

JSC "Rīgas juvelierizstrādājumu rūpnīca"

Reg. No. 40003044420

Legal address : Terezes street 1, Riga LV-1012

Unit: euro

Annual report
of the period from 01.01.2017 to 31.12.2017
prepared in accordance with the law 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 Tamāra Fruja since 29.11.2017, until 28.11.2017 Aleksandrs Ančevskis.

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 No.176) and certified auditor Gunta Darkevica.

Annual report for the period 01.01.2017.to 31.12.2017 prepared by 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.

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	7,73%
	Others	24,13%

Management Report

The Company's activities for the accounting year

AS „Rīgas juvelierizstrādājumu rūpnīca” primary activity 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

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

The Company doesn't have any representation and branches registered abroad.

The share 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 - 744 people with shares less 5% of the total number of shares - 1 144 527 shares

The net turnover of the reporting year is 988 339 EUR and it increased by 30,7% comparing to the previous accounting period.

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

	2017	2016
Result before corporate income tax is:	(85 287)	(26 994)
Net result:	(85 287)	(26 994)

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

	2017	2016
The company profitability:		
Gross profitability of primary activity	42,46%	59,14%
Liquidity coefficients		
General liquidity	14,17	15,63
Fast liquidity	8,66	8,35
Full liquidity	1,13	0,73

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

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

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

Company total liabilities doesn'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.
There are no other important events that could affect annual report evaluation.
The preparation of the annual report is applicable to concern assumption.

Information on the Company's future development

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 modernize website and activate work with wholesale clients in order to provide with the goods in accordance with demand.

Risk Management

The Company business activities includes financial risks. The risks are:

- market risk- when market prices for services and goods change. That can 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 fair value.

Circumstances and events following striking a balance

From the last date of the accounting year till today there were no events that could substantially affect the results set out in the annual accounts.

Board of directors

Chairman of the Board

Member of the Board

Member of the Board



Vladimirs Cadovičs

Tamāra Fruļa

Aleksandrs Struļevičs

22th March, 2018

Statement on the Management Board's responsibility

The Company's management shall be 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 31.12.2017

Hereby it is confirmed by the Company managers that upon drawing the present report for period, 01.01.2017- 31.12.2017, appropriate accounting methods were used, and applied on consistent basis, reasonable and cautious decisions are made. Management Board confirms that the items in the Annual Report have been evaluated in accordance with the accounting principles of the Republic of Latvia and with assumption that the company will continue its operations as going concern.

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

Chairman of the Board



Vladimirs Cadovičs

Member of the Board



Tamāra Fruļa

Member of the Board



Aleksandrs Struļevičs

22th March, 2018

BALANCE SHEET as of 31 December 2017

<i>ASSETS</i>	Notes	31.12.2017. EUR	31.12.2016. EUR
Non-current assets			
I Intangible assets:			
Concessions, patents, licenses and other similar rights		239	412
Intangible assets Total	1	239	412
II Fixed assets:			
1. <i>Immovable properties</i>			
a) Land, buildings and engineering structures		118 798	128 914
2. Leasehold improvements		308	1 048
3. Other fixed assets and inventory		15 859	23 519
Total fixed assets	2.	134 965	153 481
Total long-term investments		135 204	153 893
Current assets			
I. Inventories			
1. Raw materials and consumables	3.	159 792	309 675
2. Work in progress	4.	18 337	57 426
3. Finished goods and goods for sale	5.	328 061	278 130
4. Prepayments for goods	6.	1 260	467
Inventories Total		507 450	645 698
III. Receivables			
1. Trade receivables	7.	689 659	578 511
2. Other receivables	8.	3 201	96 276
3. Deferred expenses	9.	874	1 097
Receivables Total		693 734	675 884
V. Cash	10.	103 985	64 511
Total current assets		1 305 169	1 386 093
Total assets		1 440 373	1 539 986

Board of directors

Chairman of the Board

Member of the Board

Member of the Board

Chief accountant

22th March, 2018



Vladimirs Cadovičs

Tamāra Fruļa

Aleksandrs Struļevičs

Natalja Beļšova

BALANCE SHEET as of 31 December 2017

Equity and Liabilities	Notes	31.12.2017. EUR	31.12.2016. EUR
Equity			
1. Share capital	11.	6 640 172	6 640 172
2. Revaluation reserve for long-term investments	12.	88 843	106 612
3. Reserves			
f) Other reserves	13.	108 481	108 481
Total reserves		108 481	108 481
4. Retained earnings or accumulated deficit		(5 403 975)	(5 376 981)
5. Profit or loss for the year		(85 287)	(26 994)
Total equity		1 348 234	1 451 290
Current liabilities			
1. Other loans	14.	-	506
2. Prepayments received from customers	15.	-	2 846
3. Trade payables	16.	46 509	43 061
4. Taxes and social contributions	17.	25 700	19 017
5. Other payables	18.	9 134	9 999
6. Accrued liabilities	19.	10 796	13 267
Total current liabilities		92 139	88 696
Total liabilities		92 139	88 696
Total equity and liabilities		1 440 373	1 539 986

Board of directors

Chairman of the Board

Member of the Board

Member of the Board

Chief accountant

22th March, 2018


 Vladimirs Cadovičs


 Tamāra Fruļa


 Aleksandrs Struļevičs


 Nataļja Beļšova

PROFIT or LOSS STATEMENT for the year 2017

(classified by cost function)

Parameters	Appendixes	2017.g.	2016.g.
1. Net turnover			
b) from other principal activities	20.	988 339	755 960
2. Cost of goods sold and services rendered	21.	(693 747)	(475 018)
3. Gross profit or loss		294 592	280 942
4. Selling costs	22.	(200 882)	(211 895)
5. Administrative expenses	23.	(133 970)	(140 791)
6. Other operating income	24.	71 493	71 773
7. Other operating expenses	25.	(116 520)	(27 023)
8. Profit or loss before corporate income tax		(85 287)	(26 994)
9. Profit or loss after corporate income tax		(85 287)	(26 994)
10. Profit or loss for the year		(85 287)	(26 994)
11. Profit or loss per one share in a year		-0,018	-0,006
12. Profit or loss per one share from the beginning		-1,16	-1,14

Board of directors

Chairman of the Board



Vladimirs Cadovičs

Member of the Board



Tamāra Fruļa

Member of the Board



Aleksandrs Struļevičs

Chief accountant



Nataļja Beļšova

22th March, 2018

CASH FLOW STATEMENT for the year 2017
(by direct method)

	Notes	2017.g.	2016.g.
I. Cash flow from operating activities			
1. Income from the goods sold and services rendered		590 132	536 782
2. Payments to suppliers, staff, other expenditures on main activities		(615 995)	(687 408)
3. Other income and expenditures on main activities		76 577	94 152
4. Gross cash flow of the main activities		50 714	(56 474)
Expenditures on tax payments for the real property (-)	23, 25	(5 826)	(5 820)
7. Net cash flow from operating activities		44 888	(62 294)
II. Cash flow from investing activities			
3. Acquisition of fixed assets and intangible assets (-)	2	(5 707)	(2 008)
4. Proceeds from disposal of fixed assets and intangible assets (+)		799	
9. Net cash flow of investing activities		(4 908)	(2 008)
III. Cash flow from financing activities			
5. Payments for leased fixed assets without VAT	14	(506)	(648)
7. Net cash flow from financing activities		(506)	(648)
V. Cash and cash equivalents increase or decrease		39 474	(64 950)
VI. Cash and cash equivalents at the beginning of the period		64 511	129 461
VII. Cash and cash equivalents at the end of the period		103 985	64 511

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

22th March, 2018

Statement on changes in equity for the year 2017

	Notes	2017 EUR	2016 EUR
I.Share capital	11		
Opening balance		6 640 172	6 640 172
Closing balance		6 640 172	6 640 172
III.Revaluation reserve for long-term investments	12		
Opening balance		106 612	124 380
Increase/decrease of revaluation reserve for long-term investments		(17 769)	(17 768)
Closing balance		88 843	106 612
V Reserves			
Opening balance		108 481	108 481
Closing balance		108 481	108 481
VI. Retained earnings			
Opening balance		(5 403 975)	(5 376 981)
Increase/decrease of retained earnings		(85 287)	(26 994)
Closing balance		(5 489 262)	(5 403 975)
VII.Total equity			
Opening balance		1 451 290	1 496 052
Closing balance		1 348 234	1 451 290

Board of directors

Chairman of the Board



Vladimirs Cadovičs

Member of the Board



Tamāra Fruļa

Member of the Board



Aleksandrs Struļevičs

Chief accountant



Nataļja Beļšova

22th March, 2018

Notes to the Financial Statements

1. Accounting Policy

Figures in the Financial Statements are set out in eiro (EUR).

General Principles

The Annual Report is prepared in accordance with laws of the Republic of Latvia "On Accounting" and the "Annual Reports and consolidated annual reports 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 Statement is classified by cost function and is prepared in accordance with the vertical form method.

Cash Flow statement is prepared according to the direct method.

Statement on changes in Equity is prepared in accordance with horizontal scheme method.

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

The Annual Report provides 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) Items are valued in accordance with the principles of prudence, 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 are coordinated 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, except reclassification;
- 7) assets and liabilities 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 economic content and nature, not just 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.

Notes to the Financial Statements

Correction of mistakes

Error correction from previous periods are carried out in accordance with "Annual Reports and consolidated annual reports law" (Law Article 12, paragraphs 2 and 3) and Cabinet Regulation № 775 (Paragraph 46, 47, 48)

The company corrects significant mistakes , that are found in the accounting period or during preparation period, till the day of annual report signing day, correcting the mistakes. Corrections for errors found later are shown in next period financial statements and notes.

Changes in the accounting policy

The Company changes 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

Non-current and current 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

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 02.01.2018.

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

Useful life haven't been changed.

Fixed assets - physical objects with the following 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 has been calculated by 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 for operating needs fixed assets and intangible assets with zero residual value.

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

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

Notes to the Financial Statements

Fixed asset current repair and maintenance costs are included in the Profit or Loss Account for the period when they have occurred. The fixed assets inventory took place on the 02.01.2018.

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 fixed assets was not changed.

Leasehold improvements

Leasehold improvements 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.

Evaluation of inventory

Goods received and delivered are registered in the Rikar computer program.

The product is listed on the basis of perpetual inventory method.

Inventory transfers is carried out using FIFO method (actual sales).

Inventories balances are valued using the FIFO method. Inventories are stated at cost.

There were no significant changes in inventory accounting during reporting year.

Inventory balances are checked during annual inventory 02.01.2018.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.

Advance payments in foreign currency, are presented in euro at the ECB exchange rate at the balance sheet date.

Accounts receivable

Receivable balances on the balance sheet are shown according to 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 following:

1) debtors whose payment past due, and on 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 with a provision for 100%;

2) receivables from liquidated companies were classified as bad and written-off from either provisions or as costs to income statement. In 2017 accumulation for doubtful debts was increase .

Accounts receivable in the balance sheet are stated in net (acquisition) value, the original invoice amount less provisions for doubtful debts.

All receivables formed before 31.12.2017.

Net turnover and recognition of income

Net turnover is income from the company core business, sales of goods and services, after deduction of sales rebates, returned goods and other discounts granted, as well as value-added tax and other taxes directly related to sales.

Notes shows the net turnover 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 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.

Related income to revenues from the provision of services are included in the profit and loss statement caption

Net sales.

Notes to the Financial Statements

The company applies the practice that wholesale clients have the right to return the goods to the Company and the Company accepts them, if the goods have not been settled. In order to reduce credit risk, the Company has the right to demand returning part of the previously sold goods before the next sale to wholesale customers. Returned goods are recorded as reduction of net turnover, while simultaneously reducing receivables and adjusting production costs of the goods sold. Due to the specifics of the accounting system all of the returned goods are reflected in the reporting period in which these are returned.

Income includes the Company's benefits from its main activities it have 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

(sales price less the write-off value and selling expenses of the non-current asset);

Deferred expenses

Payments made before the balance sheet date but relating to future financial years are set out in the balance sheet caption "Deferred expenses".

Other receivables

The item "Other debtors" was reportable all receivables not included in other balance sheet asset positions, i.e. : overpaid amount, tax overpayments, guarantees.

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.

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 investments revaluation reserve" in section "equity". However, long-term investments revaluation reserve does not include the amount of the revaluation result of the increase in value wholly or partly offset by the same fixed asset impairment adjustments to previous accounting years were included in the income statement as an expense. This amount includes the income statement as revenue in the reporting year, which found an item appreciation of fixed assets.

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 reduction of 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 revalued 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.

Notes to the Financial Statements

Retained earnings or accumulated deficit

The previous year adjusted retained earnings or accumulated deficit and profit or loss of the reporting year was shown.
The item "Retained earnings" shows an amount corresponding to the income statement under read amount.
Distribution of profits or covering of losses shows next year's report,
a corresponding reduction in the item "Retained earnings or accumulated deficit" at the beginning of the specified amount.

Accounts payable

Payables balances in the balance sheet are presented 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 during the normal 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 are divided into short-term and long-term part.

Recognition of expenses

Costs of sales transactions 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 payables

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

Accrued liabilities

Caption "Accrued liabilities" indicates clearly known liabilities to suppliers and contractors for received goods or services in the reporting year 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. 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.

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. 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.

Subsequent events

During preparation of the financial statements, such events are taken into account which occurred after the end of the accounting year which provides 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

31.12.2017.	31.12.2016.
17 165	16 509

The Company has a related company "Grabes pansija" unified reg.Nr.40003648860, Terezes street 1, Rīga. 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.

Notes to the Financial Statements

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

None.

3. Other Information

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

None.

Guarantees.

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 46 892 respectively.

Information on the following expenses:

	2017	2016
Annual Report Statutory audit (check)	2 800,00	1 300,00
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

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

Board members have not granted guarantees and pledges.

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.

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

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 if the regulatory framework has changed;

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

The company correction made of the returned goods is reflected as "net turnover" and "Manufacturing expenditures of sold products" items decrease.

	2016 data after correction	Correction	2016 data before correction
Profit or loss statement's calculations			
Net turnover			
b) from other main activities	755 960	(206 220)	962 180
Cost of goods sold and services rendered	475 018	(206 220)	681 238

The company has no other changes in the reclassification of items in the reporting year compared to the previous reporting period.

Notes to the Financial Statements

Explanatory notes to the items of the balance sheet

1.Intangible assets

	Concessions, patents, licenses and similar rights	Total
Initial Value		
31.12.2016.	862	862
Acquisition		-
31.12.2017	862	862
Depreciation		
31.12.2016.	450	450
Calculated	173	173
31.12.2017	623	623
Residual value		
31.12.2016.	412	412
31.12.2017	239	239

2.Fixed assets

	Buildings, constructions	Leasehold improvements	Equipment and machinery	Other fixed assets and inventory	Total
Initial Value					
31.12.2016.	202 323	2 219	90 576	106 016	401 134
Acquisition				5 707	5 707
Written off				(221)	(221)
Sold				(2 643)	(2 643)
31.12.2017.	202 323	2 219	90 576	108 859	403 977
Depreciation					
31.12.2016.	73 409	1 171	90 576	82 497	247 653
Written off expences		740			740
Calculated	10 116			12 635	22 751
Written off				(221)	(221)
Sold				(1 911)	(1 911)
31.12.2017.	83 525	1 911	90 576	93 000	269 012
Residual value					-
31.12.2016.	128 914	1 048	-	23 519	153 481
31.12.2017.	118 798	308	-	15 859	134 965

Notes to the Financial Statements

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.

All the fixed assets bought in 2017 are paid for, EUR 5 707

82 fixed assets are with "0" value (initial value - 137 795,50 EUR.)

Vehicles are insured.

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

Written off, liquidated, sold fixed assets :

	2017	
	Sales	written off
intangible investments:		
initial value	2 643	221
depreciation	(1 911)	(221)
residual value	<u>732</u>	<u>-</u>
sales income	<u>799</u>	

Notes to the Financial Statements

Explanatory notes to the items of the balance sheet

Items "Long-term investments revaluation reserve" changes

(Law Article 34, first paragraph, Article 52 second paragraph, Cabinet Regulation Paragraph 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	Revaluation reserve reduction correction (Law Article 34, first paragraph)
Real Estate, total	106 612	88 843	17 769
<i>including:</i>			
Factory building Nr.3	177	147	30
Pass (boiler house)	1 639	1 366	273
Eating house	31 519	26 266	5 253
Administration building	17 750	14 792	2 958
Factory building Nr.2	55 527	46 272	9 255

Long-term investments reevaluation 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 2014.

Revalued buildings, except Industrial building No.2

Annexes to the Annual Accounts

Explanatory notes to the items of the balance sheet

Inventories

All inventories 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 and consumables

	<u>31.12.2017.</u>	<u>31.12.2016.</u>
gold	92 238	240 522
silver	326	1 001
precious stones, semiprecious stones	61 241	62 169
low-value materials and inventory	644	644
Fuel (a/m)	52	48
Instruments	5 291	5 291
Total	<u>159 792</u>	<u>309 675</u>

4. Work in progress

Unfinished products and orders in the notes are shown as total of unfinished products and orders, that are not ready for sale

	<u>31.12.2017.</u>	<u>31.12.2016.</u>
	18 337	57 426
Total	<u>18 337</u>	<u>57 426</u>

5. Finished goods and goods for sale

Products residue according to the inventory data for 31.12

	<u>31.12.2017.</u>	<u>31.12.2016.</u>
	328 061	278 130
Total	<u>328 061</u>	<u>278 130</u>

6. Advance payments for goods

Advance payment for fuel SIA NESTE
 Advance payment for goods
 Advance payment for seminar

	<u>31.12.2017.</u>	<u>31.12.2016.</u>
currency	EUR	EUR
	692	467
	487	-
	81	-
Total	<u>1 260</u>	<u>467</u>

7. Trade receivables

Gold/silver for jewelery production
 Non residents debts
 Residents debts
 Payments for lease

	<u>31.12.2017.</u>	<u>31.12.2016.</u>
currency	EUR	EUR
	27	3 743
	84 956	36 064
	609 242	506 465
	42 326	32 575
Trade receivables, total	<u>736 551</u>	<u>578 847</u>
Provisions for doubtful debtors	(46 892)	(336)
Total net trade receivables	<u>689 659</u>	<u>578 511</u>

Change in provisions for doubtful debtors

Debts of customers and clients	Total
Provisions 31.12.2016.	336
Increase	46 556
Provisions 31.12.2017.	<u>46 892</u>

Notes to the Financial Statements

Explanatory notes to the items of the balance sheet

8. Other receivables

	31.12.2017.	31.12.2016.
currency	EUR	EUR
Creditcard	672	838
Guarantee	1 900	1 900
Payments to workers (advance payments)	282	936
overpayment (to creditors)	150	-
Security sum VENDEN	31	31
stolen goods and fixed assets (insurance case)	-	92 399
Tax overpayment due to tax and fees flow	1	7
Others	165	165
Total	3 201	96 276

9. Deferred expenses

	31.12.2017.	31.12.2016.
Insurance of the transport	505	463
Insurance of the goods	-	189
Laws of the Republic of Latvia	369	357
Newspapers, journals	-	88
Total	874	1 097

10. Cash

	31.12.2017.	31.12.2016.
Currency	EUR	EUR
Money in cash	8 093	14 003
Money in cash machines	5 024	6 002
Money in operating accounts:		
SEB banka	90 868	44 506
Total	103 985	64 511

11. Information on the share capital

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:

		31.12.2017.
Shares	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	4 742 980	6 640 172

Notes to the Financial Statements

Explanatory notes to the items of the balance sheet

Company's reserve

12. Revaluation reserve for Long-term investments

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

At the end of 2017, the company's management believes that the real estate value has not decreased

Opening balance	<u>106 612</u>
decrease	<u>(17 769)</u>
Closing balance	<u>88 843</u>

13. Share capital denomination reserve

Opening balance	<u>108 481</u>
Closing balance	<u>108 481</u>

14. Other borrowings from SIA LMT

	<u>31.12.2017.</u>	<u>31.12.2016.</u>
Currency	EUR	EUR
Short-term debts	-	506
Total	<u>-</u>	<u>506</u>

15. Customers advanced payments

	<u>31.12.2017.</u>	<u>31.12.2016.</u>
Currency	EUR	EUR
Short-term (VAT deducted from advances)	-	2 846
Total	<u>-</u>	<u>2 846</u>

16. Trade payables

	<u>31.12.2017.</u>	<u>31.12.2016.</u>
Currency	EUR	EUR
Debts for goods	16 030	18 439
Debts for goods (to other countries)	27 645	20 872
Debts for services	2 834	3 750
Total	<u>46 509</u>	<u>43 061</u>

17. Taxes and social security contributions

	<u>31.12.2017.</u>	<u>31.12.2016.</u>
Tax debt due to tax and fee flow	25 700	19 017
Total	<u>25 700</u>	<u>19 017</u>

18. Other payables

	<u>31.12.2017.</u>	<u>31.12.2016.</u>
Payments to workers (advance payments)	58	-
Salaries	8 158	9 298
Guarantee money	918	701
Total	<u>9 134</u>	<u>9 999</u>

Notes to the Financial Statements

Explanatory notes to the items of the balance sheet

19. Accrued liabilities

Liabilities for the subsequent period

For communication services

208 85

Utilities

2 627 3 741

For audit of the annual report

1 120 780

Reserves for vacation

6 841 8 661

Total **10 796** **13 267**

Notes to the Financial Statements

Explanatory notes to the items of the profit or loss calculation

20. Net turnover

b) from other principal activities

	<u>2017.</u>	<u>2016.</u>
Income from wholesale trade	814 568	682 013 *
Goods return	(98 107)	(206 220) *
Discount	(4 181)	(1 513)
Income from retail trade	276 059	277 580
Income from services	-	4 100
Total	<u>988 339</u>	<u>755 960</u>

Net turnover by geographical markets

Latvia	662 371	505 868
EU		
Lithuania	277 280	202 611
Estonia	48 688	10 361
Poland	0	37 120
Total	<u>988 339</u>	<u>755 960</u>

21. Cost of goods sold and services rendered

	<u>2017.</u>	<u>2016.</u>
Purchasing and manufacturing expenses	690 951	472 244 *
Markdown and write - down expenses	1 410	-
Insurance for goods	189	423
External work, services from outside	1 110	2 220
Assaying of jewellery at the LPB*	87	131
Total	<u>693 747</u>	<u>475 018</u>

22. Selling costs

	<u>2017.</u>	<u>2016.</u>
Salaries of employees	90 006	97 542
Social contributions of employees	20 145	21 955
Accumulat.liabilities for vacations, salary (+); (-)	3 548	(817)
Accumulat.liabilities for vacations, VSAOI (+); (-)	792	(198)
Advertising expenses	4 434	9 352
Residential services (water, electricity, gas)	34 887	36 419
Rent of the land and premises	27 318	25 875
Natural resources tax	39	20
Long-term investment write-offs (repair)	740	740
Depreciation of fixed assets	18 428	15 820
Low-value inventory	403	3 799
Other selling costs	142	1 388
Total	<u>200 882</u>	<u>211 895</u>

23. Administrative expenses

	<u>2017.</u>	<u>2016.</u>
Salary of the administration	71 019	74 064
Social payments	15 537	16 009
Risk duty	81	87
Accumulat.liabilities for vacations, salary (+); (-)	2 052	151
Accumulat.liabilities for vacations, VSAOI (+); (-)	449	28
Communication expenditures	4 380	4 680

* Correction for returned goods, net turnover and cost of goods sold are reduced by returned goods amount respectively.

Notes to the Financial Statements

Explanatory notes to the items of the profit or loss calculation

Bank services	1 746	1 680
To "NASDAQ OMX Riga" for shares and other	5 760	7 332
Office costs	3 120	3 656
Non-material investments value correction	172	172
Depreciation of the fixed assets (administrative building)	1 825	1 825
Real estate tax (administrative building)	1 701	1 701
Travelling allowances	3 016	1 526
Security services	2 879	10 758
Audit of the report	2 800	1 300
Transport insurance	989	1 069
Transport expenses (fuel, repair)	10 647	9 236
Transport rent expenses	2 009	-
Company car tax	1 401	1 379
Expenditures on representation	381	587
Other administrative expenditures, including expenses on lawyers	2 006	3 551
Total	133 970	140 791

24. Other operating income

	2017. EUR	2016. EUR
The result of fixed assets sales ¹	66	
Revaluation reserves of long-term investments	17 769	17 768
Thermal energy for leasing(heating)	20 179	21 511
Leasing out premises ²	24 208	31 956
Income from clients for residential service	24 781	25 897
Expenses from clients for residential service	(24 781)	(25 897)
Accumulations for vacations from 31.12.2017.	8 661	-
Other income	610	538
	71 493	71 773

25. Other operating expenses

	2017. EUR	2016. EUR
Late payment money	3	-
Uncovered loss of damage	57 399	124
Reserves for doubtful debtors	46 556	-
Funeral support	-	213
Real estate tax for buildings	4 125	4 119
Other expenses	8 437	22 567
Total	116 520	27 023

1Incom of fixed assets sales	799
Expenses of fixed assets sales	(733)
	66

² Leasing out premises income	26 706
Depreciation	(2 498)
	24 208

Notes to the Financial Statements

Overall information

	<u>31.12.2017.</u>	<u>31.12.2016.</u>
26. Average number of employees in the year		
Average number of employees	<u>19</u>	<u>20</u>
Board	<u>3</u>	<u>4</u>
Others	<u>16</u>	<u>16</u>
	EUR	EUR
27. Total expenditures on staff	<u>196 707</u>	<u>209 570</u>
- salary	161 025	171 606
- Social contributions	35 682	37 964
- included:		
Board of directors salary		
- salary	54 765	58 138
- Social contributions	11 721	12 252
- total	<u>66 486</u>	<u>70 390</u>

28. Taxes, payments and social secontributions

(+) a debt (-) overpayment

	<u>31.12.2016.</u>	Calculated	Paid	<u>31.12.2017.</u>
Income tax of nonresidents	-	111	111	-
Value added tax	11 167	103 953	96 870	18 286
Paid			(33)	
Late payment money		3		
Personal Income tax	2 798	30 656	30 813	2 641
Social contributions	4 784	51 566	51 951	4 399
Vehicle operation tax	-	309	309	-
Company car tax	248	1 092	1 005	335
Risk duty	(7)	81	75	(1)
Natural resources tax	20	39	20	39
Real estate tax	-	5 826	5 826	-
Total:	<u>19 010</u>	<u>193 636</u>	<u>186 947</u>	<u>25 699</u>
Overpayment of taxes	(7)			(1)
Debts of taxes	19 017			25 700
Calculated/paid late payment money				

Annual report prepared Chief accountant Natalja Beļšova

Appendixes to the annual report from Page 12 to 27 signed

Chairman of the Board



Vladimirs Cadovičs

Member of the Board



Tamāra Fruja

Member of the Board



Aleksandrs Struļevičs

Chief accountant



Natalja Beļšova

22th March, 2018

Translation from Latvian

INDEPENDENT AUDITORS' REPORT

To the Shareholders of RIGAS JUVELIERIZSTRADAJUMU RUPNICA AS

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of RIGAS JUVELIERIZSTRADAJUMU RUPNICA AS (the Company), set out on pages 7 to 27 of the accompanying annual report, which comprise the balance sheet as at 31 December 2017, and the profit or loss statement, cash flow statement and statement on changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of RIGAS JUVELIERIZSTRADAJUMU RUPNICA AS as of 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	Audit response
Trade receivables As stated in note 7 to the financial statements, on 31 December 2017, the Company's trade receivables total EUR 689 659 that comprises approximately 48% of the total assets value. Trade receivables balance consists of receivables from sales to wholesale customers.	We have evaluated assumptions and methods used by management for assessment of recoverable amount of trade receivables.

Company's management have assessed recoverable amount of trade receivables, recognizing provisions for doubtful debts. Provisions for doubtful debts total EUR 46 892.

Balance sheet value of trade receivables is material to the financial statements as a whole, therefore our audit procedures performed in respect of management's assessment of recoverable amount of trade receivables were significant part of our audit.

We have assessed recognition principles of trade receivables.

We have critically considered management assessment of recoverability of trade receivables.

Other matters

Financial statements for the year ending 31 December 2016 were audited by other auditors who issued unmodified audit opinion on 23 March 2017.

Reporting on Other Information

The Company management is responsible for the other information. The other information is the Management Report, as set out on page 3.

The Company management is responsible for the other information. The other information comprises:

- the Management Report, as set out on pages 4 to 5 of the accompanying Annual Report,
- the Statement on Management Board's Responsibility, as set out on page 6 of the accompanying Annual Report,
- Information about the company, as set out on page 3 of the accompanying Annual Report,
- the Statement of Corporate Governance, as published together with the audited Annual Report and available at Internet site <http://www.nasdaqbaltic.com>.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Responsibilities of Management and Those Charged with Governance for the Financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a

going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities


We were appointed by those charged with governance on 25 April 2017 to audit the financial statements of AS RIGAS JUVELIERIZSTRADAJUMU RUPNICA for the year ended 31 December 2017. Our total uninterrupted period of engagement is 1 year, covering the period ending 31 December 2017.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in the paragraph 37.⁶ of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014 or other services. We also remained independent of the audited entity in conducting the audit.

The responsible certified auditor on the audit resulting in this independent auditors' report is Gunta Darkevica.

BDO Audit SIA
Company of Certified Auditors
Licence No 176


Gunta Darkevica
Member of the Board
Certified auditor of Latvia
Certificate No. 165



22 March 2018
Riga, Latvia