

JSC "Rīgas juvelierizstrādājumu rūpnīca"
Unified registration Nr. 40003044420
Address : Terēzes iela 1, Rīga LV-1012

Main activities:
NACE code red.3212
processing of precious metals

Unit: LVL

Annual report
of the period from 01.01.2012 to 31.12.2012

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

State Revenue Service territorial office: Latgale suburb department

Submission date: _____

Date of receipt: _____

Rīga, 2013.

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Management Report

Information about the Company

AS „Rīgas juvelierizstrādājumu rūpnīca” registered office is at 1 Terezes Street, Riga, LV-1012. The Company is registered in the Commercial Register under unified registration number 40003044420. The equity capital of the company is 4 742 980 LVL that is divided into 4742980 shares with share's nominal value of 1 LVL.

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

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

The Company's major shareholders are:

Marija Ančevska – 1 540 000 shares

Igors Istomins – 1 160 000 shares

Vladimirs Cadovičs – 531 785 shares

Others - 972 people with shares 5% or less of the total number of shares - 1 511 195 shares

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's business for the accounting year

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

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

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

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

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

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

Result before extraordinary items and taxes is: 80 459 LVL

Real Property Tax: (3 704) LVL

Net result: 76 755 LVL

Profitability coefficient of the basic activity, % for the year 2012 - 130%, for the year 2011 -99%.

Net turnover for 01.01.2012- 31.12.2012 was equal to 404 576 LVL. It has increased for 9% compared with the previous accounting period.

In 2012 the Company efficiently cooperated with Lithuanian company IĮ „PREMIÈRE juvelyrikos namai”.

In order to improve cooperation with current customers and to attract new customers, the Company presented its product collections on the Internet at: www.rigagold.lv.

In 2012 the Company expanded its range of jewelry, following the customers' requirements and the latest fashion tendencies.

Events for developing the Company

Taking into consideration the global financial crisis, the Company plans to implement its new business ideas, researching local and foreign markets for reaching better sales results.

It intends to develop the existing Internet homepage, offering its range of jewelry.

The Company plans to involve partners from the European member-states and Russia for producing new jewelry models, and to create much more efficient opportunities for cooperating with wholesalers in Latvia.

It intends also to analyze paying capacity of customers and to sell products in accordance with the results of analysis, in some cases correcting payment terms.

For mastering new sales markets, the Company should make considerable investments, which are currently impossible without attracting additional funds. Efforts made by the Company's Board and Council in finding investors with their market niche gave no results so far.

One of the key targets for 2013 is to develop the new advertising concept aimed at popularizing the Company's products in the Latvian market.

Circumstances and events following striking a balance

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

Related companies

The Company has its related company SIA "Grabes pansija", unified reg. No. 40003648860, 1 Terezes Street, Riga.

Vladimirs Cadovičs is a holder of a 100% share in the authorized capital of [SIA "Grabes pansija"](#).

Suggestions regarding distribution of profit

The Company's profit will be used for covering losses for the previous periods.

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Aleksandrs Struļevičs

Member of the Board

Aleksandrs Ančevskis

The Annual Accounts were approved by Minutes No. 1/2012 of the Meeting of the Shareholders on "

" 2013

Statement on the Company management responsibility

The Company management shall be held responsible for development of financial statements, based on the initial bookkeeping records concerning each accounting period, which is true and impartial reflection of financial condition of the Company at the 31.12.2012

Hereby it is confirmed by the Company managers that upon drawing the present report for period, 01.01.2012- 31.12.2012, appropriate accounting methods were used, the same were applied on consistent basis, and reasonable and cautious decisions are made.

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

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

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Aleksandrs Struļevičs

Member of the Board

Aleksandrs Ančevskis

INFORMATION about the COMPANY

Name of the Company	<i>JSC "Rīgas juvelierizstrādājumu rūpnīca"</i>
Legal Status of the Company	<i>Joint Stock company</i>
Unified Registration №, place and date of incorporation	<i>40003044420 10 th December 1991</i>
Legal address	<i>Terēzes 1, Rīga, LV-1012</i>
Mailing address	<i>Terēzes 1, Rīga, LV-1012</i>
Name of the Bank and bank accounts of the company	<i>JSC "SEB banka" LV62UNLA 0001000243901 LVL LV64UNLA0050018797523 EUR</i>

Shareholders and their shares %	2012	2011
Vladimirs Cadovičs	11,21%	11,21%
Igors Istomins	24,46%	24,46%
Marija Ančevska	32,47%	32,47%
"MALEKS S" SIA	4,91%	5,04%
Others	26,95%	26,82%

	from 09.05.2012	before 09.05.2012
Composition of the Council members	<i>Vidis Zaķis Igors Istomins Jeļena Vasuļa Svetlana Tolkačova Tatjana Reznigskā</i>	<i>Vidis Zaķis Igors Istomins Jeļena Vasuļa Jurijs Čerņecovs Tatjana Reznigskā</i>

	from 17.05.2012	before 17.05.2012
Composition of the Board of Directors members	<i>Vladimirs Cadovičs Aleksandrs Struļevičs Aleksandrs Ančevskis</i>	<i>Vladimirs Cadovičs Aleļtina Struļeviča Aleksandrs Ančevskis</i>

For the period *from 01.01.2012 to 31.12.2012*

Previous period *from 01.01.2011 to 31.12.2011*

Average number of employees 17

Information about off-balance liabilities and pledged assets Off-balance assets/liabilities are formed as reserves of the doubtful debtors. Total off-balance sum of assets/reserves is 622 LVL.

Auditor Aivars Rutkis 240254-12201
certified auditor
(LZRA certif.Nr.18)
Minutes No. 1/2013 of the Meeting of the Shareholders on 26.04.2013

BALANCE SHEET

<i>ASSETS</i>	Appendices	2012 LVL	2011 LVL	2012 EUR	2011 EUR
I. Long-term investments					
I Fixed assets					
Land, buildings, constructions and perennial plantations		94 057	103 077	133 831	146 665
Equipment and machinery		52	103	74	147
Other fixed assets and inventory		2 393	4 986	3 405	7 094
Total fixed assets		96 502	108 166	137 310	153 906
II Investment property		30 330	33 264	43 156	47 330
Total investment property		30 330	33 264	43 156	47 330
Total long-term investments	1	126 832	141 430	180 466	201 236
2. Current assets					
III Inventory					
Raw materials, direct materials and auxiliary materials	2	327 844	225 269	466 480	320 529
Unfinished products	3	82 701	158 878	117 673	226 063
Finished products and products for sale	4	145 312	159 362	206 760	226 752
Advance payments for goods	5	149	87	212	124
Total inventory		556 006	543 596	791 125	773 468
IV Indebtedness of the debtors					
Debts of the customers and clients	6	430 044	342 462	611 897	487 280
Other debtors	7	11	193	16	275
Expenses of the subsequent period	8	458	473	652	673
Total debtors		430 513	343 128	612 565	488 228
Funds (total)	9	64 928	68 747	92 384	97 818
Total current assets		1 051 447	955 471	1 496 074	1 359 514
Grand total assets		1 178 279	1 096 901	1 676 540	1 560 750

BALANCE SHEET

Liabilities		Appendixes	2012 LVL	2011 LVL	2012 EUR	2011 EUR
I Equity capital						
Stock or share capital (fixed capital)		10	4 742 980	4 742 980	6 748 653	6 748 653
Revaluation reserves of long-term investments			102 845	108 258	146 335	154 037
Undistributed profit						
a) undistributed profit from previous year			(3 776 592)	(3 816 246)	(5 373 606)	(5 430 029)
b) undistributed profit for the reporting year			76 755	39 654	109 213	56 423
<i>Total undistributed profit</i>			(3 699 837)	(3 776 592)	(5 264 394)	(5 373 606)
Total equity capital			1 145 988	1 074 646	1 630 594	1 529 084
II Reserves		11	5 405	4 961	7 691	7 059
Total reserves			5 405	4 961	7 691	7 059
III Creditors						
2 Short-term debts						
Indebtedness to suppliers and contractors		12	4 491	1 026	6 390	1 460
Taxes and social security liabilities		13	9 925	7 555	14 122	10 750
Other creditors		14	3 782	3 985	5 381	5 670
Accrued liabilities		15	8 688	4 728	12 362	6 727
Total short-term debts			26 886	17 294	38 255	24 607
Total creditors			26 886	17 294	38 255	24 607
Grand total liabilities			1 178 279	1 096 901	1 676 540	1 560 750

* *Accumulation for vacations on 31.12.2010 are reclassified from accrued liabilities to reserves*

Reclassification of items doesn't influence net profit in the reporting period and items of an equity capital

Appendix from Page 13 to 23 is an integral part to the present financial statement

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Aleksandrs Struļevičs

Member of the Board

Aleksandrs Ančevskis

"27th" of March , 2013

PROFIT or LOSS STATEMENT'S CALCULATIONS

(by turnover expenditure method)

	Parameters	Appendixes	2012 LVL	2011 LVL	2012 EUR	2011 EUR
	Net turnover	16	404 576	370 828	575 660	527 641
	Manufacturing expenditures of sold products	17	(175 918)	(186 322)	(250 309)	(265 112)
	Gross profit or loss		228 658	184 506	325 351	262 528
	Selling expenses	18	(105 288)	(97 493)	(149 811)	(138 720)
	Administrative expenses	19	(90 213)	(79 783)	(128 362)	(113 521)
	Other operating revenue	20	51 016	44 713	72 589	63 621
	Other operating expenses	21	(3 714)	(8 564)	(5 285)	(12 185)
	Profit or loss before extraordinary items and taxes		80 459	43 379	114 483	61 723
	Profit or loss before taxation		80 459	43 379	114 483	61 723
	Other taxes	22	(3 704)	(3 725)	(5 270)	(5 300)
	Profit or loss in the reporting year		76 755	39 654	109 213	56 423
	Profit or loss per one stock in a year		0,016	0,008	0,016	0,008
	Profit or loss per one stock from the beginning		-0,780	-0,796	-0,780	-0,796

Appendix from Page 13 to 23 is an integral part to the present financial statement

Report on changes in the equity capital in 2012 and 2011

	Stock or share capital (fixed)	Revaluation reserves of long-term investments	Undistributed profit from the previous year	Profit in the reporting year	Total equity capital
	LVL	LVL	LVL	LVL	LVL
Remaining amount on 31 December 2010	4 742 980	113 956	(3 796 160)	(20 086)	1 040 690
Transferred losses			(20 086)	20 086	-
Losses in the reporting year				39 654	39 654
Reduction of reserves		(5 698)			(5 698)
Remaining amount on 31 December 2011	4 742 980	108 258	(3 816 246)	39 654	1 074 646
Transferred losses			39 654	(39 654)	-
Losses in the reporting year				76 755	76 755
Reduction of reserves		(5 413)			(5 413)
Remaining amount on 31 December 2012	4 742 980	102 845	(3 776 592)	76 755	1 145 988

	Stock or share capital (fixed)	Revaluation reserves of long-term investments	Undistributed profit from the previous year	Profit in the reporting year	Total equity capital
	EUR	EUR	EUR	EUR	EUR
Remaining amount on 31 December 2010	6 748 653	162 145	(5 401 449)	(28 580)	1 480 769
Transferred losses			(28 580)	28 580	-
Losses in the reporting year				56 423	56 423
Reduction of reserves		(8 108)			(8 108)
Remaining amount on 31 December 2011	6 748 653	154 037	(5 430 029)	56 423	1 529 084
Transferred losses			56 423	(56 423)	-
Losses in the reporting year				109 213	109 213
Reduction of reserves		(7 702)			(7 702)
Remaining amount on 31 December 2012	6 748 653	146 335	(5 373 606)	109 213	1 630 595

Appendix from Page 13 to 23 is an integral part to the present financial statement

Chairman of the Board

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Aleksandrs Ančevskis

CASH FLOW STATEMENT
(by direct method)

	Pielikumi	2012 LVL	2011 LVL	2012 EUR	2011 EUR
I. Cash flow from main activities					
Revenue from the sales of the products and provided services		271 298	244 645	386 022	348 098
Payments to suppliers, staff, other expenditures on main activities		(370 139)	(333 061)	(526 660)	(473 903)
Other revenues and expenditures on main activities		98 998	90 321	140 861	128 515
Gross cash flow of the main activities		157	1 905	223	2 711
Expenditures on tax payments for the real property (-)	26	(3 704)	(3 725)	(5 270)	(5 300)
Cash flow before extraordinary items		(3 547)	(1 820)	(5 047)	(2 590)
Net cash flow of the main activities		(3 547)	(1 820)	(5 047)	(2 590)
II. Cash flow of investment activities					
Acquisition of fixed assets and intangible investments	1	(272)	(2 947)	(387)	(4 193)
Received interest	22			-	-
Net cash flow of investment operations		(272)	(2 947)	(387)	(4 193)
V. Net cash flow in the reporting year	*	(3 819)	(4 767)	(5 434)	(6 783)
VI. Cash and its equivalents at the beginning of the period	9	68 747	73 514	97 818	104 601
VII. Cash and its equivalents at the end of the period	9	64 928	68 747	92 384	97 818

* In the reporting year the result of the annual accounts is positive but the result of the net cash flow is negative because there were fewer payments received from the debtors than there were payments made to the creditors.

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REVALUATION RESERVES OF LONG-TERM INVESTMENTS
(taxation period: 01.01.2012-31.12.2012.)

	Total LVL	Included	
		for fixed assets	for long-term investments
According to the balance on 31.12.2010.	113 956	113 956	
Decrease from the revaluated object (calculations of financial depreciation)	(5 698)	(5 698)	
According to the balance on 31.12.2011.	108 258	108 258	-
- from the calculations of depreciation	(5 413)	(5 413)	
According to the balance on 31.12.2012.	102 845	102 845	

	Total EUR	Included	
		for fixed assets	for long-term investments
According to the balance on 31.12.2010.	162 145	162 145	
Decrease from the revaluated object (calculations of financial depreciation)	(8 108)	(8 108)	
According to the balance on 31.12.2011.	154 037	154 037	-
- from the calculations of depreciation	(7 702)	(7 702)	
According to the balance on 31.12.2012.	146 335	146 335	

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Annexes to the Annual Accounts

1. Accounting Policy

Figures are set out in the Financial Statements in the Latvian national currency - lats (LVL), in abbreviated form - Ls, and EUR in accordance with the requirements of Paragraph 13.3.3. of the Regulations for Riga Stock Exchange

General Principles

The Annual Accounts are prepared in accordance with laws of the Republic of Latvia *On Accounting* and the *Annual Accounts Law* and requirements of Regulations No. 488, 481 issued by the Cabinet of Ministers of the Republic of Latvia on June 21, 2011.

[Latvian Accounting Standards are applicable as good practice guidelines.](#)

(LAS): LAS 1 Financial Reporting Guidelines, LAS 2 Statement of Cash Flow, LAS 3 Events after the Balance Sheet Date, LAS 4 Accounting Policy Change, Changes in Accounting Estimates and Prior Period Errors, LAS 5 Long-Term Agreements, LAS 6 Income, LAS 7 Fixed Assets, LAS 8 Provisions, Contingent Liabilities and Contingent Assets and LAS 9 Investment Property.

Profit or Loss Account is prepared in accordance with the turnover costs method.

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

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

The accounting policy ensures that the financial statements provide information that:

1. Is adequate for users of the Annual Accounts in order to take decisions;

2. Is reliable, since the Accounts:

* correctly disclose the Company's results and financial situation - reflecting economic content and nature of transactions, not just their legal form, they are neutral, not subjective, and prepared in accordance with the principle of carefulness;

* are complete in all substantial aspects.

Changes in the accounting policy

Compared with the previous accounting year, the accounting policy for the public utility services accounting for lessors of premises was changed. If the requirements of the new foreign regulatory enactments and Latvian Accounting Standards or voluntarily changed accounting policy affect the accounting period or any previous period, the requirements of LAS 4 shall apply.

Correction of mistakes

The Company corrects serious mistakes for previous periods retroactively in the first financial statements approved for publication after detecting mistakes:

1) correcting comparable figures for the periods in which relevant mistake occurred; or

2) if mistake occurred prior to the period stated in the latter financial statement, correcting assets, liabilities or shareholders' equity balances of the beginning of the latter period as stated.

Applied accounting principles

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

a) it is assumed that the company will continue as a going concern;

b) the same evaluation principles as in the previous accounting year are applied;

c) the evaluation is carried out with appropriate care, observing the following conditions:

- only the profit earned before the balance sheet date is included in the accounts;

- 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;

- 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;

d) 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;

f) pārskata gada sākuma bilance saskan ar iepriekšējā gada slēguma bilanci;

g) all items that have a significant influence on the evaluation or taking of decisions by the users of the annual accounts are set out;

h) economic activities of the company are reflected, taking into account their economic content and nature, not just their legal form.

Accounting period

from 01.01.2012. till 31.12.2012.

Transactions in foreign currencies

Figures are set out in these financial statements in the Latvian national currency - lats (LVL).

All monetary assets and liabilities in foreign currencies are re-calculated into lats according to the exchange rate set by the Bank of Latvia on the last date of the accounting year.

Differences in currency exchange rates, resulting from settlements in foreign currencies or, reflecting asset and liability items, applying the exchange rates different from those initially applied for recording the transactions, are recognized in the Profit or Loss Account at their net value.

Profit or loss resulting from fluctuations of the foreign currency exchange rates are reflected in the Profit or Loss Account for relevant period. Foreign currency exchange rates at the end of the accounting period for the past two years were the following:

	2012.12.31	2011.12.31
EUR	0,702804	0,702804

Long-term and short-term items

Short-term assets include the following amounts of assets:

- * which are intended to be sold or consumed within the cycle of normal activity of the Company;
- * which are held mainly for trading purposes or for a short time and intended to be sold within twelve months following the balance sheet date;
- * cash or cash equivalents with the unlimited use possibilities.

Other assets are classified as long-term.

Short-term liabilities include amounts of liabilities:

- * for which it is planned to settle accounts within the cycle of normal activity of the Company;
- * there shall be settled accounts for them within twelve months following the balance sheet date.

Other liabilities are classified as long-term.

Depreciation of intangible assets and fixed assets

Fixed assets:

Fixed assets include physical objects with their useful life exceeding 12 calendar months and their acquisition value being 100,- Ls and more.

Fixed assets do not include work tools, production equipment, auxiliary facilities and obligatory work clothing, footwear and other objects, irrespective of their useful life and acquisition value. All fixed assets are initially evaluated at the acquisition value.

Revaluation of fixed assets is based on relevant conditions.

Fixed assets are set out at the acquisition or re-valuation value less depreciation. Depreciation is calculated according to the linear method for the period of useful life of relevant fixed asset in order to write off value of fixed asset to its estimated depreciation value at the end of the period of its useful life, applying the following rates approved by the Company's management:

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

- * Depreciation of parcels of land is not calculated.

Fixed asset current repair and maintenance costs are included in the Profit or Loss Account for the period when they have occurred.

Profit or loss from the exclusion of fixed assets is calculated as a difference between the book value

and income resulting from sale of fixed asset, and is included in the Profit or Loss Account for the period when it has occurred.

Lease

If fixed assets are leased, then repair and improvement costs are set out as Long-Term Investments into Leased Fixed Assets, and are gradually written off as expenses within the period of lease.

Lease of assets, within which the lessor assumes practically all of the ownership-related risks and acquires compensation is classified as operative lease. Operative lease payments are recorded as expenses for all the lease period, applying the linear method.

Long-term financial investments

Long-term financial investments include the Company's acquisition (shares), long-term loans, long-term investments.

Long-term financial investments include the investments with the repayment periods longer than one year, following the accounting year.

Evaluation of stocks

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

Wholesale traders apply method for continuous inventory of product movements. For the accounting year, the storehouse reporting program has reflected each movement of stocks - sale, internal movement, return of goods to suppliers, goods returned by buyers.

The purpose of the annual inventory is to check the correctness of the stocks movement records.

Stocks are evaluated, applying the FIFO method.

If necessary, decrease in value of obsolete, low-turnover or damaged stocks is written off, or provisions are formed for them.

Material values not used and goods balances at the end of the accounting period are evaluated according to their acquisition value, adding additional expenses (customs duties, transport costs, suppliers' services, etc.), which are attributable to the balances to be evaluated.

Acquired inventory value is written off:

- a) for the objects of value not exceeding 100,- Ls when putting them into operation;

Stocks balances are checked in the course of the annual stock-taking procedure.

Accounts receivable

Accounts receivable are evaluated, observing the principle of carefulness, stating only real debtors on the balance sheet. Actual sums of debtors comply with those stated in the agreements and other accounting source documents. Accounts receivable are reconciled, bad debts are written off and provisions for dubious debts are formed on the basis of results of evaluation of the financial situation and economic activities of each customer individually.

Accounts receivable are set out on the balance sheet at their net (acquisition) value, deducting from the initial value special provisions for dubious debts.

- 2. Provisions for dubious debts are estimated when full recovery of debt is not reliable.

- 3. Amount of provision as required is determined, individually evaluating each debtor and reconciling accounts receivable.

Bad debts and provisions for dubious debts are written off when their recovery is considered impossible.

- 1. Amounts of accounts receivable and payable are checked within the 4th quarter of each accounting year, issuing relevant reconciliation report.

- 2. Accounts receivable and payable are reconciled by relevant reconciliation reports.

Differences detected in reconciling data of accounting registers are regulated in the annual accounts.

Net turnover

Net turnover is a total value of products sold and services provided for the year, less granted discounts and value-added tax. Income from sale of goods is recognized, when buyer accepted goods in accordance with conditions for goods supply. Income from sale of goods outside Latvia is recognized in accordance with conditions for the goods supply.

Recognition of income and expenses

1. Income from sale of goods shall be recognized where the transaction complies with the following conditions:

- a) the Company assigned to the buyer substantial risks related to the ownership of goods and compensations;
- b) the Company holds no subsequent management rights related to ownership and actual control over the products sold;
- c) amount of income can be accurately evaluated;
- d) it is obvious that the Company will receive economic benefits related to the transaction;
- e) costs that have occurred or will occur in relation to the transaction can be exactly evaluated.

Sale of goods is reflected taking into account economic nature of the transaction, not just its legal form.

2. Outcome of the transaction related to provision of services can be accurately estimated, if all the below conditions are observed:

- a) amount of income can be accurately evaluated;
- b) it is obvious that the Company will receive economic benefits related to the transaction;
- c) it can be accurately evaluated which is the percentage of the amount of provided services as of the balance sheet date;
- d) there can be accurately evaluated the current transaction expenses and expenses that will be necessary for completing the transaction.

3. Income from lease - at the time they have occurred;

All substantial cost items are recorded according to the accrual principle.

Cash and cash equivalents

Cash and cash equivalents include cash at the cash desk and balances on current bank accounts.

Fair value of financial assets and liabilities

Fair value of financial assets and liabilities reflects the amount of funds for which relevant asset could be sold or relevant liabilities could be discharged between two independent persons. If in the management's opinion, fair value of financial assets and liabilities substantially differs from their book value, then fair value of such assets and liabilities is set out separately in appendices to the financial statements.

Long-term investment re-valuation reserve

Increase in value included in the long-term investment re-valuation reserve is reduced, recognizing the decrease in the Profit or Loss Account during the time of using the gradually re-valuated fixed asset, in each accounting period writing off the amount, which is calculated: depreciation for the fixed asset re-valuated value - depreciation for the fixed asset acquisition value.

Accounts payable

Balances of accounts payable are set out on the balance sheet in accordance with source documents and records in the accounting registers, they are accorded with the accounting data of creditors.

These debts are divided into short-term or long-term debts (liabilities) respectively. Short-term liabilities include liabilities that occurred in the course of normal activities and those shall be settled within 12 months following the balance sheet date. Long-term liabilities include liabilities for which the Company shall start making payments not earlier than one year after the end of the accounting year. Loan and lease liabilities are divided into the short-term and long-term respectively.

Provisions

Provisions are intended to cover liabilities of a certain kind, which are attributable to the accounting period or previous periods, which are expected or known during the time of drawing up the annual accounts and which do not exceed certain amounts.

Amount of certain provisions is calculated in accordance with methods approved by the Company.

Provisions for unused vacations

Amount of provisions is determined, by calculating for each employee separately how many days of unused vacation are attributable exactly to this accounting period, applying duration of vacation as determined in the Labor Law and the state social insurance payment norm - at the end of the accounting year.

Loans and borrowings

Loans and borrowings are initially set out at their original value that is determined in accordance with fair value of the amount of relevant loan or borrowing at the transaction time.

Outstanding loans obtained from lending institutions are reconciled at the end of the accounting year with data of relevant lending institution. Amounts of outstanding loans in foreign currencies are evaluated according to relevant exchange rate set by the Bank of Latvia on the last date of the accounting year.

Accrued liabilities

All invoices received or issued on the date following the accounting year for the costs occurred during the accounting year, if amount of such costs or payment date are known exactly at the time of preparing the annual accounts, are recognized as accrued liabilities.

Accrued liabilities are set out on the balance sheet in a separate row.

Taxes

Enterprise income tax costs for the accounting year are included in the financial statement, in accordance with the tax rates determined on the balance sheet date, and calculations based on the taxation law of the Republic of Latvia.

Deferred tax is calculated, using deferred method in relation to all temporary differences between asset and liability values in the financial statements and such values for the purpose of calculation of taxes. To calculate the deferred tax, there are applied the tax rates effective on the balance sheet date that are expected in the periods when relevant deferred tax assets are planned to be sold or relevant deferred tax liabilities are planned to be settled for the next taxation periods and from the accrued expenses deducted for the purpose of taxes in the next taxation periods.

Deferred tax assets are recognized, if there exists large probability that taxable profit will be earned, to which there can be attributed a temporary difference to be deducted.

In the event that the total deferred tax calculation result should be reflected in the balance sheet assets, it is included in the financial statements when its recovery can be reliably expected.

Tax liabilities were reconciled with data in the State Revenue Service.

Estimations

In preparing the financial statements, management has to take as a basis the known assumptions and estimations that affect some amounts and explanations set out in the financial statements. Thus, actual results could differ from such estimations. Pursuant to the laws of Latvia, in preparing the financial statements, the Company's management shall evaluate and make assumptions affecting assets and liabilities set out in reports and off-balance-sheet items on the date of preparing annual accounts, and income and expenses set out for the accounting period. Actual results can differ from such estimations, (e.g.: deferred enterprise income tax liabilities, vacation reserve, etc.)

Contingent liabilities and assets

Contingent liabilities are not recognized in these financial statements, they are recognized in the appendix to the financial statements. Liabilities are recognized only if the probability that funds will be provided is sufficiently grounded. Contingent assets are not recognized in these financial statements. Contingent assets are recognized in the appendix to the financial statements when the probability that economic benefits related to the transaction will reach the Company is sufficiently grounded.

Events after the end of the accounting year

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

Related parties

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

Re-classification of items

In 2012, compared to the annual accounts for 2011, classification of items wasn't changed.

Appendixes to the annual report

2.Explanatory notes to the items of the balance sheet

1.Fixed assets

	Investment property	Buildings, constructions	Other fixed assets	Equipment and machinery	Long-term investments in leased fixed assets	Total LVL	Total EUR
Initial Value							
31.12.2011.	58 700	180 389	44 246	64 356	74 026	421 717	600 049
Acquisition			272			272	387
Written off							
31.12.2012.	58 700	180 389	44 518	64 356	74 026	421 989	600 436
Depreciation							
31.12.2011.	25 436	77 312	39 260	64 253	74 026	280 287	398 812
Calculated	2 934	9 020	2 865	51		14 870	21 158
Written off							
31.12.2012.	28 370	86 332	42 125	64 304	74 026	295 157	419 971
Residual value							
31.12.2011.	33 264	103 077	4 986	103	-	141 430	201 237
Residual value							
31.12.2012.	30 330	94 057	2 393	52	-	126 832	180 466

Fixed assets in the balance sheet are reflected in residual value

All the fixed assets bought in 2012 are paid for.

Residues of fixed assets on 31.12.2012 are checked during the stocktaking on 31.12.2012.

Buildings, constructions and vehicles are insured.

Real Estate property includes buildings:Notif. Nr.PIPN-12-46868-mp/12-46570-AL/05-07 from 03.02.2012.

- Cadastre Nr. 0100 035 0142 004, Riga, property assessed value - 52 461 Ls;
- Cadastre Nr.0100 035 0142 006, Riga, property assessed value - 111 650 Ls;
- Cadastre Nr.0100 035 0143 003, Riga, property assessed value - 69 564 Ls;
- Cadastre Nr.0100 035 0144 002, Riga, property assessed value - 7 682 Ls;
- Cadastre Nr.0100 035 0146 001, Riga, property assessed value -5591 Ls;

All fixed assets are used in economic activity. Fixed assets are not encumbered.

74 fixed assets have residual value "0" (initial value - 104 835 Ls)

Investment property is a building leased for economic activity.

		2012 LVL	2011 LVL	2012 EUR	2011 EUR
2. Raw materials, direct materials and auxiliary materials					
gold	(-1)	271 756	169 986	386 674	241 868
silver	(-1)	5 151	3 107	7 329	4 421
precious stones, semiprecious stones		46 099	46 883	65 593	66 708
low-value materials and inventory		642	642	913	913
Fuel (a/m)		13	30	18	43
Instruments		4 145	4 583	5 898	6 521
materials for current repairs		38	38	54	54
Total		327 844	225 269	466 480	320 528

Appendixes to the balance sheet (continued)

3.Unfinished products

Unfinished products and orders

	2012 LVL	2011 LVL	2012 EUR	2011 EUR
	82 701	158 878	117 673	226 063
Total	82 701	158 878	117 673	226 063

4. Finished production and goods for sale

	145 312	159 362	206 760	226 752
Total	145 312	159 362	206 760	226 752

5. Advance payments for products

To LLC/SIA/ NESTE for fuel

	149	87	212	124
Total	149	87	212	124

6. Debts of customers and clients

All debts are being received in one year period.

Payments for jewellery

408 736 328 737 581 579 467 750

Purification of gold

6 963 2 763 9 907 3 931

Payments for lease

14 967 11 904 21 296 16 938

Accumulation for doubtful debtors Ltd "Inze plus"

-622 -942 -885 -1 340

Total net debts of customers and clients

430 044 342 462 611 897 487 279

off the balance

accumulation for doubtful debtors on 31.12.2011

942

increase

decrease

-320

accumulation for doubtful debtors on 31.12.2012

622

7.Other debtors

Overpayment ARAGON CARMONA S.L.

0 182 0 259

Security sum VENDEN

11 11 16 16

Total 11 193 16 275

8. Expenditures for the subsequent period

Insurance of the transport

36 52 51 74

Lietišķas informācijas dienests (Laws of the Republic of Latvia)

195 219 277 312

Newspapers, journals

227 202 323 287

Total 458 473 652 673

9. Money resources

Money in cash

4 677 6 158 6 655 8 762

Money in operating accounts

60 251 62 589 85 729 89 056

Total 64 928 68 747 92 384 97 818

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

The JSC was founded on the 10 th December in 1991 with fixed capital Ls 4742980, composed of 4742980 shares, share per 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.

Appendixes to the balance sheet (continued)

11. Accumulation	2012 LVL	2011 LVL	2012 EUR	2011 EUR
Accumulation for unused vacations:	5 405	4 961	7 691	7 059
increased in the reporting year	444	-	-	-
decreased in the reporting year	-	-	-	-
<i>Reclassified from accrued liabilities</i>				
Total	5 405	4 961	7 691	7 059

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

Šmitiņš un partneri SIA	1 210	0	1 722	0
EPS SIA par par paklāju maiņu	14	14	20	20
Cadoviča Žaneta	2 336	0	3 324	0
Rīgas ūdens	175	249	249	354
NASDAQ OMX RIGA AS	756	763	1 076	1 086
Total	4 491	1 026	6 391	1 460

13. Taxes and social security payments

Personal Income Tax	1 432	1 593	2 038	2 267
State social security obligatory payments	2 549	2 955	3 627	4 205
Tax of risk of the business activity	4	3	6	4
Natural resources tax	66	65	94	92
Business motor vehicles tax	0	185	0	0
Value added tax	5 874	2 754	8 358	3 919
Total	9 925	7 555	14 123	10 487

14. Other creditors (short-term)

Salaries	3 686	3 898	5 245	5 546
Payments to workers (advance payments)	96	87	137	124
Total	3 782	3 985	5 382	5 670

15. Accrued liabilities

Liabilities for the subsequent period

Latvenergo AS	2 563	3 201	3 647	4 555
Latvijas gāze AS	5 289	1 109	7 525	1 578
For communication services (Lattelecom)	36	43	51	61
For communication services (Latvijas Mobilais telefons)	68	75	97	107
For checking the annual report (Aivars Rutkis)	732	300	1 042	427
Total	8 688	4 728	12 362	6 728

Appendixes to the annual report

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

16. Net turnover

	2012 LVL	2011 LVL	2012 EUR	2011 EUR
Jewellery sale	240 976	214 712	342 878	305 508
Workshops (jewellery repair)	57 026	56 257	81 141	80 046
Pawnshops (jewellery)	0	759	-	1 080
Sales of investment gold	81 503	83 605	115 968	118 959
Jewellery sales in the EU	25 071	15 495	35 673	22 047
Total	404 576	370 828	575 660	527 640
In Latvia -	298 002 Ls			
In Lithuania -	106 574 Ls			

17. Manufacturing expenditures of sold products

Purchasing and manufacturing expenses of the sold jewels	138 560	148 840	197 153	211 780
Services for manufacturing of the jewels	0	482	0	686
Investment gold's cost	38 213	29 921	54 372	42 574
Assaying of jewellery at the LPB*	339	700	482	996
Low-value inventory and tools	443	1 410	630	2 006
Changes in stock and value of the unfinished products	-1 637	4 948	-2 329	7 040
Insurance of goods	0	8	0	11
An undeducted part of taxes	0	13	0	18
Other expenses				0
Total	175 918	186 322	250 309	265 112

* State Assay Supervision Inspection

18. Selling costs

Workers' salary	39 526	38 171	56 240	54 312
Obligatory social payments for workers	9 265	9 036	13 183	12 857
Advertising expenses	1 003	2 134	1 427	3 036
Residential services (water, electricity, gas)	35 261	28 829	50 172	41 020
Rent of the land and premises	14 536	11 904	20 683	16 938
Depreciation of fixed assets	5 687	7 389	8 092	10 514
Other selling costs	10	30	14	43
Total	105 288	97 493	149 811	138 720

19. Administrative expenditures

Communication expenditures	4 085	2 554	5 812	3 634
Bank services	318	281	452	400
To "NASDAQ OMX Riga" for shares and other	5 471	5 370	7 785	7 641
Office costs	1 114	1 263	1 585	1 797
Depreciation of the fixed assets (administrative building)	3 280	3 280	4 667	4 667
Travelling allowances	2 062	672	2 934	956
Salary of the administration	41 738	40 074	59 388	57 020
Obligatory social payments for the administration	9 544	9 654	13 580	13 736
Accumulations for vacations	443	1 742	630	2 479
Payment for the risk of the business activity	52	49	74	70
Security services	5 957	8 051	8 476	11 456
Audit of the report	732	600	1 042	854
Expenditures on insurance of motor transport	355	429	505	610

Appendixes to the profit or loss calculation (continued)

Administrative expenditures (continued)

	2012 LVL	2011 LVL	2012 EUR	2011 EUR
Expenditures on motor transport for administration (fuel, repair)	5 694	5 334	8 102	7 590
Expenditures on representation	331	254	471	361
Other administrative expenditures, including expenses on lawyers	9 037	176	12 858	250
Total	90 213	79 783	128 362	113 521

20. Other income of the business activities

Production of thermal energy	22 833	15 638	32 488	22 251
Leasing out premises	22 451	23 146	31 945	32 934
Revaluation reserves of long-term investments	5 412	5 698	7 701	8 108
Income from selling or buying currencies	0	0	0	0
Other income (655,819)	320	231	455	329
Total	51 016	44 713	72 589	63 621

¹ Income from leasing out premises

	2 012	2 011
Income	28 355	29 050
Depreciation of the leased out premises	-5 904	-5 904
	22 451	23 146

² The result of selling or buying currencies

	2 012	2 011
Income	2	6
Expenditures	-300	-458
	-298	-452

21. Other expenditures from the business activities

Losses from selling or buying currencies 2	298	452	424	643
Write-off of hopeless debtors	0	3 758	0	5 347
Reserves for doubtful debtors	0	942	0	1 340
Late payment money	0	80	0	114
Funeral allowances	0	100	0	142
Other expenditures (economic)	3 416	3 232	4 861	4 599
Total	3 714	8 564	5 285	12 185

22. Real property tax

Total	3 704	3 725	5 270	5 300
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Appendixes to the annual report

4. Overall information

23. Average number of employees in the year

Average number of employees

2012	2011
17	16

24. Total expenditures on staff

- salary

- State social security obligatory payments

- included:

Administration salary

- salary

- State social security obligatory payments

- total

LVL	EUR	LVL	EUR
100 073	142 391	96 935	137 926
81 264	115 628	78 245	111 333
18 809	26 763	18 690	26 593
41 738	59 388	40 074	57 020
9 544	13 580	9 654	13 736
51 282	72 968	49 728	70 756

25. Taxes, payments and state social security obligatory payments

(+) a debt

(-) overpayment

(+) a debt

(-) overpayment

	31.12.2011.	Calculated	Paid	LVL 31.12.2012.	EUR 31.12.2012.
Value added tax	2 754,49	51 719,49	48 600,00	5 873,98	8 358
Correction of pretaxes, VAT year declaration					
Late payment money					
Personal Income tax	1 593,45	15 602,56	15 763,53	1 432,48	2 038
Late payment money					
State social security obligatory payments	2 955,13	27 398,48	27 804,47	2 549,14	3 627
Late payment money					
Operation tax of vehicles					
Late payment money					
Business motor vehicles tax	185,00	588,00	588,00	0	0
Written off	(185,00)				
Late payment money					
Tax of risk of the business activity	2,57	52,00	50,50	4,07	6
Late payment money					
Natural resources tax	65,32	66,02	65,43	65,91	94
Late payment money					
Real estate tax	-	3 704,23	3 704,23	-	
Total:	7 370,96	99 130,78	96 576,16	9 925,58	14 123
Overpayment of taxes					
Debts of taxes	7 370,96			9 925,58	14 123
Calculated/paid late payment money		0,00	-		

Information on the payments to the auditor in the reporting year

Aivars Rutkis 24025412201

1. For the audit of the report of 2012 in Ls-

732,00

Other remuneration to the Company of certified auditors who did the revision of the financial report wasn't paid

The annual report is approved and signed from page 1 to page 23.

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Aleksandrs Struļevičs

Member of the Board

Aleksandrs Ančevskis

**5.A SUMMARY CARD of WRITE-OFF CALCULATIONS OF DEPRECIATION OF
FIXED ASSETS AND INTANGIBLE INVESTMENT'S VALUE
(taxation period: 01.01.2012.-31.12.2012.)**

LVL

Category	Depreciation rate, %	Category's corrected value at the end of the taxation period	Residual value at the beginning of the taxation period	Purchased	Excluded	Residual value from which depreciation of the taxation period is calculated	Sum of depreciation in the taxation period	Accrued depreciation for taxes	Residual value after deduction of depreciation of the taxation period
1	2	3	4	5	6	7	8	9	10
I	10%	82 014	19 781			19 781	1 978	64 211	17 803
III	70%	33 910	123	75	-	198	139	33 851	59
A/m	30%	19 635	3 300	-		3 300	990	17 325	2 310
IV	40%	250 571	2 023	197	-	2 220	888	249 239	1 332
TOTAL		386 130	25 227	272		25 499	3 995	364 626	21 504

**A SUMMARY CARD of WRITE-OFF CALCULATIONS OF DEPRECIATION OF
FIXED ASSETS AND INTANGIBLE INVESTMENT'S VALUE
(taxation period: 01.01.2012.-31.12.2012.)**

EUR

Category	Depreciation rate, %	Category's corrected value at the end of the taxation period	Residual value at the beginning of the taxation period	Purchased	Excluded	Residual value from which depreciation of the taxation period is calculated	Sum of depreciation in the taxation period	Accrued depreciation for taxes	Residual value after deduction of depreciation of the taxation period
1	2	3	4	5	6	7	8	9	10
I	10%	116 695	28 146	-	-	28 146	2 814	91 364	25 331
III	70%	48 250	175	107	-	282	198	48 166	84
A/m	30%	27 938	4 695	-	-	4 695	1 409	24 651	3 287
IV	40%	356 530	2 878	280	-	3 159	1 264	354 635	1 895
TOTAL		549 413	35 894	387		36 282	5 685	518 816	30 597

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Aleksandrs Struļevičs

Member of the Board

Aleksandrs Ančevskis