

JSC "Rīgas juvelierizstrādājumu rūpnīca"

Unified registration Nr. 40003044420

Address : Terezes street 1, Riga LV-1012

Main activities:

NACE code red .

Unit: euro

Financial report

of the period from 01.01.2018 to 30.06.2018

that has been prepared according to the legislation standards of the Republic of Latvia

Riga, 2018.

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INFORMATION about the COMPANY

"Rīgas juvelierizstrādājumu rūpnīca" Joint Stock company, date of incorporation 10 th December 1991, Unified Registration №40003044420. Legal address Terēzes 1, Riga.

Chairman of the Board Vladimirs Cadovičs. Members of the Board Aleksandrs Struļevičs and TamāraFruļa.

Chairman of the Council Ilga Kučinska. Members of the Council Igors Istomins, Svetlana Tolkačova, Svetlana Stepanova, Valentina Černovska.

Auditor - certified auditor Company BDO Audit (Licence Nr.176) and certified auditor Gunta Darkevica.

Financial report for the period 01.01.2018.to 30.06.2018 prepared Chief accountant Nataļja Beļšova.

Company's executive board is composed of two board members who represent each society together with one member of the Board and Chairman of the Board, who is entitled to represent a commercial basis.

Company actiivities

NACE 2.red.	32.12	Manufacrure of jewellery and related articles
NACE 2.red.	46.48	Wholesale of watches and jewellery
NACE 2.red.	47.77	Retail sale of watches and jewellery in specialised stores
NACE 2.red.	68.20	Renting and operating of own or leased real estate

Shareholders and their shares %	Vladimirs Cadovičs	11,21%
	Valentīns Istomins	24,46%
	Marija Ančevska	32,47%
	MALEKS S SIA	7,73%
	Others	24,13%

Management Report

The Company's business for the accounting year

AS „Rīgas juvelierizstrādājumu rūpnīca” business is wholesale and retail sale of jewellery and repairs of jewellery.

Name, address, telephone of the structural unit for economic activity:

workshop: 1 Terezes Street, Riga, LV-1012, tel. 67277365

workshop: 27 Lidonu street, Riga, LV-1055

JSC „Rīgas juvelierizstrādājumu rūpnīca” has no holding and subsidiary companies.

The Company doesn't have any agencies and affiliates registered abroad.

The equity capital of the company is 6 640 172 EUR that is divided into 4742980 shares with share's nominal value of 1,40 EUR.

The Company's major shareholders are:

Marija Ančevska – 1 540 000 shares

Valentins Istomins – 1 160 000 shares

Vladimirs Cadovičs –531 785 shares

SIA "MALEKS S" - 366 668 shares

Others - 724 people with shares less 5% of the total number of shares - 1 144 527 shares

Board members, except for Vladimirs Cadovičs, do not own shares of JSC RJR.

Chairman of the Board Vladimirs Cadovičs owned 531 785 shares.

Council members do not own shares of JSC RJR.

Average number of employees 19

It has activated its wholesale business, tightened control over RJR goods delivered to clients "for consignment". The net turnover of the reporting period is 339 670 EUR and it decreased by 11,5% comparing to the previous accounting period.

The Company closed its fiscal year with the results as follows:

	30.06.2018.	30.06.2017.
Result before extraordinary items and taxes is:	(23 222)	(77 638)
Net result:	(23 222)	(77 638)

total liabilities exceed assets for EUR and short-term liabilities exceed current assets for EUR .

	30.06.2018.	30.06.2017.
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The company profitability:

Gross profitability of primary activity	53,12%	47,57%
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Liquidity coefficients

General liquidity	22,49	20,40
Fast liquidity	13,70	11,13
Full liquidity	1,17	0,49

Company profitability of the reporting period is 0, because the company has losses.

Company short-term liabilities don't exceed its current assets.

Company total liabilities don't exceed its total assets.

Assets set out on the Company's balance sheet are not encumbered.

The company has no liquidation processes, Legal protection proceedings.

The Company has no operative and financial leasing, or bank's credits, loans or borrowings.

Other important events that could affect annual report evaluation didn't happen.

The preparation of the annual report is applicable to concern assumption.

Events for developing the Company

The Company will continue researching the local and foreign markets for the purpose of increasing jewelry sales.

The Company will look for new opportunities for developing shops.

In 2018 it is planned to continue to search for new corporate orders and participate in government tenders.

The Company plans to renovate the assortment, cooperating with new partners from the European Union and other countries. It is planned to use available Internet and mass media resources for brand and product promotion.

It is planned to analyze product sales, and in accordance with the results of analysis to adjust the selection of new assortment.

The Company also plans to activate work with wholesale clients in order to provide with the goods in accordance with demand.

Risk Management

The Company business activities can be financially risky. The risks are:

- market risk- when market prices for services and goods change that affect company assets and liabilities negative
- credit risks- when partner's company bankruptcy can lead to company's losses.
- liquidity risk - can lead to situation when assets should be sold for lower price than its real price.

Board of directors

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Tamāra Fruļa

Member of the Board

Aleksandrs Struļevičs

Statement on the Company management responsibility

The Company management shall be held responsible for development of financial statements, based on the initial bookkeeping records concerning each accounting period, which is true and impartial reflection of financial condition of the Company at the 30.06.2018

Hereby it is confirmed by the Company managers that upon drawing the present report for period, 01.01.2018-30.06.2018, appropriate accounting methods were used, the same were applied on consistent basis, and reasonable and cautious decisions are made.

The Company management shall be held responsible for conducting of appropriate bookkeeping accounts, for maintenance of the Company funds, as well as for prevention of fraudulent activities and other on other ignominies.

Hereby it is confirmed by the Company management that data and explanations requisite for the audit have been provided thereby.

Board of directors

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Tamāra Fruļa

Member of the Board

Aleksandrs Struļevičs

BALANCE SHEET

<i>ASSETS</i>	Appendixes	30.06.2018. EUR	30.06.2017. EUR
Long-term investments			
I Intangible investments:			
Concessions,licenses and similar rights		239	411
Total intangible investments:	1	239	411
II Fixed assets:			
1. <i>Real estate:</i>			
a) Land, buildings, constructions and perennial plantations		113 740	123 857
2. Long-term investments in rented fixed assets		308	1 048
3. Other fixed assets and inventory		9 890	17 640
Total fixed assets	2.	123 938	142 545
Total long-term investments		124 177	142 956
Current assets			
I. Stocks			
1. Raw materials, direct materials and auxiliary materials	3.	151 684	279 196
2. Unfinished products and orders	4.	28 490	9 890
3. Finished products and products for sale	5.	310 166	296 759
4. Advance payments for goods	6.	1 044	2 338
Total stocks		491 384	588 183
III. Debtors			
1. Debts of the customers and clients	7.	696 535	669 791
2. Other debtors	8.	2 404	4 123
3. Expenses of the subsequent period	9.	959	1 140
Total debtors		699 898	675 054
V.Funds (total)	10.	65 432	30 905
Total current assets		1 256 714	1 294 142
Grand total assets		1 380 891	1 437 098

Board of directors

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Tamāra Fruļa

Member of the Board

Aleksandrs Struļevičs

Chief accountant

Natalja Beļšova

BALANCE SHEET

	Liabilities	Appendixes	30.06.2018. EUR	30.06.2017. EUR
	Equity capital			
1.	Stock or share capital (fixed capital)	11.	6 640 172	6 640 172
2.	Long-term investment reestimation reserve	12.	88 843	106 611
3.	Reserves			
f)	Other reserves	13.	108 481	108 481
	Total reserves		108 481	108 481
4.	Undistributed profit from previous year		(5 489 262)	(5 403 975)
5.	Profit or loss in the reporting year		(23 222)	(77 638)
	Total equity capital		1 325 012	1 373 651
2	Short-term debts			
1.	Other borrowings	14.	-	174
3.	Indebtedness to suppliers and contractors	15.	14 590	27 461
4.	Taxes and social security liabilities	16.	23 248	17 770
5.	Other creditors	17.	11 200	9 381
6.	Accrued liabilities	18.	6 841	8 661
	Total short-term debts		55 879	63 447
	Total creditors		55 879	63 447
	Grand total liabilities		1 380 891	1 437 098

Board of directors

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Tamāra Fruļa

Member of the Board

Aleksandrs Struļevičs

Chief accountant

Natalja Beļšova

PROFIT or LOSS STATEMENT'S CALCULATIONS

(by turnover expenditure method)

Parameters	Appendixes	30.06.2018.	30.06.2017.
1. Net turnover	19.	339 670	383 866
2. Manufacturing expenditures of sold products	20.	(221 827)	(260 116)
3. Gross profit or loss		117 843	123 750
4. Selling expenses	21.	(120 104)	(99 556)
5. Administrative expenses	22.	(45 828)	(63 649)
6. Other operating revenue	23.	34 482	25 196
7. Other operating expenses	24.	(9 615)	(63 379)
8. Profit or loss before taxes		(23 222)	(77 638)
9. Profit or loss after taxation		(23 222)	(77 638)
10. Profit or loss in the reporting year		(23 222)	(77 638)
11. Profit or loss per one stock in a year		-0,005	-0,016
12. Profit or loss per one stock from the beginning		-1,16	-1,16

Board of directors

Chairman of the Board

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Member of the Board

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Chief accountant

Natalja Beļšova

CASH FLOW STATEMENT
(by direct method)

	Appendix	30.06.2018.	30.06.2017.
I. Cash flow from main activities			
1. Revenue from the sales of the products and provided services		270 930	177 454
2.			
Payments to suppliers, staff, other expenditures on main activities		(398 678)	(250 473)
3. Other revenues and expenditures on main activities		92 527	44 402
4. Gross cash flow of the main activities		(35 221)	(28 617)
Expenditures on tax payments for the real property (-)	22, 24	(1 457)	(4 370)
Net cash flow of the main activities		(36 678)	(32 987)
II. Cash flow of investment activities			
1. Acquisition of fixed assets and intangible investments (-)	2	(1 875)	(289)
Net cash flow of investment operations		(1 875)	(289)
III. Cash flow of business			
1. Expenses of borrowing fixed assets without VAT	14	-	(331)
Net cash flow of financial operations		-	(331)
V. Net cash and its equivalents increase or decrease		(38 553)	(33 607)
VI. Cash and its equivalents at the beginning of the period		103 985	64 511
VII. Cash and its equivalents at the end of the period		65 432	30 904

Board of directors

Member of the Board

Vladimirs Cadovičs

Member of the Board

Tamāra Fruļa

Member of the Board

Aleksandrs Struļevičs

Chief accountant

Natalja Beļšova

Report on changes in the equity capital

	Appendixes	30.06.2018. EUR	30.06.2017. EUR
I.Stock or share capital (fixed)	11		
previous year		6 640 172	6 640 172
Fixed capital denomination			
Remaining amount		6 640 172	6 640 172
III.Revaluation reserves of long-term investments	12		
previous year		88 843	106 611
Revaluation reserves of long-term investments changes			
Remaining amount		88 843	106 611
V Reserves			
previous year		108 481	108 481
Reserves change - denomination			
Remaining amount		108 481	108 481
VI. Undistributed profit			
previous year		(5 403 975)	(5 403 975)
Profit and loss transfer		(85 287)	
Profit or loss of the year		(23 222)	(77 638)
Remaining amount		(5 512 484)	(5 481 613)
VII.Total equity capital			
previous year		1 348 234	1 451 289
Remaining amount		1 325 012	1 373 651

Board of directors

Chairman of the Board

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Member of the Board

Tamāra Fruļa

Member of the Board

Aleksandrs Struļevičs

Chief accountant

Natalja Beļšova

Annexes to the Annual Accounts

Explanatory notes to the items of the balance sheet

1.Intangible assets

	Concessions, patents, licenses and similar rights	Total
Initial Value		
30.06.2017.	862	862
Acquisition		-
30.06.2018	862	862
Depreciation		
30.06.2017.	451	451
30.06.2018	623	623
Residual value		
30.06.2017.	411	411
30.06.2018	239	239

All of the acquired intangible assets are paid.

2.Fixed assets

	Buildings, constructions	Long-term investments in leased fixed assets	Equipment and machinery	Other fixed assets	Total
Initial Value					
30.06.2017.	202 323	107 548	90 576	106 305	506 752
30.06.2018	202 323	107 548	90 576	71 440	471 887
Depreciation					
30.06.2017.	78 466	106 500	90 576	88 665	364 207
30.06.2018	88 583	107 240	90 576	61 550	347 949
Residual value					-
30.06.2017.	123 857	1 048	-	17 640	142 545
30.06.2018	113 740	308	-	9 890	123 938

Annexes to the Annual Accounts

Explanatory notes to the items of the balance sheet

388 425 EUR Real Estate property includes buildings:

- Cadastre Nr. 0100 035 0142 004, Riga, property assessed value - 75 098 EUR;
- Cadastre Nr.0100 035 0142 006, Riga, property assessed value - 181 027 EUR;
- Cadastre Nr.0100 035 0143 003, Riga, property assessed value - 113 415 EUR;
- Cadastre Nr.0100 035 0144 002, Riga, property assessed value - 10 930 EUR;
- Cadastre Nr.0100 035 0146 001, Riga, property assessed value - 7 955 EUR;

Fixet assets are not burdenet.

All fixed assets are participate in economic activities.

Low value inventory is written off to costs at the moment of purchase.

Annexes to the Annual Accounts

Explanatory notes to the items of the balance sheet

Stocks

All stocks are shown according to the inventory data using continuous inventory method.

Raw materials, direct materials and complete products and goods for sale economic activity is calculated after FIFO method.

3. Raw materials, direct materials and auxiliary materials

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
gold	84 283	210 862
silver	168	295
precious stones, semiprecious stones	61 246	62 056
low-value materials and inventory	644	644
Fuel (a/m)	52	48
Instruments	5 291	5 291
Total	<u>151 684</u>	<u>279 196</u>

4. Unfinished products and orders

Unfinished products and orders in the notes are shown as

total of unfinished products and orders, that are not ready for sale

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
	28 490	9 890
Total	<u>28 490</u>	<u>9 890</u>

5. Finished production and goods for sale

Goods for sale

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
	310 166	296 759
Total	<u>310 166</u>	<u>296 759</u>

6. Advance payments for goods

Advance payment for fuel SIA NESTE

Advance payment for goods

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
currency	EUR	EUR
	557	632
	487	1 706
Total	<u>1 044</u>	<u>2 338</u>

7. Debts of customers and clients

Gold/silver for jewelry production

Non residents debts

Residents debts

Payments for lease

Debts of customers and clients, total

Accumulation for doubtful debtors

Total net debts of customers and clients

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
currency	EUR	EUR
	3 202	10 508
	44 838	105 281
	639 043	524 246
	56 344	30 092
	<u>743 427</u>	<u>670 127</u>
	(46 892)	(336)
Total	<u>696 535</u>	<u>669 791</u>

Annexes to the Annual Accounts

Explanatory notes to the items of the balance sheet

8. Other debtors

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
currency	EUR	EUR
Creditcard	110	153
Garanty	1 900	1 900
Payments to workers (advance payments)	199	398
Security sum VENDEN	31	31
Real ectate tax overpayment	-	1 456
Tax overpayment due to tax and fees flow	-	21
Others	164	164
Total	<u>2 404</u>	<u>4 123</u>

9. Expenditures for the subsequent period

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
Insurance of the transport	590	499
Insurance of the goods	-	189
Laws of the Republic of Latvia	369	452
Total	<u>959</u>	<u>1 140</u>

10. Money resources

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
Currency	EUR	EUR
Money in cash	7 809	9 331
<i>Money in operating accounts:</i>		
SEB banka	57 623	21 574
Total	<u>65 432</u>	<u>30 905</u>

11. Information on the aggregate own stocks and shares of the company.

On 28.05.2015 the Company had denomination of the fixed capital. As a result of denomination ,the equity capital of the company is 6 640 172 EUR that is divided into 4742980 shares with share's nominal value of 1,40 EUR. The residual value in the amount of EUR 108 480,54 was transferred to the reserve fund.

All the stocks are ordinary stocks with voting rights.

From the totality of Company stocks 4 493 700 stocks are bearer stocks in dematerialized form.

From the totality of Company stocks 249 280 are registered stocks in dematerialized form.

Company owners:

		<u>30.06.2018.</u>
<i>Shares</i>	qty	EUR
Vladimirs Cadovičs	531 785	744 499
Valentīns Istomins	1 160 000	1 624 000
Marija Ančevska	1 540 000	2 156 000
MALEKS S SIA	366 668	513 335
Others	1 144 527	1 602 338
Total	<u>4 742 980</u>	<u>6 640 172</u>

Annexes to the Annual Accounts

Explanatory notes to the items of the balance sheet

Company`s reserve

12. Long-term investment reestimation reserve

On 25.03.2014. real estate at Terezes street N 1, Riga (cadastre N. 0100 035 0146 003) was reevaluated,

30.06.2017.	<u>106 611</u>
30.06.2018.	<u>88 843</u>

13. Fixed capital denomination reserve

30.06.2017.	<u>108 481</u>
30.06.2018.	<u>108 481</u>

14. Other borrowings from SIA LMT

Long-term debts

Short-term debts

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
Currency	EUR	EUR
	-	-
	-	174
Total	<u>-</u>	<u>174</u>

15. Debts to suppliers and contractors (short-term)

Debts for goods

Debts for goods (to other countries)

Debts for services

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
Currency	EUR	EUR
	10 918	10 059
	2 437	15 936
	1 235	1 466
Total	<u>14 590</u>	<u>27 461</u>

16. Taxes and social security payments

Tax debt due to tax and fee flow

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
	23 248	17 770
Total	<u>23 248</u>	<u>17 770</u>

17. Other creditors (short-term)

Payments to workers (advance payments)

Salaries

Guarantee money

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
	-	-
	10 282	8 680
	918	701
Total	<u>11 200</u>	<u>9 381</u>

18. Accrued liabilities

Liabilities for the subsequent period

Reserves for vacation

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
	6 841	8 661
Total	<u>6 841</u>	<u>8 661</u>

Appendixes to the Annual report

Explanatory notes to the items of the profit or loss calculation

19. Net turnover

b) from other main activities

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
Income from wholesale trade	310 187	306 719
Goods return	(69 744)	(64 805)
Discount	(6 250)	(994)
Income from retail trade	105 477	142 946
Total	<u>339 670</u>	<u>383 866</u>

Net turnover by geographical markets

Latvia	267 953	271 680
EU	71 717	63 498
Lithuania		48 688
Estonia		
Total	<u>339 670</u>	<u>383 866</u>

20. Manufacturing expenditures of sold products

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
Purchasing and manufacturing expenses of the sold jewels	221 806	260 116
Assaying of jewellery at the LPB*	21	-
Total	<u>221 827</u>	<u>260 116</u>

21. Selling costs

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
Workers' salary	63 757	43 631
Obligatory social payments for workers	14 839	9 759
Advertising expenses	290	1 069
Residential services (water, electricity, gas)	19 811	23 754
Rent of the land and premises	13 333	9 997
Transport rent expenses	-	913
Depreciation of fixed assets	7 477	10 314
Low-value inventory	142	119
Other selling costs	455	-
Total	<u>120 104</u>	<u>99 556</u>

22. Administrative expenditures

	<u>30.06.2018.</u>	<u>30.06.2017.</u>
Salary of the administration	19 680	35 956
Social payments	4 194	7 887
Payment for the risk of the business activity	41	41
Communication expenditures	1 664	2 037
Bank services	918	826
To "NASDAQ OMX Riga" for shares and other	3 651	3 702
Office costs	2 460	1 224

Appendixes to the Annual report

Explanatory notes to the items of the profit or loss calculation

Depreciation of the fixed assets (administrative building)	912	912
Real estate tax (administrative building)	851	851
Travelling allowances	2 170	232
Security services	1 119	1 768
Transport insurance	372	262
Transport expenses (fuel, repair)	6 764	5 366
Transport rent expenses	913	-
Business motor vehicles tax	78	-
Expenditures on representation	11	225
Other administrative expenditures, including expenses on lawyers	30	2 360
Total	45 828	63 649

23. Other income of the business activities

	30.06.2018.	30.06.2017.
	EUR	EUR
The result of fixed assets sales ¹	-	-
Thermal energy for leasing(heating)	12 917	12 282
Leasing out premises ²	21 506	12 914
Income from clients for residential service	53 631	9 947
Expenses from clients for residential service	(53 631)	(9 947)
Other income	59	-
Total	34 482	25 196

24. Other expenditures from the business activities

	30.06.2018.	30.06.2017.
	EUR	EUR
Real estate tax for buildings	2 062	2 062
The result of fixed assets sales ¹	129	-
Other expenditures	7 424	3 165
Uncovered loss of damage	-	57 399
Other	-	753
Total	9 615	63 379

¹ Incom of fixed assets sales	4 385
Expenses of fixed assets sales	(4 514)
	(129)