

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

Financial account
for the period from 01.01.2008 to 30.06.2008

State Revenue Service territorial office: Latgale suburb department

Date submitted: _____

Date received: _____

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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 Alefina Struļeviča Aleksandrs Ančevskis
Bank account JSC "SEB BANKA"	LV62UNLA0001000243901
Chief Accountant	Raisa Korņilova
Aaccount for the period	from 01.01.2008 to 30.06.2008
Auditor	LLC SIA "Auditoru firma "Finansists" Tālavas gatve 11-4, Rīga, LV-1029 ID.№ LV40002046180 Nelli Jermoljicka Qualified Auditor (Latvian Association of Qualified Auditors cert
Average number of employees	37 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: Alefīna Struļeviča un Aleksandrs Ančevskis.

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

Largest share holders of the Company are:

State Social Insurance Agency – 225 000 shares

Vladimirs Cadovics – 306 785 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: -12 596 LVL

Nett result: 220 715 LVL

Nett turnover in year 2008 constitutes 220 715 LVL and it has risen by 10,03% in comparison with year 2007.

In connection with a rise in prices on power resources and as with growth of inflation, we are compelled to raise the prices for let out production. Because of an economic crisis in Latvia consumer ability falls, that adversely influences realization of finished goods.

Direct materials (gold, silver, palladium) used in production the Company purchases from German company „Heraeus GmbH” 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.

In year 2008 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 and Turkish producers about supply of high quality production 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 2008.

In 2008 cooperation with existing customers was made more active and new customers were successfully attracted by offering new product collections for advantageous conditions.

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.

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

Vladimirs Cadovičs

Member of the Board

Alefīna Struļeviča

Member of the Board

Aleksandrs Ančevskis

STATEMENT FOR GUIDANCE RESPONSIBILITY

JSC „Rīgas juvelierizstrādājumu rūpnīca” guidance is responsible for enterprise prepare of financial accounts.

JSC „Rīgas juvelierizstrādājumu rūpnīca” financial account for 6 months is prepared in accordance with with the requirements of the in force being normative acts and gives a true information for JSC „Rīgas juvelierizstrādājumu rūpnīca” assets, passive voices, the financial state and earnings.

JSC „Rīgas juvelierizstrādājumu rūpnīca” guidance is responsible for the Republic of Latvia execute a legislation requirement.

Vladimirs Cadovičs
Chairman of the Board

August 28, 2008

**Profits or loss statements for the period from
01.01.2008 to 30.06.2008 and 01.01.2007 to 30.06.2007**

Parameter designation	Appen- dices	2008 Ls	2007 Ls	2008 EUR	2007 EUR
Net turnover	1	220 715	200 586	314 049	285 408
Manufacturing expenditures of sold products	2	-193 238	-187 776	-274 953	-267 182
Gross profit or loss		27 477	12 810	39 096	18 226
Selling costs	3	-5 875	-4 775	-8 359	-6 794
Administrative expenses	4	-56 771	-47 228	-80 778	-67 199
Other revenue of the Company business operations	5	22 507	15 758	32 023	22 421
Other expenses of the Company business operations	6	-4	-2 127	-5	-3 026
Other interests income and similar	7	70	71	100	101
Profit or loss before extraordinary items and taxations		-12 596	-25 491	-17 923	-36 271
Extraordinary income	8		42		60
Profit or loss before taxation and minority		-12 596	-25 449	-17 923	-36 211
Other taxes	9	-2 329	-2 528	-3 314	-3 597
Loss for the year of account (net income)		-14 925	-27 977	-21 237	-39 808
Profit or loss for ONE stock, annual		-0.003	-0.006	-0.003	-0.006
Profit or loss for ONE stock as from commencement of operations		-0.786	-0.788	-0.786	-0.788

Appendix from Page 10 to 15 shall constitute an integral part to the present financial statement

Balance sheet at 30.june 2008 and 2007

ASSETS	Appen- dices	2008 Ls	2007 Ls	2008 EUR	2007 EUR
Long-term investments					
II Fixed assets					
Building, constructions		134 646	143 665	191 584	204 417
Long-term investments in the rented fixed assets			14 309		20 360
Equipment and machinery		759	1 045	1 080	1 487
Other fixed assets and inventory		16 205	24 805	23 057	35 294
Total fixed assets		151 610	183 824	215 721	261 558
Investments property		43 536	46 471	61 946	66 122
Total investments property		43 536	46 471	61 946	66 122
Total long-term investments	1	195 146	230 295	277 667	327 680
Current assets					
I Inventory					
Raw materials, direct materials and auxiliary materials	2	205 380	222 280	292 229	316 276
Unfinished products		111 555	96 393	158 729	137 155
Finished goods and goods for sale		213 938	189 983	304 406	270 322
Advance payment for goods	3	1372	233	1 952	331
Total inventory		532 245	508 889	757 316	724 084
II Debtors' indebtedness					
Indebtedness of customers and clients	4	384 410	398 598	546 966	567 154
Other debtors	5	113	2 452	161	3 489
Expenses of subsequent perios	6	5 359	8 251	7 625	11 740
Total debtors		389 882	409 301	554 752	582 383
Funds (total)	7	56 905	42 298	80 969	60 184
Total current assets		979 032	960 488	1 393 037	1 366 651
Assets grand total		1 174 178	1 190 783	1 670 704	1 694 331

"Rīgas juvelierizstrādājumu rūpnīca" JSC /AS/
single ID.40003044420
Account for the period from 01.01.2008 to 30.06.2008

LIABILITIES	Appen- dices	2008 Ls	2007 Ls	2008 EUR	2007 EUR
<i>I Equity capital</i>					
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		135 091	176 474	192 217	251 100
<i>Retained earnings</i>					
a) retained earnings from previous year		-3 715 292	-3 712 042	-5 286 384	-5 281 760
b) retained earnings for the year of account		-14 925	-27 977	-21 237	-39 808
Total retained earnings		-3 730 217	-3 740 019	-5 307 621	-5 321 568
<i>Total equity capital</i>		1 147 854	1 179 435	1 633 249	1 678 185
<i>III Creditors</i>					
<i>1. Long-term debts</i>					
Deferred tax liability amounts			2 789		3 968
<i>Total long-term debts</i>			2 789		3 968
<i>2. Short-term debts</i>					
Taxes and social security liabilities	9	14 627	8 454	20 812	12 029
Other creditors	10	11 697	105	16 643	149
<i>Total short-term debts</i>		26 324	8 559	37 455	12 178
<i>Total creditors</i>		26 324	11 348	37 455	16 146
<i>Liabilities grand total</i>		1 174 178	1 190 783	1 670 704	1 694 331

Appendix from Page 10 to 15 shall constitute an integral part to the present financial statement

Chairman of the Board
Vladimirs Cadovičs

Member of the Board
Aleŭtina Struļeviča

Member of the Board
Aleksandrs Ančevskis

Account on changes in equity capital
for period from 01.01.2008 to 30.06.2008 and 01.01.2007 to 30.06.2007

	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 30.june 2007	4 742 980	176 474	-3 712 042	-27 977	1 179 435
Remaining amount on 30.june 2008	4 742 980	135 091	-3 715 292	-14 925	1 147 854

	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 30.june 2007	6 748 653	251 100	-5 281 760	-39 808	1 678 185
Remaining amount on 30.june 2008	6 748 653	192 217	-5 286 384	-21 237	1 633 249

Chairman of the Board
Vladimirs Cadovičs

Member of the Board
Alektina Struļeviča

Member of the Board
Aleksandrs Ančevskis

**ACCOUNT ON CASH FLOW for the PERIOD having EXPIRED
on 30.june 2008.(by direkt method)**

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
I. Cash flow from basic activities				
Proceeds from no product selling and provision of services	237 297	224 641	337 643	319 635
Payments to suppliers, staff, other expenditures of basic activities	-314 594	-297 827	-447 627	-423 770
Receipts and expenditures from other basic activities of the Company	53 652	40 142	76 340	57 117
Gross basic activities cash flow	-23 645	-33 044	-33 644	-47 018
Expenditures for real property tax payments (-)	-2 233	-2 528	-3 177	-3 597
Cash flow before extraordinary items	-25 878	-35 572	-36 821	-50 615
Net basic activities cash flow	-25 878	-35 572	-36 821	-50 615
II. Cash flow of investment operations				
Acquisition of fixed assets and intangible investments (-)		-19 635		-27 938
Interest received (+)	70	71	100	101
Net cash flow of investment operations	-25 808	-19 564	-36 721	-27 837
V. Net cash flow for the yer of account	-25 808	-55 136	-36 721	-78 452
VI. Cash and equivalents thereof at the begininig of period	82 713	97 434	117 690	138 636
VII. Cash and equivalents thereof at the end of period	56 905	42 298	80 969	60 184

Appendix from Page 10 to 15 shall constitute an integral part to the present financial statement

Chairman of the Board
Vladimirs Cadovičs

Member ot the Board
Aleřtina Struļeviča

Member ot the Board
Aleksandrs Ančevskis

Appendices to the annual account

1. Accounting policy and methods applied

The accounting policy and applied methods in the accounting periods has not changed

Annual account for the period: from 01.january 2008 to 30.june 2008

Money value and revaluation of foreign currency : EUR= 0.702804.Ls

Appendices to the financial account

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

1. Net turnover

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Jewelry production	172 794	163 551	245 864	232 712
Workshop (jewelry repairs)	37 018	30 422	52 672	43 287
Pawnshops (jewelry)	1 095	587	1 558	835
Production of thermal energy	9 808	6 026	13 955	8 574
Total	220 715	200 586	314 049	285 408

2. Manufacturing expenditures of sold products

Labour wages	66 954	53 867	95 267	76 646
Labour state social security obligatory contributions	15 821	12 683	22 511	18 046
Water	780	349	1 110	497
Electric energy	4 575	3 215	6 510	4 575
Gas	10 565	6 713	15 033	9 552
Direct materials	90 445	101 459	128 692	144 363
Branding of jewelry at State Assay Supervision Inspection	4 062	3 439	5 780	4 893
Low-grade inventory, and tools	353	454	502	646
Auxiliary materials	1 249	1 088	1 777	1 548
Depreciation of fixed assets	200	218	285	310
Current repairs (equipment, facilities)	888	5969	1 263	8 493
Long-term investments' writing-off in the leased fixed assets	6 504	7 805	9 254	11 106
Lease payments for the production facilities	5 059	5 059	7 198	7 198
Changes in stock and value of the unfinished products	25 481	-18 054	36 256	-25 688
Changes in stock and value of the finished products	-39 831	3 510	-56 674	4 994
Transitional expenses	133	2	189	3
Total	193 238	187 776	274 953	267 182

3. Selling costs

Labour wages	4 032	3 749	5 737	5 334
Labour state social security obligatory contributions	971	903	1 382	1 285
Advertising	866	123	1 232	175
Other selling costs	6		8	
Total	5 875	4 775	8 359	6 794

4. Administration expenditures

Communication expenditures	1 127	1 160	1 604	1 651
Annual account expenditures	31	84	44	120
Business activity risk duty	56	54	80	77
Bank services	195	162	277	230
To REB and the Financial and Capital Market Commission	2 501	2 541	3 559	3 615
Office costs	655	338	932	481
Electric energy	808	743	1 150	1 057
Depreciation of fixed assets	3 980	3 016	5 663	4 291

"Rīgas juvelierizstrādājumu rūpnīca" JSC /AS/
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Account for the period from 01.01.2008 to 30.06.2008

Appendices to the profit or loss calculation (contunued)

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Deratization costs	43	40	61	57
Traveling allowances		286		407
Administration wages	21 882	21 126	31 135	30 060
Administration state social security obligatory contributions	5 201	5 052	7 400	7 188
Lease of land	1 605	1 771	2 284	2 520
Waste disposal	274	213	390	303
Security services	14 471	7 709	20 590	10 969
Carpet replacement(workshop)	34	48	48	68
Computer, printer, telefax, cash register servicing costs	465	217	662	309
Expenditures of statutory regulary	238	207	339	295
Expenditures for organization of annual general meeting and amendments to Articles of Association	664	333	945	474
Expenditors for insurance of motor transport	39	93	55	132
Motor transport expenditures for administration	2 093	1 769	2 978	2 517
Water	80	27	114	38
Other administration expenditures	329	239	468	340
Total	56 771	47 228	80 778	67 199

5. Other income from the Company business activities

Income from revaluation of finished goods	8 552		12 168	
Return of hopeless debts		427		608
Income from the currency selling or buying	132	98	188	139
Leasing out premises	13 823	15233	19 668	21674
Total	22 507	15 758	32 024	22 421

6. Other expenditures from the Company business activities

Exception of a fixed assets(expese)		2 127		3 026
Loss from the currency rate fluktuation	4		5	
Total	4	2 127	5	3 026

7. Other interest and similar income

Interest on the remaining amount of monies in bank	70	71	100	101
Total	70	71	100	101

8. Extraordinary income

Sale of fixed assets		42		42
Total		42		42

9.Real property tax

2 329	2528	3 314	3597
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Appendices to the financial account

3. Explanatory notes to the balance sheet items

1. Long-term investment

	Fixed assets				Investment property	Total	
	Lands, buildings construction	Long-term investments leased fixed	Equipment and machinery	Other fixed assets			
	LVL	LVL	LVL	LVL	LVL	LVL	EUR
Initial value							
30.06.2007	180 389	74 026	64 100	55 111	58 700	432 326	615 144
Initial value							
30.06.2008	180 389	74 026	64 100	45 959	58 700	423 174	602 122
Depreciation							
30.06.2007	36 724	59 717	63 055	30 306	12 229	202 031	287 464
Depreciation							
30.06.2008	45 743	74 026	63 341	29 754	15 164	228 028	324 455
Residual value	Ls	143 665	14 309	1 045	24 805	46 471	230 295
30.06.2007	EUR	204 417	20 360	1 487	35 294	66 122	327 680
Residual value	Ls	134 646		759	16 205	43 536	195 146
30.06.2008	EUR	191 584		1 080	23 057	61 946	277 667

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

Vehicles are insured.

Fixed assets are not encumbered.

2. Raw materials, direct material and auxiliary

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
gold	140 527	162 068	199 952	230 602
silver	2 360	2 840	3 358	4 041
precious stones, semiprecious stones	55 532	50 681	79 015	72 113
other auxiliary materials	541	71	770	101
low-value materials and inventory	1 400	1 467	1 992	2 087
fuel	15	18	21	26
motor transport tyres	292	159	415	226
tools	4 640	4 921	6 602	7 002
construction materials for current repairs	73	55	104	78
Total	205 380	222 280	292 229	316 276

Appendices to the balance sheet (continued)

	2008	2007	2008	2007
	LVL	LVL	EUR	EUR
3. Advance payments for products				
To LLC /SIA/ NESTE for fuel	1 372	62	1 952	88
TO State Assay Supervision Inspectorate for branding		171		243
Total	1 372	233	1 952	331

4. Indebtedness of customers and clients

Indebtedness of customers and clients	369 986	376 853	526 443	536 214
Settlements with other debtors	2 235	554	3 180	788
Settlements for lease	12 189	21 191	17 343	30 152
Customer and client accounting value, total	384 410	398 598	546 966	567 154

5. Other debtors

Settlement with employees	113	2 452	161	3 489
Total	113	2 452	161	3 489

6. Expenditures for the subsequent periods

Payment for the rented ground		166		236
Advertising costs		43		61
Insurance of vehicles	105	67	149	96
Lietišķas informācijas dienests (laws of the Republic of Latvia)	179	164	255	233
Newspaper, journals	75	43	107	61
Project documentation	2 500	5 268	3 557	7 496
Riga Stock Exchange for the stock quotation	2 500	2 500	3 557	3 557
Total	5 359	8 251	7 625	11 740

7. Monetary instruments

Monetary instruments in cash	18 525	10 635	26 359	15 132
Monetary instruments in operating accounts	38 380	31 663	54 610	45 052
Total	56 905	42 298	80 969	60 184

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

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

Appendices to the balance sheet (continued)

	2008	2007	2008	2007
	LVL	LVL	EUR	EUR
10. Taxes and social security payments				
Personal income tax	3 572	3 026	5 082	4 305
State social security obligatory payments	6 842	5 417	9 735	7 708
Natural resources tax	4	2	6	3
Business activity duty	9	9	13	13
VAT	4 200		5 976	
Total	14 627	8 454	20 812	12 029

11. Other creditors (short-term)

Wages	11 637	69	16 558	98
Alimonies	60	36	85	51
Total	11 697	105	16 643	149