

**JSC "Rīgas juvelierizstrādājumu rūpnīca"**

**Unified registration Nr. 40003044420**

**Address : Terēzes street 1, Rīga LV-1012**

**Main activities:**

**NACE code red .**

**32.12    Manufacture of jewellery and related articles**

**46.48    Wholesale of watches and jewellery**

**47.77    Retail sale of watches and jewellery in specialised stores**

**68.20    Renting and operating of own or leased real estate**

**Unit: euro**

## ***Annual report***

***of the period from 01.01.2016 to 31.12.2016***

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

***Riga, 2017.***

## ***CONTENTS***

	<b>Page</b>
<b><i>I. Financial Report :</i></b>	
<b>Information about the company</b>	<b>3</b>
<b>Balance sheet</b>	
<b>Assets</b>	<b>4</b>
<b>Liabilities</b>	<b>5</b>
<b>Profit or loss statement</b>	<b>6</b>
<b>Statement of the cash flow</b>	<b>7</b>
<b>Statement of Changes in the equity capital</b>	<b>8</b>
<b>Appendix to the annual report:</b>	
<b>1. Accounting policy and methods applied</b>	<b>9</b>
<b>2. Explanatory notes to the balance sheet items</b>	<b>18</b>
<b>3. Explanatory notes to the profit or loss statement items</b>	<b>25</b>
<b>4. Overall information</b>	<b>27</b>
<b>II. Management Report</b>	<b>28</b>
<b>III. Statement on the Company management responsibility</b>	<b>30</b>

### **INFORMATION about the COMPANY**

Name of the Company	<i>JSC "Rīgas juvelierizstrādājumu rūpnīca"</i>
Legal Status of the Company	<i>Joint Stock company</i>
Unified Registration №, place and date of incorporation	<i>40003044420 10 th December 1991</i>
Legal address	<i>Terēzes 1, Rīga, LV-1012</i>
Mailing address	<i>Terēzes 1, Rīga, LV-1012</i>

**Main activities:**

NACE 2.red.	32.12	Manufacture 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	6,84%
	Others	25,02%

**Board of Directors**

Chairman of the Board	<i>Vladimirs Cadovičs</i>
Member of the Board	<i>Aleksandrs Struļevičs</i>
Member of the Board	<i>Aleksandrs Ančevskis</i>

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.

Chief accountant	<i>Natalja Beļšova</i>
Phone:	<i>67 803 786</i>

Bank account:	<i>AS "SEB banka" LV62UNLA0001000243901 LV29UNLA0050020330171</i>
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Average employee number	<i>20</i>
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Details of the related companies	<i>SIA "Grabes pansija" vien.reģ.Nr.40003648860, Terezes street 1, Riga</i>
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For the period *from 01.01.2016 to 31.12.2016.*

Previous period *from 01.01.2015 to 31.12.2015.*

Auditor	<i>Aivars Rutkis certified auditor (LZRA sertif.Nr.18)</i>
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**BALANCE SHEET**

<b>ASSETS</b>	<b>Appendixes</b>	<b>31.12.2016. EUR</b>	<b>31.12.2015. EUR</b>
<b>Long-term investments</b>			
<b>I Intangible investments:</b>			
Concessions,licenses and similar rights		412	584
<b>Total intangible investments:</b>	<b>1</b>	<b>412</b>	<b>584</b>
<b>II Fixed assets:</b>			
1. <i>Real estate:</i>			
a) Land, buildings, constructions and perenial plantations		128 914	139 030
2. Long-term investments in rented fixed assets		1 048	1 788
3. Other fixed assets and inventory		23 519	35 171
<b>Total fixed assets</b>	<b>2.</b>	<b>153 481</b>	<b>175 989</b>
<b>Total long-term investments</b>		<b>153 893</b>	<b>176 573</b>
<b>Current assets</b>			
<b>I. Stocks</b>			
1. Raw materials, direct materials and auxiliary materials	<b>3.</b>	309 675	333 743
2. Unfinished products and orders	<b>4.</b>	57 426	12 743
3. Finished products and products for sale	<b>5.</b>	278 130	364 523
4. Advance payments for goods	<b>6.</b>	467	531
<b>Total stocks</b>		<b>645 698</b>	<b>711 540</b>
<b>III. Debtors</b>			
1. Debts of the customers and clients	<b>7.</b>	578 511	616 876
2. Other debtors	<b>8.</b>	96 276	3 338
3. Expenses of the subsequent period	<b>9.</b>	1 097	1 253
4. Accrued income	<b>10.</b>	-	-
<b>Total debtors</b>		<b>675 884</b>	<b>621 467</b>
<b>V.Funds (total)</b>	<b>11.</b>	64 511	129 461
<b>Total current assets</b>		<b>1 386 093</b>	<b>1 462 468</b>
<b>Grand total assets</b>		<b>1 539 986</b>	<b>1 639 041</b>

**BALANCE SHEET**

	<b>Liabilities</b>	<b>Appendixes</b>	<b>31.12.2016. EUR</b>	<b>31.12.2015. EUR</b>
	<b>Equity capital</b>			
1.	Stock or share capital (fixed capital)	12.	6 640 172	6 640 172
2.	Long-term investment reestimation reserve	13.	106 612	124 380
3.	<b>Reserves</b>			
f)	Fixed capital denomination	14.	108 481	108 481
	<b>Total reserves</b>		<b>108 481</b>	<b>108 481</b>
4.	Undistributed profit from previous year		(5 376 981)	(5 360 986)
5.	Profit or loss in the reporting year		(26 994)	(15 995)
	<b>Total equity capital</b>		<b>1 451 290</b>	<b>1 496 052</b>
	<b>Stockpiles</b>			
1.	Other stockpiles		-	*
	<b>Total stockpiles</b>			
	<b>Long-term debts</b>			
1.	Other borrowings	15.	-	508
	<b>Total long-term debts</b>			508
2	<b>Short-term debts</b>			
1.	Other borrowings	15.	506	782
2.	Customers advanced payments	16.	2 846	-
3.	Indebtedness to suppliers and contractors	17.	43 061	95 200
4.	Taxes and social security liabilities	18.	19 017	22 846
5.	Other creditors	19.	9 999	9 298
6.	Accrued liabilities	20.	13 267	14 355
	<b>Total short-term debts</b>		<b>88 696</b>	<b>142 481</b>
	<b>Total creditors</b>		<b>88 696</b>	<b>142 989</b>
	<b>Grand total liabilities</b>		<b>1 539 986</b>	<b>1 639 041</b>

*Annex from 9 to 27 form an integral part of these financial statements*

\* Selected items reclassified on 31.12.2015. (consolidated annual report requirements of the law)

## **PROFIT or LOSS STATEMENT'S CALCULATIONS**

(by turnover expenditure method)

Parameters	Appendixes	2016.g.	2015.g.
1. Net turnover	21	962 180	1 091 960
2. Manufacturing expenditures of sold products	22.	(681 238)	(771 458)
<b>3. Gross profit or loss</b>		<b>280 942</b>	<b>320 502</b>
4. Selling expenses	23.	(211 895)	(220 477)
5. Administrative expenses	24.	(140 791)	(143 341) *
6. Other operating revenue	25.	71 773	63 113
7. Other operating expenses	26.	(27 023)	(35 792) *
<b>8. Profit or loss before taxes</b>		<b>(26 994)</b>	<b>(15 995)</b>
<b>9. Profit or loss after taxation</b>		<b>(26 994)</b>	<b>(15 995)</b>
<b>10. Profit or loss in the reporting year</b>		<b>(26 994)</b>	<b>(15 995)</b>

*Annex from 9 to 27 form an integral part of these financial statements*

- \* In the reporting year the previous year comparative figures have been reclassified in the reference year for the principles and retain the possibility to carry out a comparison of items.  
Reclassification of items not affecting company operating surplus.

**CASH FLOW STATEMENT**  
**(by direct method)**

	Appendix	2016.g.	2015.g.
<b>I. Cash flow from main activities</b>			
1. Revenue from the sales of the products and provided services		536 782	511 220
2.			
Payments to suppliers, staff, other expenditures on main activities		(687 408)	(536 600)
3. Other revenues and expenditures on main activities		94 152	89 073
4. <b>Gross cash flow of the main activities</b>		<b>(56 474)</b>	<b>63 693</b>
Expenditures on tax payments for the real property (-)	24, 26	(5 820)	(5 820)
7. <b>Net cash flow of the main activities</b>		<b>(62 294)</b>	<b>57 873</b>
<b>II. Cash flow of investment activities</b>			
3. Acquisition of fixed assets and intangible investments (-)	2	(2 008)	(9 203)
4. Income of fixed assets sales(+)			1 000
9. <b>Net cash flow of investment operations</b>		<b>(2 008)</b>	<b>(8 203)</b>
<b>III. Cash flow of business</b>			
5. Expenses of borrowing fixed assets without VAT	15	(648)	(267)
7. <b>Net cash flow of financial operations</b>		<b>(648)</b>	<b>(267)</b>
<b>IV. Foreign exchange rate differences</b>			
<b>V. Net cash and its equivalents increase or decrease</b>		<b>(64 950)</b>	<b>49 403</b>
<b>VI. Cash and its equivalents at the beginning of the period</b>		<b>129 461</b>	<b>80 058</b>
<b>VII. Cash and its equivalents at the end of the period</b>	11	<b>64 511</b>	<b>129 461</b>

[Annex from 9 to 27 form an integral part of these financial statements](#)

Net cash flow is negative due to the fact that the reporting year, payments

\* received from debtors less than that paid to creditors.

**Report on changes in the equity capital in 31.12.2016. and 31.12.2015.**

	Stock or share capital (fixed)	Revaluation reserves of long- term investments	Reserves	Undistributed profit from the previous year	Profit for the year	Total equity capital
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Remaining amount on 31.12.2014.</b>	<b>6 748 653</b>	<b>132 894</b>	<b>-</b>	<b>(5 228 889)</b>	<b>(132 097)</b>	<b>1 520 561</b>
Profit and loss transfer				(132 097)	132 097	-
Profit or loss of the year					(15 995)	(15 995)
Changes in revaluation reserves		(8 514)				(8 514)
Fixed capital denomination	(108 481)		108 481			-
<b>Remaining amount on 31.12.2015.</b>	<b>6 640 172</b>	<b>124 380</b>	<b>108 481</b>	<b>(5 360 986)</b>	<b>(15 995)</b>	<b>1 496 052</b>
Profit and loss transfer				(15 995)	15 995	-
Revaluation reserves changes		(17 768)				(17 768)
Profit or loss of the year					(26 994)	(26 994)
<b>Remaining amount on 31.12.2016.</b>	<b>6 640 172</b>	<b>106 612</b>	<b>108 481</b>	<b>(5 376 981)</b>	<b>(26 994)</b>	<b>1 451 290</b>

*Annex from 9 to 27 form an integral part of these financial statements*



## ***Annexes to the Annual Accounts***

### **2. Accounting Policy**

**Figures are set out in the Financial Statements in euro (EUR).  
Annual accounts contain period from 1st January 2016 to 31st December 2016.**

#### **General Principles**

The Annual Accounts are prepared in accordance with laws of the Republic of Latvia *On Accounting* and the *Annual Accounts and consolidated annual accounts of the law Financial Instruments Market Law*  
Regulations № 775 issued by the Cabinet of Ministers of the Republic of Latvia  
*Annual report Law enforcement regulations;*  
Regulations № 585 issued by the Cabinet of Ministers of the Republic of Latvia  
*Regulations on the accounting records and the organization*  
Regulations № 399 issued by the Cabinet of Ministers of the Republic of Latvia  
*Regulations on preparing the annual accounts and consolidated annual accounts in electronic form.*

Profit or Loss Account is prepared in accordance with the vertical form method (classified after expenses function).

Statement of Cash Flow is prepared according to the direct method.

Equity changes are prepared in accordance with horizontal scheme method.

Accounting is made with the help of computer program "RAMUS".

The Annual Accounts provide a true and fair view of the assets and liabilities, financial position, profit or loss of the Company.

#### **Applied accounting principles**

The Annual Accounts items are evaluated according to the following accounting principles:

- 1) it is assumed that the company will continue as a going concern;
  - 2) the same evaluation principles as in the previous accounting year are applied;
  - 3) the evaluation is carried out with appropriate care, observing the following conditions:
    - a) only the profit earned before the balance sheet date is included in the accounts;
    - b) all foreseeable amounts at risk and losses that have occurred during the accounting year or previous years, even if they have become known during the time period between the balance sheet date and the date when the annual accounts are signed, are taken into account;
    - c) all decrease in value and depreciation amounts are calculated and taken into account regardless of whether the accounting year has closed with a profit or a loss;
  - 4) income and expenses related to the accounting year are included in the profit or loss account regardless of the payment date or the date of receipt or issue of the invoice. Expenses are accord with income for the respective accounting periods;
  - 5) expenses coordinate with income in the respective accounting periods.
  - 6) the opening balance of the accounting year is consistent with the closing balance of the previous year;
- The reporting year's beginning balance coincides with the previous year closing balance sheet, with the exception of 2015, "Investment Property" (Assets) and "Reserves" (Liabilities) Reclassifications;
- 7) assets and liabilities item elements are evaluated separately;
  - 8) any balance sheet asset and liabilities items or profit and loss statement revenue or expenditure assets are prohibited to offset, except the part 3 of the list.
  - 9) economic activities of the company are reflected, taking into account their economic content and nature, not just their legal form.
  - 10) balance sheet and profit or loss statement calculations are evaluated according to purchasing expenses or production costs. Purchasing expenses are products or services prices (except discounts), which include other expenses. Production cost is raw material, direct material and auxiliary material buying expenses and other expenses, that are directly connected with object production.  
Production cost can include expenses, which indirectly are connected with object production, only if those expenses are eligible to the same period.

### Correction of mistakes

Previous period error correction carried out on the basis of "Annual accounts and consolidated annual accounts of the law (Law Article 12, paragraphs 2 and 3) and Cabinet Regulation № 775 ( Paragraph 46, 47, 48)

The company corrects serious mistakes, that are found in the accounting period or during preparation period, till the day of annual report signing day, correcting the mistakes.

If during preparation of annual report the serious mistakes from the previous years are found, than it will be corrected this way:

- 1) As long as it is possible, define the influence of the mistake on the previous years annual reports items and its total effect.
- 2) correct the mistakes affecting assets, equity, reserves or debtors residual value in the balance sheet in the beginning of the reporting year.

### Changes in the accounting policy

The Company has changed the accounting policy:

1. Regulatory frameworks has been changed
2. accounting policy no longer meet the requirements of the law for true and fair view
3. change in accounting policy provides reliable and more relevant information about the economic transactions, facts and events or conditions on the company's financial position, profit or loss and cash flow.

Comparing the previous year the company's used accounting and evaluation methods has not changed

### Long-term and short-term items

Long-term items include amounts whose receipt, payment or write off are due later than one year after the reporting year end. Received, paid or amounts written off during the year are presented in short-term items.

### Fixed assets and intangible assets

**I. Intangible assets** - identifiable non-monetary asset without physical substance, which has such criterias:

- a) it can be devided from the Company and can be sold, given, licenced, rented or changed (individually or together with other assets) or they are taken from the contract or other legal rights.
- b) the company intends to use it more than one year and expects from the case housing will be received economic benefits.

Intangible assets include software licenses for the right to use it or licence buying expenses.

Intangible assets are valued at their original cost excluding the value decrease.

Depreciation is calculated after linear method, applying 35% (computer programs) and 20% (license) per year.

Intangible assets inventory took place on 04.01.2017.

The inventory have been identified intangible assets to be subject to impairment procedure

**II. Fixed assets** - physical objects with their useful life exceeding 12 calendar months and their acquisition value, with such criteria:

1. the company keeps it (as owner or as lessee under a finance lease) for use in the manufacture of goods, provision of services, for rental (movable tangible property) or for administrative purposes (public administration or for other uses, such as other operating assets to maintain public core significant safety or environmental enforcement);
2. The company intends to use more than one year and expect that holding it will bring economic benefits;
3. its use is longer than one normal operating cycle;
4. the company is able to determine its value.
5. it is not acquired and not held for sale.

The management identified fixed assets from 300 euro.

Depreciation was calculated using the straight-line method.

Fixed assets in the balance sheet are stated at cost less depreciation of the purchase value (and impairment).

The Company uses operating needs of fixed and intangible assets with zero residual value.

Depreciation was calculated from 1-st date next month (or the entry into service date).

* Buildings and structures	5	%
Technological equipment	20	%
Vehicles	20	%
* Furniture	20	%
* Other fixed assets	20	%
* Mobile phones	35	%
* Computers and data storage equipment	35	%

Fixed asset current repair and maintenance costs are included in the Profit or Loss Account for the period when they have occurred. Profit or loss from the exclusion of fixed assets is calculated as a difference between the book value and income resulting from sale of fixed asset, and is included in the Profit or Loss Account for the period when it has occurred. If fixed asset is turned off or alienated up a long-term investment object, are offset by the exclusion of the object-related revenue and costs. In this case, the profit and loss statement indicates the net value - profit or loss on fixed asset disposal of an item, which is calculated as the difference between the book value off the object and its disposal or liquidation of revenues and expenses on the condition that the financial statements are given in gross amounts. The fixed assets inventory took place on the 04.01.2017. Inventory did not reveal assets, which takes depreciation more than the annual depreciation. Fixed asset residual value, the depreciable value and useful life are reviewed and, if necessary, adjusted. The useful life of the tax was not changed.

#### **Long-term investments in leased fixed assets**

Long-term investments in leased fixed assets related to the investment in fixed assets by the company hires at operational lease agreements and the contract terms it contains no financial lease signs. Leasehold improvements are amortized by straight-line basis over the lease term. These accounting object is not applicable to tax depreciation, so the calculated depreciation shall not adjust the income tax declaration.

#### **Investment property**

Because of the new law provisions, the company ceases to indicate the balance of investment property composed of buildings' Production hall 2 ", they are reclassified as fixed assets and indicates the balance sheet item" Real Estate "sub item" plots, buildings and engineering structures "on the same balance sheet value of some before reclassification.

#### **Evaluation of stocks**

Goods received and delivered are registered in the Rikar computer program. Thy product is listed on the basis of perpetual inventory method. Stocks execution was carried out according to the FIFO method (actual sales). Stocks balances are valued using the FIFO method. Inventories are stated at cost. In the reporting year, any significant changes in accounting for inventories, adopted in accounting policy did not have. Inventory balances are checked during annual inventory 02.01.2017.g.

#### **Work in progress and orders**

The product, which is not fully prepared for sale (for example without probe) is located under "Work in progress and orders"

#### **Advance payments for inventory**

Advance payments for goods were presented without VAT. If advance payments made in foreign currency, they are presented in euro at the ECB exchange rate at the balance sheet date.

#### **Account receivables**

Receivable balances on the balance sheet shows the corresponding documents and entries in the books of the Company and are consistent with the relevant debtors, through mutual reconciliations balance sheet date. In cases of dispute, receivable balances in the balance sheet indicated in accordance with the public accounting data. Receivables are real. The Company's policy in connection with receivables recognition as doubtful or bad is that:  
1) debtors whose payment past due, and the balance sheet date that is 6 months or more, the debtor has not been removed, it has not been initiated bankruptcy proceedings and the company's management has evidence that the debt will be paid - those debts were declared doubtful and those a provision for 100%;  
2) such receivables related deaths companies were identified as bad and write-offs or provisions, or straight cost in the income statement. In 2016 a provision for doubtful debts fell due to doubtful debt payment. Accounts receivable in the balance sheet are stated net (acquisition) value of the initial value of the special reserve doubtful debts. All receivables formed before 31.12.2016.

### **Net turnover**

Net turnover is income from the company core business, sales of products and services, after deduction of sales rebates and other discounts granted, as well as value-added tax and other taxes directly related to sales. Annex shows the net turnover broken down by main types of activities and geographic markets where the company's operating activities (sales of products and provision of services) types and geographic markets differ substantially. Revenue from services is recognized when the customer has accepted the services, according to the service terms and conditions. Revenue from services provided outside Latvian is recognized based on services supply conditions, and value added tax law. Of service revenue is recognized from invoice date and customer service.

Revenue from sales of goods in retail trade is recognized when the customer has paid for the goods through the cash register system. Production wholesale sales are recognized on the invoice date and dispatch to the buyer.

For the year related to revenues from the provision of services included in the profit and loss statement caption Net sales.

Income includes the Company's normal functioning of the management benefits gained by it has received or will receive and which results in an increase of its own capital in the balance sheet.

Unless equity increased due to the shareholders 'or members' contributions paid in share capital.

Item, "Other operating income" "indicates a variety of other benefits

(such as income from the revaluation reserve write-off, space rental and heating, doubtful debts payment.

Other than those specified under " Net turnover " or other relevant revenue items

which are generated by operating activities or as a result of it.

Other revenues were

1. Revenue from fines and penalties - at the moment;
  2. The revenue from sales of non-current assets - net value (of the revenue was less the long-term investment write-off value, or selling expenses);
  3. Income from foreign exchange fluctuations recorded between income and net worth of tasks;
  4. income from sublease - deducting from the revenues of all costs related to the sublease;
- Interest income - based on a time proportion, taking into account actual profitability.

### **Payments of the next period**

Payments made before the balance sheet date but relating to future financial years are set out in the balance sheet caption "Expenses of the subsequent period".

### **Accrued income**

Balance sheet caption "Accrued income" indicated clearly known settlement amount with buyers and customers for the supply of goods or services in the reporting year for which under the terms of the contract the balance sheet date but not yet due for payment provided for in the source document (invoice) deadline for the submission. This settlement amount is calculated on the basis of the relevant contract price and the actual delivery of goods or the provision of services supporting documents.

Accrued income without VAT, as VAT liability arises when the public will have the right to issue tax invoice.

### **Other debtors**

The item "Other debtors" was reportable all receivables not included in other balance sheet asset positions, i.e. : overpaid amount, accrued but not show a corresponding declaration of taxes, tax overpayments, guarantees, insurance case and other receivables.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and current account balances.

### **Long-term investments revaluation reserve**

Long-term investments revaluation reserve was created by the company due to the fact that part of the fixed assets was accounted for under the revaluation model. It is:

1. Real Estate:
  - a) buildings.

Revaluation was carried out in 2014 year, shall be performed at JSC "BDO".

#### **Long-term investments revaluation reserve reduction conditions**

An item of property the value of which is significantly greater than its purchase price or production cost, or evaluation of the previous year's balance sheet, may be revalued at the higher value, if it can be assumed that the value of the increase will be sustained.

Such revaluation resulting from the difference between the assessment made on the basis of acquisition cost or production cost and an assessment carried out on the basis of the revaluation,

if the difference is positive (hereinafter - the increase in value) are included in the balance sheet under the asset item liability item "Long-term stating revaluated fixed object, and the balance sheet

Revalued fixed asset annual depreciation of the current accounting year shall be calculated on the basis of the value of the object during the accounting period, and in the same amount included in the income statement as an expense.

Long-term investments revaluation reserve is reduced when the revalued item of property to be seized, liquidated or appreciation is no longer justified, or the case of revalued fixed asset annual depreciation is calculated.

The revaluation reserve includes a reduction in the income statement as revenue in the reporting year in which the reductions are made.

Equity under "Long-term investments revaluation reserve" included in the increase in value are reduced by recognizing a reduction in the income statement:

1) gradually revalued the item during each accounting period to write off an amount equal to the difference between depreciation calculated based on the asset's revaluated value and depreciation, calculated on the basis of the asset's acquisition value.

Long-term investments revaluation reserve may not be paid,

allocated to dividends or used to cover losses, increase the share capital, other reserves or for other purposes.

#### **Retained earnings or uncovered losses**

It was shown in the previous year Adjusted retained profit and uncovered losses brought forward from profit or loss.

The item "Retained profit or loss" shows an amount corresponding to the income statement under "Profit or loss" amount.

Distribution of profits or covering of losses shows next year's report,

a corresponding reduction in the item "Retained earnings or loss" at the beginning of the specified amount.

#### **Provisions**

This records to the public shall hold, subject to compliance with two conditions:

1. company in connection with certain past event has a present obligation in future reporting years

for the benefit of another person certain actions, which are based on law, contract or constructive obligation.

2. it is expected that these tasks will require the economic benefits outflow of resources

embodying and society can be measured reliably (estimated) amount required to settle the obligation.

Provisions for doubtful debts, accumulated depreciation and allowance for impairment no balance accrual objects.

Are accounted for using the accounting and financial statements, the balance sheet asset value adjustments to the balance sheet date.

#### **Provisions for unused vacations**

After the "annual report and consolidated annual report" Law came into force,

the Company complied with the Cabinet of Ministers Regulation No. 775 164.point requirements and

estimated liabilities to employees for the reporting year of unused vacation days

transferred to the balance sheet item "Accrued liabilities".

#### **Loans and borrowings**

Loans and borrowings are initially recognized at cost, determined in accordance with the Loan Agreement the amount at the transaction date.

#### **Accounts payable**

Payables balances in the balance sheet in accordance with the documents and entries in the accounting records, they are aligned with the creditors' own data.

These debts are broken down into short-term or long-term debt (liabilities). Short-term liabilities - liabilities arising

normal during the operation and that will be paid no later than 12 months after the balance sheet date. Long-term liabilities - liabilities, which should start no earlier than one year after the year end. Loan or leasing liabilities

It is divided into short-term and long-term part.

### **Expense recognition**

Most of the expenses in the profit and loss account, the share of the expenses were capitalized as they were associated with long-term investments (included in this item at cost), inventories (also included in the cost), or presented in prepaid expenses as relate to subsequent periods . expenses recognized in the income statement or capitalized irrespective of the manner of payment.

Sales transactions costs are related to earnings and signs off in the income statement when the revenue was recognized. Other expenses (administrative expenses and others) included in profit or loss because they are related to the tax period.

### **Other creditors**

This item was presented in accounts payable, which are not recorded in other items including: calculated, but unpaid salary, the debt settlement individuals received guarantees money.

### **Accrued liabilities**

Caption "Accrued liabilities" indicates clearly known liabilities to suppliers and contractors for the reporting year received the goods or services for which the supply, purchase, or the company's contract terms and conditions or other reasons the balance sheet date has not yet received a relevant payment document (invoice), as well as unused vacations.

These liabilities are calculated based on the relevant contract price and the actual goods or provision of services, supporting documents or calculated and paid vacation period with 01.01.2017. to the preparation of annual report.

Due to the new "annual report and consolidated annual report of the Law" came into force, the estimated liabilities to employees for the reporting year of unused vacation days have been reclassified from Accruals on the balance sheet item "Accrued liabilities".

Accrued liabilities for unused annual leave is determined by multiplying the average daily earnings for the last six months of the end of the year unused vacation days count.

### **Taxes**

A tax liabilities by State Revenue Service data.

Deferred tax is calculated using the liability method, on temporary differences between assets and liabilities values in the financial statements and their values for tax calculation purposes. Deferred income tax is determined using the balance sheet date of the existing tax rates that are expected to apply when the deferred tax asset or settle the deferred tax liability.

The principal temporary differences arise from different fixed asset depreciation rates, as well as from tax losses carried forward tax periods and accrued costs are deductible tax purposes in future fiscal periods.

Deferred tax assets are recognized when it is probable that there will be gained from the taxable profits of which will be extended deductible temporary difference.

In cases where the total deferred tax result is shown in the balance sheet, it is included in the financial report only when it is probable that expected.

### **Accounting estimate and its change**

The Company prepares the accounting estimate of the amount of depreciation of fixed assets and provisions for assessing the amount, another in these terms of expenditure or revenue, the amount for the assessment, as well as in other cases where such an estimate is necessary to assess the statement of profit and loss statement or the balance sheet included in the amount of size. Accounting estimate included in the assessment to be credible.

Evaluation is probable if the company making accounting estimates based on the latest available information and evidence used, accounting and preparation of annual reports and regulations, as well as other regulatory enactments valuation models and techniques, or - determined by legal acts - an independent expert assessment.

The Company changed the accounting estimate if subsequent developments affecting the changes in the situation which gave rise to hitherto estimate whether there is new information.

If a change in estimate related to the above is a material error

(for example, the determination of estimates did not take into account all available information has been used or inappropriate assessment methods), the following shall apply:

If the current year or the annual report during its preparation opened in previous reporting years due to substantial error corrected as follows:

- 1) to the extent possible, the impact of the error on the previous financial year Reporting items indicators and its overall impact;
- 2) corrected errors affected the asset, equity, savings or creditor balances in the balance sheet at the beginning;
- 3) as far as possible, be adjusted in other comparable indicators at the beginning.

Apply the new accounting estimate of financial statements in the reporting year that saw the change in accounting estimate and, where appropriate (for example, if an accounting estimate prepared in connection with the asset's useful life or depreciation method changes) - also in future reporting years.

Assessment of the principle of change is a change in accounting policy, not a change of accounting estimate.

If it is impossible to distinguish the change in accounting policy of the change in accounting estimate, the change is treated as changes in accounting estimates.

Accounting estimate, the change reflects the impact of the financial statements as follows:

If the new estimate applies only to a single accounting year, its annual financial report, which occurred change in accounting estimate, including related financial statement items of value adjustments;

If the new estimate covers several financial years, its annual financial report, which occurred change in accounting estimate, including related financial statement items of value adjustments, but the relevant future reporting years, the new estimate as the basis for the financial statement items of value.

### Events after the end of the accounting year

In preparing the financial statements, there are taken into account such events after the end of the accounting year as providing additional information about the Company's financial situation on the date of preparing the balance sheet (adjusting events). If the events after the end of the accounting year are not adjusting, they are reflected in the appendix to the financial statements, if they are significant.

### Related parties

Related parties include the Company's employees, members of the Board, their immediate family members and the companies in which the aforesaid persons have control or significant influence.

### Revenues from rents from a related company

	31.12.2016.	31.12.2015.
	16 509	17 009

The Company has a related company "Grabes board" vien.reg.Nr.40003648860, Terezes street 1, Riga.

Vladimir Cadovičs has 100% of the share capital.

Transactions with related parties The terms and conditions:

\* Services are provided to related parties and received from related parties on normal (normal) market prices.

## 2. An explanation of the resignation of the statutory financial statements items in recognition of the evaluation and presentation of the principles or rules

There are none.

## 3. Other Information

### Not included in the balance sheet of financial obligations, provided guarantees or other contingent liabilities (aggregate).

There are none.

### Guarantees.

There are none.

### Details of the off-balance sheet commitments

Off-balance sheet assets / liabilities comprise provisions for doubtful debts

Total off-balance sheet assets / liabilities amount totals EUR 336 respectively.

### Information on the following expenses:

	2016	2015
Annual Report Statutory audit (check)	1 300,00	1300,00
Other audit tasks	-	-
Tax consultancy	-	-
Other expert tasks	-	-

### Proposals or information on the distribution of profits or covering of losses

Management intends to cover losses from subsequent years of profit.

**Commitments have been concluded rental and leasing contracts essential for public action**

The Company has entered into lease agreements

Information regarding the rental and leasing contracts:

Due to the signed lease agreements that planned revenues:

2017	26 000,00 €
2018-20xx. Years	26 000,00 €

**Information on operating leases (information provided by both the lessee and the lessor)**

There are none.

**Information on finance leases (information provided by the landlord)**

There are none.

**Information about the lease-back**

There are none.

**Details of the board, the board of directors and management members of the issued guarantees and mortgages**

Board members granted guarantees and pledge not.

**Information about the company's assets pledged or otherwise encumbered**

The company has no registered commercial loans.

The company is not registered with the Company Register sanctuaries.

**Information about contingent liabilities that may arise in a particular context of a past event**

There are none.

**Information on off-balance arrangements, with implications for public financial position**

There are none.

**Information on subsidiaries and associates**

There are none.

**Information for the current year underwriting shares or units**

There are none.

**Information on the capital companies that the participant is a partnership**

There are none.

**Information on the parent companies**

There are none.

***4. Information on the errors identified in the previous year and corrections***

There are none.

***5. An explanation of the change in accounting policy  
if the change in accounting policy justification is a change in the regulatory framework***

**Change in accounting policy**

The company changes its accounting policies:

1 has changed the regulatory framework;

2 in connection with the change of circumstances existing accounting policy that no longer meet the requirement of the Law on the true and fair view;

3. The change in accounting policy provides reliable and more relevant information

about the economic transactions, facts and events or conditions on the company's financial position, profit or loss and cash flow.



### Reclassifications

In 2016 the company carried out the income statement reclassification of items according to the annual accounts and consolidated annual report requirements of the law:

<i>Balance sheet items / PL items</i>	2015 data after reclassification	Changes	2015 data before reclassification
<b>Effects on balance sheet items</b>			
<b>Investment properties</b>	-	(30 625)	30 625
<i>Real Estate:</i>			-
a) Land, buildings and civil engineering works	139 030	30 625	108 405
<b>Other provisions (for vacation)</b>	-	(9 498)	9 498
<i>Creditors:</i>			
<b>Accrued liabilities</b>	14 355	9 498	4 857
<b>Total</b>	<b>153 385</b>	-	<b>153 385</b>
<b>Costs of administration</b>	143 341	1 701	141 640
<b>Other operating expenses</b>	35 792	4 119	31 673
<b>Other tax</b>	-	(5 820)	5 820
<b>Total</b>	<b>179 133</b>	-	<b>179 133</b>

## Appendixes to the annual report

### 2.Explanatory notes to the items of the balance sheet on 31.12.2015 and 31.12.2016

#### 1.Intangible assets

	Concessions, patents, licenses and similar rights	Total
<b>Initial Value</b>		
<b>31.12.2014.</b>	<b>562</b>	<b>562</b>
Acquisition	300	300
<b>31.12.2015.</b>	<b>862</b>	<b>862</b>
<b>31.12.2016</b>	<b>862</b>	<b>862</b>
<b>Depreciation</b>		
<b>31.12.2014.</b>	<b>141</b>	<b>141</b>
Calculated	137	137
<b>31.12.2015.</b>	<b>278</b>	<b>278</b>
Calculated	172	172
<b>31.12.2016</b>	<b>450</b>	<b>450</b>
<b>Residual value</b>		
<b>31.12.2014.</b>	<b>421</b>	<b>421</b>
<b>31.12.2015.</b>	<b>584</b>	<b>584</b>
<b>31.12.2016</b>	<b>412</b>	<b>412</b>

All of the acquired intangible assets are paid.

#### 2.Fixed assets

	Buildings, constructions	Investment property	Long-term investments in leased fixed assets	Equipment and machinery	Other fixed assets	Total
<b>Initial Value</b>						
<b>31.12.2014.</b>	<b>118 800</b>	<b>83 523</b>	<b>105 330</b>	<b>91 570</b>	<b>114 360</b>	<b>513 583</b>
Reclassified	83 523	(83 523)				-
Acquisition			2 219		9 235	11 454
Written off			(105 330)		(2 729)	(108 059)
Sales				(995)	(16 279)	(17 274)
<b>31.12.2015.</b>	<b>202 323</b>	<b>-</b>	<b>2 219</b>	<b>90 575</b>	<b>104 587</b>	<b>399 704</b>
Acquisition					2 008	2 008
Written off					(579)	(579)
<b>31.12.2016</b>	<b>202 323</b>	<b>-</b>	<b>2 219</b>	<b>90 575</b>	<b>106 016</b>	<b>401 133</b>
<b>Depreciation</b>						
<b>31.12.2014.</b>	<b>4 455</b>	<b>48 722</b>	<b>105 330</b>	<b>91 570</b>	<b>76 013</b>	<b>326 090</b>
Reclassified	48 722	(48 722)				-
Calculated	10 116				12 411	22 527
Written off			(104 899)	(995)	(2 729)	(108 623)
Sales					(16 279)	(16 279)
<b>31.12.2015.</b>	<b>63 293</b>	<b>-</b>	<b>431</b>	<b>90 575</b>	<b>69 416</b>	<b>223 715</b>
Calculated	10 116				13 206	23 322
Written off					(125)	(125)
Written off expenses			740			740
<b>31.12.2016</b>	<b>73 409</b>	<b>-</b>	<b>1 171</b>	<b>90 575</b>	<b>82 497</b>	<b>247 652</b>
<b>Residual value</b>						
<b>31.12.2014.</b>	<b>114 345</b>	<b>34 801</b>	<b>-</b>	<b>-</b>	<b>38 347</b>	<b>187 493</b>
<b>31.12.2015.</b>	<b>139 030</b>	<b>-</b>	<b>1 788</b>	<b>-</b>	<b>35 171</b>	<b>175 989</b>
<b>31.12.2016</b>	<b>128 914</b>	<b>-</b>	<b>1 048</b>	<b>-</b>	<b>23 519</b>	<b>153 481</b>

### Appendixes to the balance sheet (continued)

#### 387 969 EUR Real Estate property includes buildings:

- Cadastre Nr. 0100 035 0142 004, Riga, property assessed value - 74 642 EUR;	fixed
- Cadastre Nr.0100 035 0142 006, Riga, property assessed value - 181 027 EUR;	fixed
- Cadastre Nr.0100 035 0143 003, Riga, property assessed value - 113 415 EUR;	fixed
- Cadastre Nr.0100 035 0144 002, Riga, property assessed value - 10 930 EUR;	fixed
- Cadastre Nr.0100 035 0146 001, Riga, property assessed value - 7 955 EUR;	fixed

Fixet assets are not burdenet.

All fixed assets are participate in economic activities.

All the fixed assets bought in 2016 are paid for, EUR 2 008

#### 82 fixed assets are with "0" value (initial value - 137 737,16 EUR.)

Vehicles are insured.

#### Written off, liquidated, sold fixed assets :

##### intangible investments:

	2016
	written off
initial value	579
depreciation	(125)
residual value	454 *
sales	

\* Indicated as debtors (insured event)

#### Items "Long-term investments revaluation reserve" changes

(Law Article 34, first paragraph, Article 52 second paragraph, Cabinet Regulation Paragraf 105)

Fixes assets item	Item "Long-term investments revaluation reserve" value at beginning of the period	Item "Long-term investments revaluation reserve" value at the end of the period	Value of fixed assets at beginning of period	Revaluation reserve reduction correction (Law Article 34, first paragraph)	Value of fixed assets at the end, if there had been no revaluation	Value of fixed assets at the end of the revaluation performed
<b>Real Estate, total</b>	<b>124 380</b>	<b>106 612</b>		<b>17 768</b>		
<i>including:</i>						
Manufactore building Nr.3	207	177		30		
Pass (boiler house)	1 912	1 639		273		
Eating house	36 772	31 519		5 253		
Administration building	20 708	17 750		2 958		
Manufactore building Nr.2 (investment estate)	64 781	55 527		9 254		

Long-term investments revaluation reserve was created by the company due to the fact that part of the fixed assets was accounted for under the revaluation model. It is:

Real Estate:

a) Buildings

Reevaluation was carried out by 25 March 2014, shall be performed at JSC "BDO".

It was revalued buildings, except Industrial building No.2

## Appendixes to the balance sheet (continued)

### 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>31.12.2016.</u>	<u>31.12.2015.</u>
gold	240 522	253 115
silver	1 001	9 860
precious stones, semiprecious stones	62 169	64 264
low-value materials and inventory	644	644
Fuel (a/m)	48	34
Instruments	5 291	5 826
<b>Total</b>	<b><u>309 675</u></b>	<b><u>333 743</u></b>

### 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>31.12.2016.</u>	<u>31.12.2015.</u>
	57 426	12 743
<b>Total</b>	<b><u>57 426</u></b>	<b><u>12 743</u></b>

### 5. Finished production and goods for sale

Products residue according to the inventory data for 31.12

	<u>31.12.2016.</u>	<u>31.12.2015.</u>
	278 130	364 523
<b>Total</b>	<b><u>278 130</u></b>	<b><u>364 523</u></b>

### 6. Advance payments for goods

Advance payment for fuel SIA NESTE

	<u>31.12.2016.</u>	<u>31.12.2015.</u>
currency	EUR	EUR
	467	531
<b>Total</b>	<b><u>467</u></b>	<b><u>531</u></b>

### 7. Debts of customers and clients

Gold 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**

*currency exchange rate influence*

	<u>31.12.2016.</u>	<u>31.12.2015.</u>
currency	EUR	EUR
	3 743	-
	36 064	-
	506 465	594 602
	32 575	23 125
<b>Debts of customers and clients, total</b>	<b><u>578 847</u></b>	<b><u>617 727</u></b>
	(336)	(851)
<b>Total net debts of customers and clients</b>	<b><u>578 511</u></b>	<b><u>616 876</u></b>

-

## Appendixes to the balance sheet (continued)

### Change in stocks

Debts of customers and clients		Total
<b>Stocks 31.12.2015.</b>	INZE PLUS, BAKALAVR	<b>851,13</b>
Stocks decrease (payment)		(515)
Stocks increase		-
<b>Stocks 31.12.2016.</b>		<b>336,10</b>
	INZE PLUS SIA	<b>336,10</b>

### 8. Other debtors

	31.12.2016.	21.12.2015.
	currency EUR	EUR
Creditcard	838	469
Garanty	1 900	1 900
Payments to workers (advance payments)	936	-
overpayment (to creditors)		1 111
VAT not accepted		(193)
Security sum VENDEN	31	31
stolen goods and fixed assets (insurance case)	92 399	-
Tax overpayment due to tax and fees flow	7	20
Others	165	-
<b>Total</b>	<b>96 276</b>	<b>3 338</b>

### 9. Expenditures for the subsequent period

	31.12.2016.	31.12.2015.
Insurance of the transport	463	591
Insurance of the goods	189	189
Laws of the Republic of Latvia	357	402
Newspapers, journals	88	71
<b>Total</b>	<b>1 097</b>	<b>1 253</b>

### 11. Money resources

	31.12.2016.	31.12.2015.
	Currency EUR	EUR
Money in cash	14 003	11 864
Money in cash machines	6 002	6 156
<b>Money in operating accounts:</b>		
SEB banka	44 506	111 441
<b>Total</b>	<b>64 511</b>	<b>129 461</b>

Currency exchange rate may be influenced by

## Appendixes to the balance sheet (continued)

### 12. 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:

	<i>Shares</i>	<u>31.12.2016.</u>
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	324 168	453 835
Others	1 187 027	1 661 838
<b>Total</b>	<u><u>4 742 980</u></u>	<u><u>6 640 172</u></u>

#### Company`s reserve

### 13. Long-term investment reestimation reserve

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

according to AS "BDO" reevaluation of 2014, that was made using cost and revenue assessment approach as reevaluation basis .

Revaluation at the time of a joint real estate market value amounted to EUR 156,734 (118,800 revalued buildings and not overrated 37934)

<b>Beginning of the accounting year</b>	<u>124 380</u>
increase	
decrease	<u>(17 768)</u>
<b>End of accounting year</b>	<u><u>106 612</u></u>

### 14. Fixed capital denomination reserve

<b>Beginning of the accounting year</b>	<u>108 481</u>
increase	
decrease	-
<b>End of accounting year</b>	<u><u>108 481</u></u>

## Appendixes to the balance sheet (continued)

### 15. Other borrowings from SIA LMT

	<u>31.12.2016.</u>	<u>31.12.2015.</u>
Currency	EUR	EUR
Long-term debts	-	508
Short-term debts	506	782
<b>Total</b>	<b><u>506</u></b>	<b><u>1 290</u></b>

### 16. Customers advanced payments

	<u>31.12.2016.</u>	<u>31.12.2015.</u>
Currency	EUR	EUR
Short-term (VAT deducted from advances)	2 846	-
<b>Total</b>	<b><u>2 846</u></b>	<b><u>-</u></b>

### 17. Debts to suppliers and contractors (short-term)

	<u>31.12.2016.</u>	<u>31.12.2015.</u>
Currency	EUR	EUR
Debts for goods	18 439	12 609
Debts for goods ( to other countries)	20 872	79 950
Debts for services	3 750	2 641
<b>Total</b>	<b><u>43 061</u></b>	<b><u>95 200</u></b>

### 18. Taxes and social security payments

	<u>31.12.2016.</u>	<u>31.12.2015.</u>
Tax debt due to tax and fee flow	19 017	22 847
<b>Total</b>	<b><u>19 017</u></b>	<b><u>22 847</u></b>

### 19. Other creditors (short-term)

	<u>31.12.2016.</u>	<u>31.12.2015.</u>
Payments to workers (advance payments)	-	151
Salaries	9 298	9 147
Guarantee money	701	-
<b>Total</b>	<b><u>9 999</u></b>	<b><u>9 298</u></b>

**Appendixes to the balance sheet (continued)**

<b>20.Accured liabilities</b>	<b>31.12.2016.</b>	<b>31.12.2015.</b>
<i>Liabilities for the subsequent period</i>		
For communication services (LMT, Lattelecom)	85	135
Utilities	3 741	3 942
For checking the annual report	780	780
Reserves for vacation	* 8 661	9 498
<b>Total</b>	<b>13 267</b>	<b>14 355</b>

\*are reclassified from reserves.



## Appendixes to the annual report

### 3.Explanatory notes to the items of the profit or loss calculation

<b>21.Net turnover</b>		<b>31.12.2016.</b>	<b>31.12.2015.</b>
		<b>EUR</b>	<b>EUR</b>
<b>b)from other main activities</b>			
Income from wholesale trade		682 013	903 193
Discount		(1 513)	(3 786)
Income from retail trade		277 580	192 553
Income from services		4 100	-
<b>Total</b>		<b>962 180</b>	<b>1 091 960</b>
<b>Net turnover by geographical markets</b>			
Latvia		712 088	1 031 123
EU	Lithuania	202 611	60 837
	Estonia	10 361	-
	Poland	37 120	-
<b>Total</b>		<b>962 180</b>	<b>1 091 960</b>
<b>22. Manufacturing expenditures of sold products</b>			
		<b>31.12.2016.</b>	<b>31.12.2015.</b>
Purchasing and manufacturing expenses of the sold jewels		678 464	770 193
Markdown and write - down expences		-	259
Insurance for goods		423	189
Work, services from outside		2 220	-
Assaying of jewellery at the LPB*		131	817
<b>Total</b>		<b>681 238</b>	<b>771 458</b>
* State Assay Supervision Inspection			
<b>23. Selling costs</b>			
		<b>31.12.2016.</b>	<b>31.12.2015.</b>
Workers' salary		97 542	94 697
Obligatory social payments for workers		21 955	21 392
Accumulations for vacations, salary (+); (-)		(817)	2 534
Accumulation for vacations, VSAOI (+); (-)		(198)	-
Advertising expenses		9 352	4 391
Residential services (water, electricity, gas)		36 419	47 883
Rent of the land and premises		25 875	18 896
Natural resources tax		20	30
Long-term investment write-offs (repair)		740	-
Depreciation of fixed assets		15 820	15 679
Low-value inventory		3 799	12 973
Other selling costs		1 388	2 002
<b>Total</b>		<b>211 895</b>	<b>220 477</b>

### Appendixes to the profit or loss calculation (continued)

<b>24. Administrative expenditures</b>		<b>31.12.2016.</b>	<b>31.12.2015.</b>
Salary of the administration		74 064	71 315
Social payments		16 009	15 341
Payment for the risk of the business activity		87	85
Accumulations for vacations, salary (+); (-)		151	69
Accumulations for vacation, VSAOI (+);(-)		28	-
Communication expenditures		4 680	6 095
Bank services		1 680	1 492
To "NASDAQ OMX Riga" for shares and other		7 332	7 723
Office costs		3 656	3 098
Non-material investments value correction		172	137

**Appendixes to the profit or loss calculation (continued)**

Depreciation of the fixed assets (administrative building)	1 825	1 825
Real estate tax (administrative building)	1 701	1 701
Travelling allowances	1 526	5 680
Security services	10 758	11 250
Audit of the report	1 300	1 300
Transport insurance	1 069	1 360
Transport expenses (fuel, repair)	9 236	11 243
Business motor vehicles tax	1 379	1 295
Expenditures on representation	587	1 081
Other administrative expenditures, including expenses on lawyers	3 551	1 251

<b>Total</b>	<b>140 791</b>	<b>143 341</b>
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**25. Other income of the business activities**

	<b>31.12.2016.</b>	<b>31.12.2015.</b>
	<b>EUR</b>	<b>EUR</b>
The result of selling or buying currencies <sup>1</sup>	-	300
The result of currency rate change <sup>2</sup>	-	8
The result of fixed assets sales <sup>3</sup>	-	826
Revaluation reserves of long-term investments	17 768	8 514
Thermal energy for leasing(heating)	21 511	21 138
Leasing out premises <sup>4</sup>	31 956	31 407
Income from clients for residential service	25 897	25 605
Expenses from clients for residential service	(25 897)	(25 605)
Other income	538	920
	<b>71 773</b>	<b>63 113</b>

**26. Other expenditures from the business activities**

	<b>31.12.2016.</b>	<b>31.12.2015.</b>
	<b>EUR</b>	<b>EUR</b>
Late payment money	-	7
Expenses not connected to business activities	124	181
Written off debtors		16
Funeral support	213	-
Real estate tax for buildings	4 119	4 119
Written off expenditures for the subsequent period (reconstrt.)	-	2 433
Other expenditures	22 567	29 036
Correction of mistakes of previous year		
<b>Total</b>	<b>27 023</b>	<b>35 792</b>

<sup>4</sup> Leasing out premises income	37 634
Depreciation	(5 678)
	<b>31 956</b>

## Appendixes to the annual report

### 4. Overall information

	<u>31.12.2016.</u>	<u>31.12.2015.</u>
<b>27. Average number of employees in the year</b>		
Average number of employees	<u>20</u>	<u>20</u>
Board	4	4
Others	<u>16</u>	<u>16</u>
	<u>EUR</u>	<u>EUR</u>
<b>27. Total expenditures on staff</b>	<u>209 570</u>	<u>202 745</u>
- salary	171 606	166 012
- State social security obligatory payments	<u>37 964</u>	<u>36 733</u>
<b>- included:</b>		
<i>Board of directors salary</i>		
- salary	58 138	71 315
- State social security obligatory payments	<u>12 252</u>	<u>15 341</u>
<b>- total</b>	<u>70 390</u>	<u>86 656</u>

### 29. Taxes, payments and state social security obligatory payments

(+) a debt      (-) overpayment

	<u>31.12.2015.</u>	<u>Calculated</u>	<u>Paid</u>	<u>31.12.2016.</u>
<b>Income tax of nonresidents</b>	-	222	222	-
<b>Value added tax</b>	15 097	55 667	59 600	11 167
Paid			(3)	
<b>Personal Income tax</b>	2 858	32 237	32 297	2 798
<b>State social security obligatory payments</b>	4 861	54 857	54 934	4 784
<b>Operation tax of vehicles</b>	-	287	287	-
<b>Business motor vehicles tax</b>	-	1 092	844	248
<b>Tax of risk of the business activity</b>	(20)	88	75	(7)
<b>Natural resources tax</b>	30	20	30	20
<b>Real estate tax</b>	-	5 820	5 820	-
<b>Total:</b>	<u>22 826</u>	<u>150 290</u>	<u>154 106</u>	<u>19 010</u>
<b>Overpayment of taxes</b>	(20)			(7)
<b>Debts of taxes</b>	22 846			19 017
<b>Calculated/paid late payment money</b>				

*Financial Report 25 Pages (from Page3 to 27) .*

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Aleksandrs Struļevičs

Member of the Board

Aleksandrs Ančevskis

## **II.Management Report**

### **Information about the Company**

AS „Rīgas juvelierizstrādājumu rūpnīca” registered office is at 1 Terezes Street, Riga, LV-1012.

The company is registered in Commercial Register with registration numbers 40003044420.

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. Chairman of the Company's Board is Vladimirs Cadovičs, other Members of the Board: Aleksandrs Struļevičs and Aleksandrs Ančevskis.

The Company's Auditor is Certified Auditor Aivars Rutkis (Certificate No. 18).

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" - 324 168 shares

Others - 744 people with shares 5% or less of the total number of shares - 1 187 027 shares

### **The Company's business for the accounting year**

AS „Rīgas juvelierizstrādājumu rūpnīca” business is processing of precious metals, production and repairs of jewelry.

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

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

workshop: Lidoņu iela 27, Riga.

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

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

It has activated its wholesale business, tightened control over RJR goods delivered to clients "for sale".

On the 2<sup>nd</sup> of August 2016 robbery occurred in the jewelry shop at Lidoņu street 27. Total loss of property is 92 399,46 EUR.

The State Police of Latvia have begun a criminal proceeding Nr.11096168816.

The net turnover of the reporting year is 962 180 EUR and it decreased by 11,9% comparing to the previous accounting period.

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

	<b>2016</b>	<b>2015</b>
Result before extraordinary items and taxes is:	(26 994)	(15 995)
Net result:	(26 994)	(15 995)

Company equity on the 31st of December 2016 is negative,

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

	<b>2016</b>	<b>2015</b>
<b>The company profitability:</b>		
Gross profitability of primary activity	41,24%	41,54%
<b>Liquidity coefficients</b>		
General liquidity	15,63	10,26
Fast liquidity	8,35	5,27
Full liquidity	0,73	0,91

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

Due to the high competition on the jewelry trading market, the price of the wholesale goods is lowered and as a result total net turnover for 2016 is lower comparing to the 2015.

In 2016 the company focused on enhancing the effectivity of the workshop.

The new business concept for exchange operations was active (jewelry for gold).

It has activated its wholesale business, tightened control over RJR goods delivered to clients "for sale".

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

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

Company total liabilities don't exceed its total assets.

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

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

The company has no liquidation processes, bankruptcy processes, Legal protection proceedings.

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 2017 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 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 negatively.
- 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.

### **Circumstances and events following striking a balance**

From the last date of the accounting year till today there were not any events that could substantially affect the results set out in the annual accounts.

### **Board of directors**

**Chairman of the Board**

**Vladimirs Cadovičs**

**Member of the Board**

**Aleksandrs Struļevičs**

**Member of the Board**

**Aleksandrs Ančevskis**

### ***III. 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 31.12.2016

Hereby it is confirmed by the Company managers that upon drawing the present report for period, 01.01.2016-31.12.2016, 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.

**Chairman of the Board**

**Vladimirs Cadovičs**

**Member of the Board**

**Aleksandrs Struļevičs**

**Member of the Board**

**Aleksandrs Ančevskis**