*Anna Jędrzejewska*

*Warsaw, 29 May 2017*