

JSC [A/S] "Rīgas juvelierizstrādājumu rūpnīca"
Single reg.№ 40003044420
Adress: Terēzes iela 1, Rīga, LV-1012

Types of basic activities:
processing of precious metals

Unit: LVL

***AUDITED
Annual Account
for the year 2007***

State Revenue Service territorial office: Latgale suburb department

Date submitted: _____

Date received: _____

CONTENT

	Page
Information on the Company	3
Management report	4--5
Management responsibility	6
Profit or loss statement	7
Balance sheet	
assets	8
liabilities	9
Accounts or changes in equity capital	10
Account on cash flow	11
Appendix to the annual account:	
1. Accounting policy and methods applied	12--13
2. Explanatory notes to the profit or loss statement items	14--16
3. Explanatory notes to the balance sheet items	17--19
To annual report for 2007 of JSC "RJR"	

INFORMATION ON THE COMPANY

Company name	JSC AS "Rīgas juvelierizstrādājumu rūpnīca"
Company legal status	Joint-Stock Company
Single identification №, place and date of incorporation	40003044420, 10 December 1991
Legal address	Terēzes iela 1, Rīga, LV-1012, tel 7272790
Mailing adress	Terēzes iela 1, Rīga, LV-1012
Type of activity	Processing precious metals
Name, address. Tel.of Unit of Business Activities	workshop: Terēzes iela 1, Rīga, LV-1012 pawnshop: Terēzes iela 1, Rīga, LV-1012
Member composition of the JSC Council	Vidis Zaķis Igors Istomins Eļena Vasuļa Jurijs Čerņecovs Tatjana Reznigskā
Member composition of the JSC Board of Directors	Vladimirs Cadovičs Alefīna Struļeviča Aleksandrs Ančevskis
Bank account JSC "SEB Latvijas Unibanka"	LV62UNLA0001000243901
Chief Accountant	Raisa Korņilova
Year of Account	from 01.01.2007 to 31.12.2007
Auditor	LLC SIA "Auditoru firma "Finansists"" Tālavas gatve 11-4, Rīga, LV-1029 ID.№ LV40002046180 Nelli Jermolicka Qualified Auditor (Latvian Association of Qualified Auditors cert
Average number of employees	36 peple

Management report

Information about company

JSC „Rīgas juvelierizstrādājumu rūpnīca” legal address Terezes iela 1, Rīga, LV-1012.

Company is registered in Commercial register with a single registration number 40003044420. Share capital of the company is 4 742 980 LVL, which consists of 4742980 shares having nominal value LVL 1.

Chairman of the Board of the company is Vladimirs Cadovičs, other Members of the Board are: Alefina Struļeviča un Aleksandrs Ančevskis.

Auditor of the Company is certified controller Nelli Jermoļicka (certificate No.102).

Largest share holders of the Company are:

State Social Insurance Agency – 225 000 shares

Vladimirs Cadovics – 242 980 shares

Olegs Perežilo – 380 000 shares

Igors Istomins – 1 160 000 shares

Marija Ančevska – 1 160 000 shares

Operational activities

Operation of the Company during the year of account

Field of operation of JSC „Rīgas juvelierizstrādājumu rūpnīca” is processing of precious metals, production and repair of jewellery.

Name, address, telephone of the structural unit of operation:

workshop: Terezes iela 1, Rīga, LV-1012, tel.: 67277365

pawnshop: Terezes iela 1, Rīga, LV-1012, tel.: 67277365

AS „Rīgas juvelierizstrādājumu rūpnīca” does not have parent and subsidiary companies.

The Company closed the financial year with the following results:

Annual result before extraordinary items and taxes is: -33 622 LVL

Nett result: 413 387 LVL

Nett turnover in year 2007 constitutes 413 387 LVL and it has risen by 2.61% in comparison with year 2006.

Direct materials (gold, silver, palladium) used in production the Company purchases from German company „Heraeus HMG-FMD” and local company SIA „A&G INVEST”. Auxiliary materials are purchased by the Company from local producers.

Due to price increase for gold, silver and auxiliary materials in the world market the Company analyzes prices and competitiveness in Latvia’s market and chooses economically advantageous suppliers.

Because of technological necessities and high material liability of employees, JSC „Rīgas juvelierizstrādājumu rūpnīca” employees use their vacation in the same time. As the vacation is used in advance (until next year’s 1st of April), it is not planned in reserve.

In year 2007 the Company let into market new product models that satisfy customer demands and new fashion trends. Acting in respect to Latvian customer demands, agreements with Russian producers about supply of high quality chain production (chains) have been concluded.

Promoting the Company’s trademark (brand) recognition, the Company began advertising of its trademark and production in Latvia as well as in the Baltic countries and other countries of European Union in 2007.

In 2007 cooperation with existing customers was made more active and new customers were successfully attracted by offering new product collections for advantageous conditions.

According to the management of the Company continuation of business operation should be assumed in respect to preparation of this financial report.

Development activities of the Company

Further development of the Company: analysis of internal and external market in order to carry out activities to increase sales of production and offer new types of services in order to keep the existing and attract new customers.

It is necessary to seek for additional markets and in the same time it is necessary to promote analysis of credit standing of customers and use results of the analysis as basis in respect to provision of production and adjust payment terms in particular cases.

Remarkable investments are necessary to acquire new market and without attracting additional investments the Company is not able to accomplish it. Despite the efforts of the Board and Council of the Company results in finding investors with their own market niche are not achieved at the moment.

Potential of jewellery market in Latvia is still limited; therefore, rapid increase in sale of production is not observed. Competitiveness in the local market is significantly influenced by import of production made in Turkey and other countries of Asia in Latvia. The low labour costs and large production volumes in the aforesaid countries influences final price and competitiveness in Latvia's market.

In 2008 it is necessary to increase volumes of services provided by the workshop and activities to attract investors should be continued.

In 2008 the Company is planning to increase pace of sale volumes by using more active marketing strategy.

In 2008 the Company has to evaluate necessity to allocate means for improvement of technological processes as well as change of outdated technological equipment.

Conditions and terms after closing of balance sheet

From the last day of the year of the account until this day there have not been any incidents, which could significantly influence evaluation of the report.

Proposals to decrease losses

It is planned to improve production structure of the Company in order to decrease costs. Within possible limits the managerial staff of the Company shall be reduced and new automatic computerized technical means having high production capacities shall be implemented in production process, which will increase volumes and quality of produced goods.

Chairman of the Board
Member of the Board
Member of the Board

Vladimirs Cadovičs
Alefina Struļeviča
Aleksandrs Ančevskis

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 end of year of account, as well as results of activities.

Hereby it is confirmed by the Company managers that upon drawing the present report for period, expiring on 31 December 2007, appropriate accounting methods were used, the same were applied on consistent basis, and reasonable and cautious decisions are made. Hereby it is confirmed by the Company management.

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
Alektina Struļeviča

Member of the Board
Aleksandrs Ančevskis

Profits or loss statements for year 2007 and 2006

Parameter designation	Appendices	2007 Ls	2006 Ls	2007 EUR	2006 EUR
Net turnover	1	413 387	402 849	588 196	573 202
Manufacturing expenditures of sold products	2	-373 612	-313 254	-531 602	-445 721
Gross profit or loss		39 775	89 595	56 594	127 481
Selling costs	3	-9 999	-8 974	-14 227	-12 769
Administrative expenses	4	-98 559	-86 304	-140 236	-122 799
Other revenue of the Company business operations	5	44 678	7 157	63 571	10 184
Other expenses of the Company business operations	6	-9 653	-22 971	-13 735	-32 685
Other interests income and similar	7	149	411	212	585
Other interests expenditures and similar	8	-13	-26	-18	-37
Profit or loss before extraordinary items and taxations		-33 622	-21 112	-47 839	-30 040
Profit or loss before taxation and minority interest		-33 622	-21 112	-47 839	-30 040
Different corporate income tax	9	2789	176	3968	250
Other taxes	10	-4 978	-3 082	-7 083	-4 385
Loss for the year of account (net income)		-35 811	-24 018	-50 954	-34 175
Profit or loss for ONE stock, annual		-0.008	-0.005	-0.008	-0.005
Profit or loss for ONE stock as from commencement of operations		-0.783	-0.776	-0.783	-0.776

Appendix from Page 12 to 19 shall constitute an integral part to the present financial statement

Balance sheet at 31 December 2007 and 2006

ASSETS	Appen- dices	2007 Ls	2006 Ls	2007 EUR	2006 EUR
Long-term investments					
II Fixed assets					
Land, building, constructions and perenial plantations		139 155	151 476	198 000	215 531
Long-term investments in the rented fixed assets		6 504	22 114	9 254	31 465
Equipment and machinery		902	1 188	1 283	1 690
Other fixed assets and inventory		19 588	7 239	27 871	10 300
Total fixed assets	1	166 149	182 017	236 408	258 986
Investments property		45 004	47 938	64 035	68 210
Total investments property		45 004	47 938	64 035	68 210
Total long-term investments		211 153	229 955	300 443	327 196
Current assets					
I Inventory					
Raw materials, direct materials and auxiliary materials	2	249 526	228 859	355 043	325 637
Unfinished products		102 316	78 317	145 583	111 435
Finished goods and goods for sale		165 555	193 493	235 564	275 316
Advance payment for goods	3	315	271	448	386
Total inventory		517 712	500 940	736 638	712 774
II Debtors' indebtedness					
Indebtedness of customers and clients	4	374 014	396 906	532 174	564 746
Other debtors	5	865	2 646	1 231	3 765
Expenses of subsequent perios	6	1 034	10 897	1 471	15 505
Total debtors		375 913	410 449	534 876	584 016
Funds (total)	7	82 713	97 434	117 690	138 636
Total current assets		976 338	1 008 823	1 389 204	1 435 426
Assets grand total		1 187 491	1 238 778	1 689 647	1 762 622

LIABILITIES	Appendices	2007 Ls	2006 Ls	2007 EUR	2006 EUR
I Equity capital					
Stock or share capital (fixed capital)	8	4 742 980	4 742 980	6 748 653	6 748 653
Revaluation reserve of long-term investments		135 090	145 038	192 215	206 370
Retained earnings					
a) retained earnings from previous year		-3 679 481	-3 655 463	-5 235 430	-5 201 255
b) retained earnings for the year of account		-35 811	-24 018	-50 954	-34 175
Total retained earnings		-3 715 292	-3 679 481	-5 286 384	-5 235 430
Total equity capital		1 162 778	1 208 537	1 654 484	1 719 593
III Creditors					
1. Long-term debts					
Deferred tax liability amounts			2 789		3 968
Total long-term debts		0	2 789	0	3 968
2. Short-term debts					
Prepayments received from customers	9		54		77
Debts to suppliers and contract works	10	4 502	3 919	6 406	5 576
Taxes and social security liabilities	11	13 454	18 047	19 143	25 679
Other creditors	12	6 315	5 049	8 985	7 184
Accrued liabilities	13	442	383	629	545
Total short-term debts		24 713	27 452	35 163	39 061
Total creditors		24 713	30 241	35 163	43 029
Liabilities grand total		1 187 491	1 238 778	1 689 647	1 762 622

Appendix from Page 12 to 19 shall constitute an integral part to the present financial statement

Chairman of the Board
Vladimirs Cadovičs

Member of the Board
Alektina Struļeviča

Member of the Board
Aleksandrs Ančevskis

Account on changes in equity capital, year 2006 and 2007

	Stock or share capital (fixed)	Revaluatio n reserve of long- term invest ments	Retained earnings from previous year	Profit for the year of account	Total equity capital
	LVL	LVL	LVL	LVL	LVL
Remaining amount on 31 December 2005	4 742 980	145 038	-3 561 613	-93 850	1 232 555
Transferred losses			-93 850	93 850	
Losses in year of account				-24 018	-24 018
Remaining amount on 31 December 2006	4 742 980	145 038	-3 655 463	-24 018	1 208 537
Transferred losses			-24 018	24 018	
Losses in year of account				-35 811	-35 811
Reserve reduction		-9948			-9 948
Remaining amount on 31 December 2007	4 742 980	135 090	-3 679 481	-35 811	1 162 778

	Stock or share capital (fixed)	Revaluatio n reserve of long- term invest ments	Retained earnings from previous year	Profit for the year of account	Total equity capital
	EUR	EUR	EUR	EUR	EUR
Remaining amount on 31 December 2005	6 748 653	206 370	-5 067 718	-133 537	1 753 768
Transferred losses			-133 537	133 537	
Losses in year of account				-34 175	-34 175
Remaining amount on 31 December 2006	6 748 653	206 370	-5 201 255	-34 175	1 719 593
Transferred losses			-34 175	34 175	
Losses in year of account				-50 954	-50 954
Reserve reduction		-14155			-14 155
Remaining amount on 31 December 2007	6 748 653	192 215	-5 235 430	-50 954	1 654 484

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ACCOUNT ON CASH FLOW for the PERIOD having EXPIRED
on 31 December 2007.(by direkt method)

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
I. Cash flow from basic activities				
Proceeds from no product selling and provision of services	493 120	444 964	701 646	633 127
Payments to suppliers, staff, other expenditures of basic activities	-564 703	-463 843	-803 500	-659 989
Receipts and expenditures from other basic activities of the Company	79 849	49 351	113 615	70 220
Gross basic activities cash flow	8 266	30 472	11 761	43 358
Expenditures for interest payments	-39		-55	
Expenditures for real property tax payments (-)	-5 074	-3 082	-7 220	-4 385
Cash flow before extraordinary items	3 153	27 390	4 486	38 973
Net basic activities cash flow	3 153	27 390	4 486	38 973
II. Cash flow of investment operations				
	1612		2294	
Acquisition of fixed assets and intangible investments (-)	-19 635	-4230	-27 938	-6 019
Interest received (+)	149	292	212	415
Net cash flow of investment operations	-17 874	-3 938	-25 432	-5 604
V. Net cash flow for the yer of account	-14 721	23 452	-20 946	33 369
VI. Cash and equivalents thereof at the begininig of period	97 434	73 982	138 636	105 267
VII. Cash and equivalents thereof at the end of period	82 713	97 434	117 690	138 636

Appendix from Page 12 to 19 shall constitute an integral part to the present financial statement

Chairman of the Board
Vladimirs Cadovičs

Member ot the Board
Aleŧīna Struļeviċa

Member ot the Board
Aleksandrs Anċevskis

Appendices to the annual account

1. Accounting policy and methods applied

General principles

Annual account is developed in accordance with the laws of the Republic of Latvia "On Accounting" and "On Annual Accounts of Enterprises" and corresponding to the Latvian accountancy standards. The following Latvian accountancy standards (LGS) are applied in development of the present annual account: 1.LGS "Guidelines for the development of financial statements", 2.LGS "Cash flow statement" 3. LOS "Events after the date of balance sheet". 4. LGS "Changes in the accounting policy, modifications in the accounting estimates and errors from the preceding periods". 5. LGS "Long-term contracts".

Profit or loss statement has been developed in correspondence with the turnover expenditures method.

Cash flow statement has been developed according to the direct method.

Financial statement is providing true and clear representation of the Company funds, liabilities, financial condition and profits or losses.

Accounting policy ensures that financial statements is providing information, which:

1. Is appropriate for users of the financial statements in order to make decisions
2. Is credible to such extent that statements:

*are properly revealing the Company results and financial condition - revealing not only the legal form of transactions, but also economic substance thereof, are neutral ones, i.e. Are unbiased, are cautious;

*are perfect in any significant aspects.

Principles of accounting applied

Items of the annual account are assessed in accordance with the following accountancy principles:

- a) It is assumed that the Company will proceed with its operations even further.
- b) The same methods of assessment are applied as for the preceding year of account.
- c) Assessment of items is performed with proper caution, in compliance with conditions as follows:

* the account includes exclusively the profits earned until the date when balance sheet is drawn;

consideration, also when the same have become known within the time period from the date of balance sheet to the date when the annual account is drawn;

of payment and the date when bill is received or invoice. Expenditures are attuned to income within the relevant accounting periods.

e) Components for the items of assets and liabilities are assessed separately.

f) Opening balance for the year of account corresponds to closing balance of the preceding year.

g) All the items are specified, which exert significant impact on evaluation and decision-making of users of the annual account.

h) Business transactions are reflected in the annual account, taking into consideration their economic content and substance rather than legal form.

Accounting period from January 2007 to December 2007

Money value and revaluation of foreign currency

Indices reflected by these financial statements are expressed in national currency of Latvia - lats (LVL).

Items of any monetary assets and liabilities are recalculated to lats according to currency rate fixed by the Bank of Latvia on the last day of the year of account.

Foreign currency rates at the end of accounting period during the last two years were as follows:

31.12.2007		31.12.2006	
USD	0.484	USD	0.593
EUR	0.702804	EUR	0.702804

Profits or losses obtained resulting from fluctuations of the foreign currency rates are reflected in profit or loss calculation for the relevant period.

Long-term and short-term items

In the short-term assets the asset amounts are indicated:

* which are intended to be sold or consumed within the normal cycle of business operations;

* which are maintained mainly for trading purposes or on short-term basis and are intended to be sold within twelve months after the date of balance;

* it is cash or equivalent thereof having unlimited capacities to be used.

Other assets are classified as long-term ones.

Rīgas juvelierizstrādājumu rūpnīca" JSC /AS/ single ID.40003044420
Annual account for the period from 01.01.2007 to 31.12.2007

As short-term liabilities the amounts of liabilities are indicated:

*where settlements envisage the normal cycle of business operations;

*which should be settled not later than within twelve months after the date of balance.

Other liabilities are classified as long-term ones.

The Company's long-term liabilities are including also those amounts, which are due in less than one year provided that:

*initial term of liabilities exceeded one year;

Cash and cash equivalents

Cash and cash equivalents are composed of cash and balances of bank current accounts.

Depreciation of intangible investments and fixed assets

In the balance sheet all the fixed assets and intangible assets are reflected in prices for acquisition thereof by deduction of depreciation.

Depreciation is calculated by the linear method, taking as basis the following depreciation norms:

Intangible investments:

Computer software	33%
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Fixed assets:

*Buildings and constructions	5%
*Technological equipment	10%
*Means of transport	20%
*Other fixed assets	33%
*Mobile phones	35%
*Furniture	20%
*Computers and data storage facilities	35%

*Depreciation for land is not calculated.

Inventory assessment

cost for acquisition thereof. Value of the obsolete, slow turnover or damaged inventories is written-off. Inventory residues are examined in the annual stocktaking.

Debtors' indebtedness

Debtors' indebtedness in the balance sheet are indicated as net (acquisition) value, by deduction from the initial value of special accruals for doubtful and bad debtors' indebtedness. Accruals for doubtful and bad debtors' indebtedness are developed in cases when the management considers recovery of said debtors' indebtedness to be questionable.

Taxes

Expenditures of the corporate income tax for the year of account are included in the financial statement, based on calculations performed by the management in accordance with tax laws of the Republic of Latvia.

Related parties

As related parties are deemed to be the Company shareholders, members of the Board of Directors, their close members of family and companies where the said entities are having control or significant impact.

Application of assessments

Requirements of the Latvian laws are providing that upon development of financial statements, management of the enterprise shall assess and assumptions having impact on assets and liabilities specified by accounts and off-balance as the day for development of annual account, as well as the specified receipts and expenditures of the accounting period. Actual results may be different from these estimates.

Appendices to the annual account

2. Explanatory notes to items of the profit or loss calculation

1. Net turnover

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Jewelry production	332 064	343 336	472 485	488 524
Workshop (jewelry repairs)	68 419	49 631	97 351	70 618
Pawnshops (jewelry)	1 202	970	1 710	1 379
Production of thermal energy	11 702	8 912	16 650	12 681
Total	413 387	402 849	150 834	573 202

2. Manufacturing expenditures of sold products

Labour wages	106 007	78 356	150 834	111 491
Labour state social security obligatory contributions	25 051	18 547	35 645	26 390
Water	986	225	1 403	320
Electric energy	7 337	5 100	10 440	7 257
Gas	14 881	11 217	21 174	15 961
Direct materials	169 759	86 484	241 545	123 055
Branding of jewelry at State Assay Supervision Inspection	6 460	5 630	9 192	8 011
Low-grade inventory, and tools	1 068	2 052	1 520	2 920
Auxiliary materials	2 337	1 541	3 325	2 192
Depreciation of fixed assets	436	2 160	620	3 073
Current repairs (equipment, facilities)	7 464	969	10 620	1 379
Long-term investments' writing-off in the leased fixed assets	15 610	15 610	22 211	22 211
Lease payments for the production facilities	10 118	10 118	14 397	14 397
Changes in stock and value of the unfinished products	-14 443	7 170	-20 550	10 202
Changes in stock and value of the finished products	19 994	67 987	28 449	96 737
Transitional expenses	546	87	777	124
Total	373 612	313 254	531 602	445 721

3. Selling costs

Labour wages	7 445	5 715	10 593	8 131
Labour state social security obligatory contributions	1 794	1 377	2 553	1 959
Advertising	759	1 834	1 080	2 610
Consignment notes	1	48	1	69
Total	9 999	8 974	14 227	12 769

4. Administration expenditures

Communication expenditures	2 348	2 502	3 341	3 559
Annual account expenditures	834	650	1 187	925
Business activity risk duty	109	108	155	154
Bank services	308	318	438	453
To REB and the Financial and Capital Market Commission	5 041	5 000	7 173	7 114
Office costs	561	669	798	952
Electric energy	1 200	852	1 707	1 212
Depreciation of fixed assets	11 082	5 780	15 768	8 224
Carpet replacement (workshop)	100	88	142	125

"Rīgas juvelierizstrādājumu rūpnīca" JSC /AS/ single ID.40003044420
Annual account for the period from 01.01.2007 to 31.12.2007

Appendices to the profit or loss calculation (continued)

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Lawyer services		36		52
Sewerage cleaning		256		364
Deratization costs	100	120	142	171
Traveling allowances	626	1 038	891	1 477
Current repairs in premises		1 009		1 435
Administration wages	40 931	34 172	58 240	48 622
Administration state social security obligatory contributions	9 785	8 018	13 923	11 409
Lease of land	3 542	3 500	5 040	4 980
Waste disposal	462	406	657	580
Security services	15 582	14 036	22 171	19 971
Computer, printer, telefax, cash register servicing costs	428	992	609	1 411
Expenditures of statutory regulary	420	682	597	971
Expenditures for organization of annual general meeting and amendments to Articles of Association	543	525	772	747
Expenditors for insurance of motor transport	126	162	179	230
Motor transport expenditures for administration	3 694	3 870	5 256	5 506
Water	52	48	74	68
Other administration expenditures	685	1 468	975	2 089
Total	98 559	86 305	140 236	122 801
5. Other income from the Company business activities				
Return of hopeless debts	427		608	
Revolution reserve of long-term investments reduction	9 948		14 155	
Sale of various materials		283		403
Income from the currency selling or buying	3	678	4	965
Leasing out premises	34 055	6121	48 456	8709
Income from workers for supernormative losses		3		4
Sale of a fixed assets(result)	245	68	348	97
Surplus payments of the liquidated customers		4		6
Total	44 678	7 157	63 571	10 184
6. Other expenditures from the Company business activities				
Loss from dismantling the finished products for processing	1 087		1 547	
Writing-off indebtedness of bad debtors		1 507		2 144
Loss from revaluation of materials		21 299		30 306
Exception of a fixed assets(expese)	3 251		4 626	
Expreses for write-off project dokumentation	5 268		7 496	
Loss from the currency rate fluctuations	47	165	67	235
Total	9 653	22971	13 736	32685
7. Other interest and similar income				
Interest on the remaining amount of monies in bank	149	118	212	169
Bank rates		292		416
Total	149	410	212	585
8. Other interests and similar expenditures				
Penalty fees for preceeding periods	13	26	18	37
Total	13	26	18	37

Appendices to the profit or loss calculation (continued)

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
9. Deferred corporate income tax	2 789	176	3 968	250
10. Real property tax	4 978	3 082	7 083	4 385

Appendices to the annual account

3. Explanatory notes to the balance sheet items

1. Fixed assets

	Investment property	Lands, buildings construction	Long-term investments leased fixed	Equipment and machinery	Other fixed assets	Total
	LVL	LVL	LVL	LVL	LVL	LVL
Initial Value						
31.12.2006.		243 131	74 026	64 099	42 692	423 948
Acquired					19 635	19 635
Specification +,-	58 700	-58 700				
Written-off or relocated +,-		-4 042			-16 368	-20 410
31.12.2007.	58 700	180 389	74 026	64 099	45 959	423 173
Depreciation						
31.12.2006.		43 717	51 912	62 911	35 453	193 993
Acquired		12 005	15 610	286	5 918	33 819
Specification +,-	13 696	-13 696				
Written-off or relocated +,-		-792			-15 000	-15 792
31.12.2007.	13 696	41 234	67 522	63 197	26 371	212 020
Residual value 31.12.2006.		199 414	22 114	1 188	7 239	229 955
Residual value 31.12.2007.	45 004	139 155	6 504	902	19 588	211 153

	Investment property	Lands, buildings construction	Long-term investments leased fixed	Equipment and machinery	Other fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Initial Value						
31.12.2006.		345 943	105 330	91 204	60 746	603 223
Acquired					27 938	27 938
Specification +,-	83 523	-83 523				
Written-off or relocated +,-		-5 750			-23 290	-29 040
31.12.2007.	83 523	256 670	105 330	91 204	65 394	602 121
Depreciation						
31.12.2006.		62 204	73 864	89 514	50 445	276 027
Acquired		17 081	22 212	407	8 421	48 121
Specification +,-	19 488	-19 488				
Written-off or relocated +,-		-1 127			-21 343	-22 470
31.12.2007.	19 488	58 670	96 076	89 921	37 523	301 678
Residual value 31.12.2006.		283 741	31 465	1 690	10 300	327 196
Residual value 31.12.2007.	64 035	198 000	9 254	1 283	27 871	300 443

Fixed assets in the balance sheet are reflected as the residual value

Residues of fixed assets as at 31.12.2007. are checked in stocktaking on 30 December 2007.

Fixed assets are not encumbered. Vehickes are insured.

Appendices to the balance sheet (continued)

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
2. Raw materials, direct material and auxiliary				
gold	186 728	156 352	265 690	222 469
silver	2 608	3 128	3 711	4 451
precious stones, semiprecious stones	53 236	62 038	75 748	88 272
other auxiliary materials	454	478	646	680
low-value materials and inventory	1 362	1 352	1 938	1 923
fuel	52	5	74	6
motor transport tyres	292	159	415	226
tools	4 739	5 224	6 743	7 433
construction materials for current repairs	55	124	78	177
Total	249 526	228 860	355 043	325 637
3. Advance payments for products				
To LLC /SIA/ NESTE for fuel	145	61	206	87
TO State Assay Supervision Inspectorate for branding	170	210	242	299
Total	315	271	448	386
4. Indebtedness of customers and clients				
Indebtedness of customers and clients	351 002	372 083	499 431	529 426
Settlements with other debtors	647	406	921	578
Settlements for lease	22 365	24 417	31 822	34 742
Customer and client accounting value, total	374 014	396 906	532 174	564 746
5. Other debtors				
VAT accepted	768	483	1 094	687
"Primatēks celtnieks" SIA		2 163		3 078
Real property tax	96		137	
Total	865	2 646	1 231	3 765
6. Expenditures for the subsequent periods				
Advertising costs	587	102	835	145
Insurance of vehicles	34	113	49	161
Lietišķas informācijas dienests (laws of the Republic of Latvia)	263	328	374	467
Newspaper, journals	150	86	213	122
Project documentation		5 268		7 496
Riga Stock Exchange for the stock quotation		5 000		7 114
Total	1 034	10 897	1 471	15 505
7. Monetary instruments				
Monetary instruments in cash	10 181	14 947	14 486	21 268
Monetary instruments in operating accounts	72 532	82 487	103 204	117 368
Total	82 713	97 434	117 690	138 636

8. Information of the aggregate Company own stock and shares

The JSC was founded on 10 December 1991 with fixed capital Ls 4742980, composed of 4742980 shares, share par value constituting Ls 1,-

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.

"Rīgas juvelierizstrādājumu rūpnīca" JSC /AS/ single ID.40003044420
Annual account for the period from 01.01.2007 to 31.12.2007

Appendices to the balance sheet (continued)

9. Advance payments received from customers

JULARS SIA

Total

2007 LVL	2006 LVL	2007 EUR	2006 EUR
	54		77
0	54	0	77

**10. Indebtedness to suppliers and contractors
(short-term)**

Latvenergo
Rīgas gāze
Latvijas Mobilais Telefons
EPS SIA for replacement of carpets
Lattelekom
Rīgas ūdens
ELIKOM SIA
"E 50" SIA
"MASTER TELEKOM" SIA
"VESELIBAS CENTRS-4" SIA

Total

2 300	1 713	3 273	2 438
1 552	741	2 208	1 054
62	53	88	76
10	8	14	11
82	190	117	270
469	204	668	290
	14		20
	994		1 414
	2		3
26		37	
4 502	3 919	6 406	5 576

11. Taxes and social security payments

Personal income tax
State social security obligatory payments
Natural resources tax
Real property tax
Business activity duty
VAT

Total

2 924	2 430	4 160	3 458
4 960	3 953	7 057	5 624
36	25	51	35
	26		37
10	9	14	13
3 525	11 605	7 861	16 512
11 454	18 047	19 143	25 679

12. Other creditors (short-term)

Wages
Alimonies

Total

6 285	5 019	8 942	7 141
30	30	43	43
6 315	5 049	8 985	7 184

13. Accrued liabilities

"Auditoru firma"Finansists"

442	383	629	545
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TRANSCRIPT

Riga, 25th of February, 2008
No.1/08

to annual report for 2007 of JSC „RJR”

in 2007.

Net turnover in 2007 of the Company from its basic business activities in comparison to year 2006 has increased for 413387 LVL.

In the previous year the Board of the Company has succeeded in significant increase of income from other operational activities; it has increased from 7157 Lats in 2006 to 44678 Lats in 2007.

Although the year 2007 for the Company has ended with losses in amount of LVL 35811, this was connected to great extent with the factors like significant increase of prices of power resources, salaries and tax payments in respect to it.

The Board approves that the average number of employees in the Company in 2007 has not changed in comparison with year 2006. The Company was able to settle payments with employees on time and also all tax payments were made according the terms although the salaries were increased and the total amount of payable tax and social insurance payments did increase in 2007.

The Company does not have long-term creditors. Loans have not been taken in 2007.

The Council approves activities of the Company in respect to advertising of its trade mark. Advertising campaigns could promote recognition of products of the Company and expanding of market. In the same time the Council admits that jewellery market in Latvia is still limited; therefore, rapid increase of sales volumes in the local market is not expected also in the future.

The Council have discussed work of the Board with debtors. In 2007 the Board of the Company has succeeded in not increasing the total amount of debts of debtors in comparison with year 2006.

According the opinion of the Council, in the future the Company has to give more attention to production of jewellery after individual requests and attract high level jewellers in event of necessity which could result in additional income for the Company.

Chairman of the Council

/signature/ V.Zaķis

Members of the Council:

/signature/ J.Čerņecovs

/signature/ T.Rezņigskā

/signature/ J.Vasulja

/signature/ I.Istomins

TRANSCRIPT CORRECT:

A/S „Rīgas juvelierizstrādājumu rūpnīca”
Chairman of the Board

/ V.Cadovičs/

Riga, 25th of February, 2008

INDEPENDENT AUDITORS' REPORT

To the Shareholders of "Rīgas juvelierizstrādājumu rūpnīca "

Report on the Financial Statements

We have audited the accompanying financial statements on pages 7 to 27 of "Rīgas juvelierizstrādājumu rūpnīca " which comprise the balance sheet as of 31 December 2007 and the related calculation of profit or loss, statement of the capital changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia .. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Latvian Association of certified auditors. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of "Blue mountain peat" on December, 31, 2007, and its operations and its cash flows for the year then ended in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia.

Report on the Management Report

We have read the Management Report set out on pages 4 to 5 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2006.

Certified auditors' company SIA "Finansists"
Audit company licence No. 61

Nelli Jerņolicka
Certified auditor
Certificate No. 102
Chairman of the Board

Rīga, Latvija
25.02.2008.

