

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

Unit: euro

Annual report
of the period from 01.01.2018 to 31.12.2018
that has been prepared according to the legislation standards of the Republic of Latvia

Riga, 2019.

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INFORMATION about the COMPANY

"Rīgas juvelierizstrādājumu rūpnīca" Joint Stock company, date of incorporation 10 th December 1991, Unified Registration №40003044420. Legal address Terēzes 1, Riga.

Chairman of the Board Vladimirs Cadovičs. Members of the Board Aleksandrs Struļevičs and Tamāra Fruļa .

Chairman of the Council Ilga Kučinska. Members of the Council Igors Istomins, Svetlana Tolkačova, Svetlana Stepanova, Valentina Černovska.

Auditor - sertified auditor Company BALTIC AUDIT (Licence No.176) and sertified auditor Gunta Darkevica.

Annual report for the period 01.01.2018.to 31.12.2018 prepared by Chief accountant Nataļja Beļšova.

Company's executive board is composed of two board members who each represent Company together with one member of the Board, and Chairman of the Board, who is entitled to represent a Company separately.

Main activities

NACE 2.red.	32.12	Manufacrure of jewellery and related articles
NACE 2.red.	46.48	Wholesale of watches and jewellery
NACE 2.red.	47.77	Retail sale of watches and jewellery in specialised stores
NACE 2.red.	68.20	Renting and operating of own or leased real estate

		<i>until</i> 15.08.2018.	<i>since</i> 16.08.2018.
Shareholders and their shares %	Vladimirs Cadovičs	11.21%	6.15%
	Valentīns Istomins	24.46%	29.52%
	Marija Ančevska	32.47%	32.47%
	MALEKS S SIA	7.73%	7.88%
	Others	24.13%	23.98%

Management Report

The Company's business for the accounting year

AS „Rīgas juvelierizstrādājumu rūpnīca” business is wholesale and retail sale of jewellery and repairs of jewellery.

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

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

workshop: 27 Lidonu street, Riga, LV-1055

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

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

The equity capital of the company is 6 640 172 EUR that is divided into 4 742 980 shares with share's nominal value of 1,40 EUR.

The Company's major shareholders are:

Marija Ančevska – 1 540 000 shares

Valentins Istomins – 1 400 000 shares

Vladimirs Cadovičs – 291 785 shares

SIA "MALEKS S" - 373 668 shares

Others - 719 people with shares less 5% of the total number of shares - 1 137 527 shares

Board members, except for Vladimirs Cadovičs, do not own shares of JSC RJR.

Chairman of the Board Vladimirs Cadovičs owned 291 785 shares.

Council members do not own shares of JSC RJR.

Average number of employees 18

The net turnover of the reporting period is 768 202 EUR and it decreased by 22,3% comparing to the previous accounting period.

The Company closed its fiscal year with the results as follows:	31.12.2018.	31.12.2017.
Result before extraordinary items and taxes is:	(21 886)	(85 287)
Income tax:	(143)	-
Net result:	(22 029)	(85 287)

The company profitability:	31.12.2018.	31.12.2017.
Gross profitability of primary activity	48.81%	42.46%
Liquidity coefficients		
General liquidity	9.09	14.17
Fast liquidity	5.66	8.66
Full liquidity	0.87	1.13

Company short-term liabilities don't exceed its current assets.
Company total liabilities don't exceed its total assets.
Assets set out on the Company's balance sheet are not encumbered.
The company has no liquidation processes, Legal protection proceedings.
The Company has no operative and financial leasing, or bank's credits, loans or borrowings.
Other important events that could affect annual report evaluation didn't happen.
The preparation of the annual report is prepared using going concern assumption.

Events for developing the Company

The company plans to attract cooperation and develop long-term, mutually beneficial international trade relations with new European and other jewelry manufacturers with the aim of increasing the range of products offered.

In 2019 it is planned to increase the company's wholesale turnover, as well as the company's share in the Latvian wholesale market for jewelry.

In 2019 it is planned to continue to search for new corporate orders and participate in public tenders.

The Company plans to use the available Internet and mass media resources for active marketing activities to promote the increase of retail turnover.

The Company plans to introduce and modernize a new warehouse and customer relationship management system, which will provide an opportunity to facilitate warehouse maintenance and accounting work, develop existing and potential customer service.

Risk Management

The Company business activities can be financially risky. The risks are:

- market risk- when market prices for services and goods change that affect company assets and liabilities negatively.
- credit risks- when partner's company bankruptcy can lead to company's losses.
- liquidity risk - can lead to situation when assets should be sold for lower price than its real price.

Board of directors

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Tamāra Fruļa

Member of the Board

Aleksandrs Struļevičs

21th March, 2019

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 31.12.2018

Hereby it is confirmed by the Company managers that upon drawing the present report for period, 01.01.2018-31.12.2018, 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.

Board of directors

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Tamāra Fruļa

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Aleksandrs Struļevičs

21th March, 2019

Balance Sheet as of 31 December 2018

ASSETS	Appendixes	31.12.2018. EUR	31.12.2017. EUR
Long-term investments			
I Intangible investments:			
Concessions,licenses and similar rights		95	239
Total intangible investments:	1	95	239
II Fixed assets:			
1. Real estate:			
a) Land, buildings, constructions and perenial plantations		108 682	118 798
2. Long-term investments in rented fixed assets		584	308
3. Other fixed assets and inventory		9 352	15 859
Total fixed assets	2.	118 618	134 965
Total long-term investments		118 713	135 204
Current assets			
I. Stocks			
1. Raw materials, direct materials and auxiliary materials	3.	141 592	159 792
2. Unfinished products and orders	4.	58 476	18 337
3. Finished products and products for sale	5.	304 521	328 061
4. Advance payments for goods	6.	428	1 260
Total stocks		505 017	507 450
III. Debtors			
1. Trade receivables	7.	698 805	689 659
2. Other debtors	8.	4 437	3 201
3. Deferred expenses	9.	652	874
Total debtors		703 894	693 734
V.Cash	10.	127 883	103 985
Total current assets		1 336 794	1 305 169
Grand total assets		1 455 507	1 440 373

Appendixes from Page 12 to 25 an integral part of these annual report

Board of directors

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Member of the Board

Aleksandrs Struļevičs

Chief accountant

Natalja Beļšova

21th March, 2019

Balance Sheet as of 31 December 2018

	Equity and liabilities	Appendixes	31.12.2018. EUR	31.12.2017. EUR
	Equity capital			
1.	Stock or share capital (fixed capital)	11.	6 640 172	6 640 172
2.	Long-term investment revaluation reserve	12.	71 074	88 843
3.	Reserves			
f)	Fixed capital denomination	13.	108 481	108 481
	Total reserves		108 481	108 481
4.	Undistributed profit from previous year		(5 489 262)	(5 403 975)
5.	Profit or loss in the reporting year		(22 029)	(85 287)
	Total equity capital		1 308 436	1 348 234
2	Short-term liabilities			
1.	Trade payables	14.	86 345	46 509
2.	Taxes and social security liabilities	15.	36 223	25 700
3.	Other creditors	16.	11 311	9 134
4.	Accrued liabilities	17.	13 192	10 796
	Total short-term liabilities		147 071	92 139
	Total liabilities		147 071	92 139
	Grand total equity and liabilities		1 455 507	1 440 373

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Natalja Beļšova

21th March, 2019

Profit or loss statement for the year ended 31 December 2018

(classified by cost function)

Parameters	Appendixes	2018.	2017.
1. Net turnover	18.	768 202	988 339
b) from other principal activities		768 202	988 339
2. Manufacturing expenditures of sold products	19.	(516 227)	(693 747)
3. Gross profit or loss		251 975	294 592
4. Selling expenses	20.	(238 670)	(200 882)
5. Administrative expenses	21.	(96 756)	(133 970)
6. Other operating revenue	22.	76 556	71 493
7. Other operating expenses	23.	(14 991)	(116 520)
8. Profit or loss before taxes		(21 886)	(85 287)
9. Income tax		(143)	-
10. Profit or loss after taxation		(22 029)	(85 287)
11. Profit or loss in the reporting year		(22 029)	(85 287)
12. Profit or loss per one stock in a year		-0.005	-0.018
13. Profit or loss per one stock from the beginning		-1.16	-1.16

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21th March, 2019

Cash flow statement for the year ended 31 December 2018
(by direct method)

	Notes	2018.g.	2017.g.
I. Cash flow from operating activities			
1. Income from the goods sold and services rendered		609 469	590 132
2. Payments to suppliers, staff, other expenditures on main activities		(764 814)	(621 821)
3. Other income and expenditures on main activities		179 449	76 577
4. Gross cash flow of the main activities		24 104	44 888
II. Cash flow from investing activities			
1. Acquisition of fixed assets and intangible assets (-)	2	(4 591)	(5 707)
2. Proceeds from disposal of fixed assets and intangible assets (+)	23	4 385	799
Net cash flow of investing activities		(206)	(4 908)
III. Cash flow from financing activities			
1. Payments for leased fixed assets without		-	(506)
Net cash flow from financing activities		-	(506)
V. Cash and cash equivalents increase or decrease		23 898	39 474
VI. Cash and cash equivalents at the beginning of the period		103 985	64 511
VII. Cash and cash equivalents at the end of the period		127 883	103 985

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Board of directors

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Natalja Beļšova

21th March, 2019

Statement on changes in equity for the year ended 31 December 2018

	Notes	2018	2017
I.Share capital	11		
Opening balance		6 640 172	6 640 172
Closing balance		6 640 172	6 640 172
III.Revaluation reserve for long-term investments			
Opening balance		88 843	106 612
Increase/decrease of revaluation reserve for long-term investments		(17 769)	(17 769)
Closing balance		71 074	88 843
V Reserves			
Opening balance		108 481	108 481
Closing balance		108 481	108 481
VI. Retained earnings			
Opening balance		(5 489 262)	(5 403 975)
Increase/decrease of retained earnings		(22 029)	(85 287)
Closing balance		(5 511 291)	(5 489 262)
VII.Total equity			
Opening balance		1 348 234	1 451 290
Closing balance		1 308 436	1 348 234

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Board of directors

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Natalja Beļšova

21th March, 2019

Appendix to the financial report

1. Accounting Policy

Information supplied by the Company

"Rīgas juvelierizstrādājumu rūpnīca" Joint Stock company, date of incorporation 10 th December 1991, Unified Registration №40003044420. Legal address Terēzes 1, Rīga.
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Chairman of the Council Ilga Kučinska. Members of the Council Igors Istomins, Svetlana Tolkačova, Svetlana Stepanova, Valentina Černovska.
Auditor - certified auditor Company BALTIC AUDIT (Licence No.176) and certified auditor Gunta Darkevica.
Annual report for the period 01.01.2018.to 31.12.2018 prepared by Chief accountant Natalja Beļšova.

Number of employees

	2018	2017
Average number of employees	18	19

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

General Principles

The Annual Report is prepared in accordance with laws of the Republic of Latvia "On Accounting" and the "Annual Reports and consolidated annual reports law"

Financial Instruments Market Law

Regulations № 775 issued by the Cabinet of Ministers of the Republic of Latvia

Annual report Law enforcement regulations;

Regulations № 585 issued by the Cabinet of Ministers of the Republic of Latvia

Regulations on the accounting records and the organization

Regulations № 399 issued by the Cabinet of Ministers of the Republic of Latvia

Regulations on preparing the annual accounts and consolidated annual accounts in electronic form.

Profit or Loss Statement is classified by cost function and is prepared in accordance with the vertical form method.

Cash Flow statement is prepared according to the direct method.

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

Applied accounting principles

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

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

Appendix to the financial report

Correction of mistakes

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

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

Changes in the accounting policy

The Company changes the accounting policy:

1. Regulatory frameworks has been changed
 - 2.accounting policy no longer meet the requirements of the law for true and fair view
 3. change in accounting policy provides reliable and more relevant information about the economic transactions, facts and events or conditions on the company's financial position, profit or loss and cash flow.
- Comparing the previous year the company's used accounting and evaluation methods has not changed

Non-current and current items

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

Fixed assets and intangible assets

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

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

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

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

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

Intangible assets inventory took place on 02.01.2019.

In the inventory have not been identified intangible assets to be subject to impairment procedure

Useful life haven't been changed.

Fixed assets - physical objects with the following criteria:

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

The management identified fixed assets from 300 euro.

Depreciation has been calculated by using the straight-line method.

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

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

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

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

Appendix to the financial report

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

The fixed assets inventory took place on the 02.01.2019.

Inventory did not reveal assets, which takes depreciation more than the annual depreciation.

Fixed asset residual value, the depreciable value and useful life are reviewed and, if necessary, adjusted.

The useful life of fixed assets was not changed.

Leasehold improvements

Leasehold improvements related to the investment in fixed assets by the company

hires at operational lease agreements and the contract terms it contains no financial lease signs.

Leasehold improvements are amortized by straight-line basis over the lease term.

Evaluation of inventory

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

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

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

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

Inventory balances are checked during annual inventory 02.01.2019.g.

Work in progress and orders

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

Advance payments for inventory

Advance payments for goods were presented without VAT.

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

Accounts receivable

Receivable balances on the balance sheet are shown according to the corresponding documents and

entries in the books of the Company and are consistent with the relevant debtors,

through mutual reconciliations balance sheet date. In cases of dispute,

receivable balances in the balance sheet indicated in accordance with the public accounting data.

Receivables are real. The Company's policy in connection with receivables recognition as doubtful or bad is following:

1) debtors whose payment past due, and on the balance sheet date that is 12 months or more, the debtor has not been removed, it has not been initiated bankruptcy proceedings and the company's management has evidence that the debt will be paid - those debts were declared doubtful and with a provision for 100%;

2) receivables from liquidated companies were classified as bad and written-off from either provisions or as costs to income statement.

In 2018 accumulation for doubtful debts was decrease for 300 EUR (payment) and additionally have been made accumulation for 487,35 EUR (result increase for 187.35 EUR)

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

All receivables formed before 31.12.2018.

Net turnover and recognition of income

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

Notes shows the net turnover by main types of activities and geographic markets where

the company's operating activities (sales of products and provision of services) types and geographic markets differ substantially.

Revenue from sales of goods in retail trade is recognized when the customer has paid for the goods through the cash register system.

Production wholesale sales are recognized on the invoice date and dispatch to the buyer.

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

Net sales.

Appendix to the financial report

The company applies the practice that wholesale clients have the right to return the goods to the Company, if the goods have not been settled, and the Company purchases them. Returned goods are recorded as reduction of net turnover, while simultaneously reducing receivables and adjusting production costs of the goods sold. Returned goods are reflected in the reporting period in which these are returned.

Income includes the Company's benefits from its main activities it have received or will receive and which results in an increase of its own capital in the balance sheet.

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

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

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

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

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

Other revenues were

1. Revenue from fines and penalties - at the moment;

2. The revenue from sales of non-current assets - net value

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

Deferred expenses

Payments made before the balance sheet date but relating to future financial years

are set out in the balance sheet caption "Deferred expenses".

Other receivables

The item "Other debtors" was reportable all receivables not included in other balance sheet asset positions,

i.e. : overpaid amount, tax overpayments, guarantees.

Cash and cash equivalents

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

Long-term investments revaluation reserve

Long-term investments revaluation reserve was created by the company due to

the fact that value of fixed assets significantly exceeded balance value . It is:

1. Real Estate:

a) buildings.

Revaluation was carried out in 2014 year.

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

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

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

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

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

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

Equity under "Long-term investments revaluation reserve" included in the increase in value

are reduced by recognizing a reduction in the income statement:

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

Long-term investments revaluation reserve may not be paid,

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

Appendix to the financial report

Retained earnings or accumulated deficit

The previous year adjusted retained earnings or accumulated deficit and profit or loss of the reporting year was shown.

The item "Retained earnings" shows an amount corresponding to the income statement under read amount.

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

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

Accounts payable

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

These debts are broken down into short-term or long-term debt (liabilities). Short-term liabilities - liabilities arising during the normal operation and that will be paid no later than 12 months after the balance sheet date. Long-term liabilities - liabilities, which should start no earlier than one year after the year end. Loan or leasing liabilities are divided into short-term and long-term part.

Recognition of expenses

Costs of sales transactions are related to earnings and signs off in the income statement when the revenue was recognized. Other expenses (administrative expenses and others) included in profit or loss when they occur.

Other payables

This item represents accounts payable, which are not recorded in other items

including: calculated, but unpaid salary, the debt settlement with individuals, received guarantees money.

Accrued liabilities

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

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

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

Accounting estimate and its change

The Company prepares the accounting estimate of the amount of depreciation of fixed assets and provisions for assessing the amount, another in these terms of expenditure or revenue, the amount for the assessment, as well as in other cases where such

an estimate is necessary to assess the statement of profit and loss statement or the balance sheet included in the amount of size.

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

Subsequent events

As of the last day of the reporting year until the date of signing these financial statements there have been no events requiring adjustment of or disclosure in the financial statements.

Related parties

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

Revenues from rents and heat energy from a related company

31.12.2018.	31.12.2017.
19 253	17 165

The Company has a related company "Grabes pansija" unified reg.Nr.40003648860, Terezes street 1, Rīga. Vladimir Cadovičs has 100% of the share capital.

Transactions with related parties The terms and conditions:

Appendix to the financial report

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

None.

3. Other Information

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

None.

Guarantees.

None.

Information on the following expenses:

	2018	2017
Annual Report Statutory audit (review)	3 100	2 800
Other audit tasks	-	-
Tax consultancy	-	-
Other expert tasks	-	-

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

Management intends to cover losses from subsequent years of profit.

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

The Company has entered into lease agreements

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

Board members have not granted guarantees and pledges.

Information about the company's assets pledged or otherwise encumbered

The company has no registered commercial loans.

The company is not registered with the Company Register sanctuaries.

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

None.

5. An explanation of the change in accounting policy

if the change in accounting policy justification is a change in the regulatory framework

Change in accounting policy

The company changes its accounting policies:

- 1 if the regulatory framework has changed;
- 2 in connection with the change of circumstances existing accounting policy that no longer meet the requirement of the Law on the true and fair view;
3. The change in accounting policy provides reliable and more relevant information about the economic transactions, facts and events or conditions on the company's financial position, profit or loss and cash flow.

Reclassifications

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

Going concern

The reporting year the company has closed with a loss of EUR 22 029. At the end of the reporting year, uncovered losses for previous years amounted to EUR 5 489 262, while equity was positive at EUR 1 308 436.

Cash flow from the operating activities is positive and it will potentially provide sufficient liquidity for successful continuation of the Company's activities.

Appendix to the financial report

1.Intangible assets

	Concessions, patents, licenses and similar rights	Intangible assets Total
Initial Value		
31.12.2017.	862	862
31.12.2018	862	862
Depreciation		
31.12.2017.	623	623
Calculated	144	144
31.12.2018	767	767
Residual value		
31.12.2017.	239	239
31.12.2018	95	95

2.Fixed assets

	Buildings, constructions	Long-term investments in leased fixed assets	Equipment and machinery	Other fixed assets	Total
Initial Value					
31.12.2017.	202 323	2 219	90 576	108 859	403 977
Acquisition		993		3 598	4 591
Written off				(1 707)	(1 707)
Sales				(37 587)	(37 587)
31.12.2018	202 323	3 212	90 576	73 163	369 274
Depreciation					
31.12.2017.	83 525	1 911	90 576	93 000	269 012
Calculated	10 116	717		5 591	16 424
Written off				(1 578)	(1 578)
Sales				(33 202)	(33 202)
31.12.2018	93 641	2 628	90 576	63 811	250 656
Residual value					-
31.12.2017.	118 798	308	-	15 859	134 965
31.12.2018	108 682	584	-	9 352	118 618

388 425 EUR Real Estate property includes buildings:

- Cadastre Nr. 0100 035 0142 004, Rīga, property assessed value - 75 098 EUR;
- Cadastre Nr.0100 035 0142 006, Rīga, property assessed value - 181 027 EUR;
- Cadastre Nr.0100 035 0143 003, Rīga, property assessed value - 113 415 EUR;
- Cadastre Nr.0100 035 0144 002, Rīga, property assessed value - 10 930 EUR;
- Cadastre Nr.0100 035 0146 001, Rīga, property assessed value - 7 955 EUR;

Fixet assets are not burdenet.

All fixed assets are participate in economic activities.

Low-value items booked expenses at the acquisition date

Vehicles are insured.

Written off, liquidated, sold fixed assets :

intangible investments:

initial value

depreciation

residual value

sales income

2 018	
Sales	written off
37 587	1 706
(33 202)	(1 578)
4 385	128
4 385	

Appendix to the financial report

Explanatory notes to the items of the balance sheet (continued)

Item "Long-term investments revaluation reserve" changes

Fixes assets item	Item "Long-term investments revaluation reserve" value at beginning of the period	Item "Long-term investments revaluation reserve" value at the end of the period	Fixed asset value at the beginning of the period	Revaluation reserve reduction correction	Fixed asset value at the end of the period if no revaluation	Fixed asset value at the end of the period after revaluation
Real Estate, total	88 843	71 074	118 798	17 769	76 477	108 682
<i>including:</i>						
Factory building Nr.3	147	118	2 356	30	1 435	2 211
Pass (boiler house)	1 366	1 092	14 300	273	19 284	13 420
Eating house	26 266	21 013	50 213	5 253	17 437	47 123
Administration building	14 792	11 833	29 656	2 958	20 224	27 831
Factory building Nr.2	46 272	37 018	22 273	9 255	18 097	18 097

Revaluation does not influence corporate income tax.

Appendix to the financial report

Explanatory notes to the items of the balance sheet

Stocks

All stocks are shown according to the inventory data using continuous inventory method.

Raw materials, direct materials and complete products and goods for sale economic activity is calculated after FIFO method.

3. Raw materials, direct materials and auxiliary materials

	31.12.2018.	31.12.2017.
gold	76 317	92 238
silver	197	326
precious stones, semiprecious stones	60 964	61 241
low-value materials and inventory	956	644
Fuel (a/m)	44	52
Instruments	3 114	5 291
Total	141 592	159 792

4. Unfinished products and orders

Unfinished products and orders in the notes are shown as

total of unfinished products and orders, that are not ready for sale

	31.12.2018.	31.12.2017.
	58 476	18 337
Total	58 476	18 337

5. Finished production and goods for sale

Products residue

	31.12.2018.	31.12.2017.
	304 521	328 061
Total	304 521	328 061

6. Advance payments for goods

Advance payment for fuel SIA NESTE

Advance payment for goods

Advance payment for seminar

	31.12.2018.	31.12.2017.
	428	692
	-	487
	-	81
Total	428	1 260

7. Trade receivables

Gold for jewelry production

Debts of customers (to other countries)

Debts of customers

Payments for lease

	31.12.2018.	31.12.2017.
	939	27
	53 087	84 956
	629 927	609 242
	61 931	42 326
Total	745 884	736 551

Accumulation for doubtful debtors

Total net debts of customers and clients

currency exchange rate influence

Change in provisions for doubtful debtors

Debts of customers and clients

Provisions 31.12.2017. 46 892

Accumulation decrease (payment) (300)

Increase 487

Provisions 31.12.2018. 47 079

Appendix to the financial report

Explanatory notes to the items of the balance sheet

	31.12.2018.	31.12.2017.
8. Other debtors		
Creditcard	2 333	672
Garanty	1 900	1 900
Payments to workers (advance payments)	7	282
overpayment (to creditors)	-	150
Security sum VENDEN	31	31
overpayments real astate tax	2	1
Others	164	165
Total	4 437	3 201
9. Deferred expenses		
Insurance of the transport	85	505
Insurance of the goods	-	-
Laws of the Republic of Latvia	567	369
Total	652	874
10. Cash		
Money in cash	6 939	8 093
Money in cash machines	4 405	5 024
Money in operating accounts:		
SEB banka	116 539	90 868
Total	127 883	103 985

11. Information on the share capital of the company.

On 28.05.2015 the Company had denomination of the fixed capital. As a result of denomination ,the equity capital of the company is 6 640 172 EUR that is divided into 4742980 shares with share's nominal value of 1,40 EUR. The residual value in the amount of EUR 108 480,54 was transferred to the reserve fund.

All the stocks are ordinary stocks with voting rights.

From the totality of Company stocks 4 493 700 stocks are bearer stocks in dematerialized form.

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

Company owners:

	Shares	31.12.2018.
	psc.	EUR
Vladimirs Cadovičs	291 785	408 499
Valentīns Istomins	1 400 000	1 960 000
Marija Ančevska	1 540 000	2 156 000
MALEKS S SIA	373 668	523 135
Others	1 137 527	1 592 538
Total	4 742 980	6 640 172

Appendix to the financial report

Explanatory notes to the items of the balance sheet

Company's reserve

12. Long-term investment revaluation reserve

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

At the end of 2018, the management of the company believes that the value of real estate has not decreased.

31.12.2017.	<u>88 843</u>
decrease	<u>(17 769)</u>
31.12.2018.	<u>71 074</u>

13. Fixed capital denomination reserve

31.12.2017.	<u>108 481</u>
31.12.2018.	<u>108 481</u>

14. Trade payables (short-term)

	<u>31.12.2018.</u>	<u>31.12.2017.</u>
Debts for goods	7 184	16 030
Debts for goods (to other countries)	76 988	27 645
Debts for services	2 173	2 834
Total	<u>86 345</u>	<u>46 509</u>

15. Taxes and social security payments

	<u>31.12.2018.</u>	<u>31.12.2017.</u>
Personal Income tax	2 488	2 641
State social security obligatory payments	5 179	4 399
Value added tax	28 334	18 286
Income tax	155	-
Natural resources tax	38	39
Business motor vehicles tax	29	335
Total	<u>36 223</u>	<u>25 700</u>

16. Other creditors (short-term)

	<u>31.12.2018.</u>	<u>31.12.2017.</u>
Payments to workers (advance payments)	-	58
Salaries	9 642	8 158
Guarantee money	1 669	918
Total	<u>11 311</u>	<u>9 134</u>

17. Accrued liabilities

Liabilities for the subsequent period

	<u>31.12.2018.</u>	<u>31.12.2017.</u>
For communication services	73	208
Utilities	126	2 627
For audit of the annual report	1 240	1 120
Other	2 275	-
Reserves for vacation	9 478	6 841
Total	<u>13 192</u>	<u>10 796</u>

Appendix to the financial report

Explanatory notes to the items of the profit or loss calculation

18. Net turnover		2018.	2017.
b)from other main activities			
Income from wholesale trade		696 070	814 568
Goods return		(143 174)	(98 107)
Discount		(11 370)	(4 181)
Income from retail trade		226 676	276 059
Total		768 202	988 339
Net turnover by geographical markets			
Latvia		625 638	662 371
EU	Lithuania	141 706	277 280
	Estonia	-	48 688
	Bulgaria	858	-
Total		768 202	988 339
19. Cost of goods sold and services rendered		2018.	2017.
Purchasing and manufacturing expenses		512 956	690 951
Markdown and write - down expenses		3 217	1 410
Insurance for goods		-	189
External work, services from outside		-	1 110
Assaying of jewellery at the LPB*		54	87
		516 227	693 747
20. Selling costs		2018.	2017.
Workers' salary		133 187	90 006
Obligatory social payments for workers		30 947	20 145
Accumulat.liabilities for vacations, salary (+); (-)		(1 273)	3 548
Accumulat.liabilities for vacations, VSAOI (+); (-)		(283)	792
Advertising expenses		1 411	4 434
Residential services (water, electricity, gas)		36 683	34 887
Rent of the land and premises		27 346	27 318
Natural resources tax		39	39
Long-term investment write-offs (repair)		717	740
Depreciation of fixed assets		7 632	18 428
Low-value inventory		1 509	403
Other selling costs		755	142
Total		238 670	200 882
21. Administrative expenditures		2018.	2017.
Salary of the administration		39 218	71 019
Social payments		8 357	15 537
Payment for the risk of the business activity		79	81
Accumulat.liabilities for vacations, salary (+); (-)		3 371	2 052
Accumulat.liabilities for vacations, VSAOI (+); (-)		822	449
Communication expenditures		3 210	4 380
Bank services		1 952	1 746

Explanatory notes to the items of the profit or loss calculation

To "NASDAQ Riga" for shares and other	7 335	5 760
Office costs	4 372	3 120
Non-material investments value correction	144	172
Depreciation of the fixed assets (administrative building)	1 825	1 825
Real estate tax (administrative building)	1 701	1 701
Business trip allowances	3 416	3 016
Security services	2 243	2 879
Audit of the report	3 100	2 800
Transport insurance	877	989
Transport expenses (fuel, repair)	12 065	10 647
Transport rent expenses	1 887	2 009
Business motor vehicles tax	541	1 401
Expenditures on represantion	11	381
Other administrative expenditures, including expenses on lawyers	230	2 006
Total	96 756	133 970

22. Other income of the business activities

	2018.	2017.
The result of fixed assets sales	-	66
Revaluation reserves of long-term investments	17 769	17 769
Thermal energy for leasing(heating)	22 030	20 179
Leasing out premises ²	35 478	24 208
Income from clients for residential service	100 580	24 781
Expenses from clients for residential service	(100 580)	(24 781)
Accumulations for vacations from 31.12.2017.	-	8 661
Other income	1 279	610
	76 556	71 493

23. Other expenditures from the business activities

	2018.	2017.
Late payment money	12	3
Expenses for staff motivation	181	-
Reserves for doubtful debtors	487	46 556
Funeral support	1 000	-
Previous period expenses	1 805	753
Real estate tax for buildings	4 125	4 125
The result of fixed assets sales ¹	129	-
Other expenditures	7 252	7 684
Uncovered loss of damage	-	57 399
Total	14 991	116 520

Non-current asset item	Carrying value at disposal	Proceeds	Expenses related to disposal	Income or expenses, gross	profit or loss from disposal of non-current asset item
Other fixed assets	4 385	4 385	4 514	-129	-129

²Leasing out premises income 41 729
 Depreciation (6 251)
35 478

Appendix to the financial report

Overall information

	2018	2017
24. Average number of employees in the year		
Average number of employees	18	19
Board	3	3
Others	15	16
25. Total expenditures on staff	211 709	196 707
- salary	172 405	161 025
- Social contributions	39 304	35 682
- included:		
Board of directors salary		
- salary	39 218	54 765
- Social contributions	8 357	11 721
- total	47 575	66 486

The Company's Council performs its functions free of charge.

Annual report prepared Chief accountant Nataļja Beļšova

Appendixes to the annual report from Page 12 to 25 signed

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Tamāra Fruļa

Member of the Board

Aleksandrs Struļevičs

Chief accountant

Nataļja Beļšova

21th March, 2019

Translation from Latvian

INDEPENDENT AUDITORS' REPORT**To the Shareholders of RIGAS JUVELIERIZSTRADAJUMU RUPNICA AS***Our Opinion on the Financial Statements*

We have audited the accompanying financial statements of RIGAS JUVELIERIZSTRADAJUMU RUPNICA AS (the Company), set out on pages 7 to 25 of the accompanying annual report, which comprise the balance sheet as at 31 December 2018, and the profit or loss statement, cash flow statement and statement on changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of RIGAS JUVELIERIZSTRADAJUMU RUPNICA AS as of 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Basis for Opinion

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

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

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

Key Audit Matters

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

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

<i>Key audit matter</i>	<i>Audit response</i>
Trade receivables As stated in note 7 to the financial statements, on 31 December 2018, the Company's trade receivables, net, total EUR 698 805 that comprises approximately 48% of the total assets value. Trade receivables balance consists of receivables from sales to wholesale customers.	We have evaluated assumptions and methods used by management for assessment of recoverable amount of trade receivables.

Company's management have assessed recoverable amount of trade receivables, recognizing provisions for doubtful debts. Provisions for doubtful debts total EUR 47 079.

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

We have assessed recognition principles of trade receivables.

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

Reporting on Other Information

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

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

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

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

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

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

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

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

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

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9,

as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial statements

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

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

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

the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

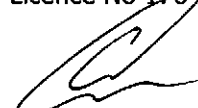
We were appointed by those charged with governance on 15 June 2018 to audit the financial statements of AS RIGAS JUVELIERIZSTRADAJUMU RUPNICA for the year ended 31 December 2018. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2017 to 31 December 2018.

We confirm that:

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

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

Baltic Audit SIA
Company of Certified Auditors
Licence No 176



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

21 March 2019
Riga, Latvia