

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

Unit: euro

Annual report
of the period from 01.01.2019 to 31.12.2019
that has been prepared according to the legislation standards of the Republic of Latvia

Riga, 2020.

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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 Jevgenija Pēde (since 23.04.2019.). Chairman of the Council until 22.04.2019. Ilga Kučinska. Deputy Chairman of the Council Igors Istomins. Members of the Council Svetlana Tolkačova, Svetlana Stepanova, Valentina Černovska.

Auditor - certified auditor Company Nexia Audit Advice (Licence No.134) and responsible certified auditor Marija Jansone.

Financial report for the period 01.01.2019.to 31.12.2019 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	Manufacture of jewellery and related articles
NACE 2.red.	46.48	Wholesale of watches and jewellery
NACE 2.red.	47.77	Retail sale of watches and jewellery in specialised stores
NACE 2.red.	68.20	Renting and operating of own or leased real estate

The shares of the JSC "Rīgas juvelierizstrādājumu rūpnīca" are listed on the Nasdaq Riga stock exchange Baltic Secondary list.

ISIN	LV0000100543	Total number of shares	4 742 980
LEI	097900BGLP0000055776	Number of shares in public offering	4 493 700
Ticker code	RJR1R		
List	Second list		
Nominal value	1,40 EUR		

Shareholders and their shares % on 31.12.2019.	Vladimirs Cadovičs	6,15%
	Valentīns Istomins	29,52%
	Marija Ančevska	32,47%
	RENGARTS S SIA	10,31%
	Others	21,55%

Shareholders and their shares % on 08.01.2020.	Vladimirs Cadovičs	6,15%
	Valentīns Istomins	29,52%
	Marija Ančevska	21,93%
	Sergejs Safronovs	10,54%
	RENGARTS SIA	10,31%
Others	21,55%	

Management Report

Company's activity in the reporting 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: 1B Terezes Street, Riga, LV-1012, tel. 67277365

workshop: 27 k-1 Lidonu street , Riga, LV-1055,tel.27873000

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

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

The share 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 on 31.12.2019. are:

Marija Ančevska – 1'540'000 shares;

Valentins Istomins – 1'400'000 shares;

Vladimirs Cadovičs – 291'785 shares;

SIA "RENGARTS" - 488'797 shares;

Other - 716 persons with shares less than 5% of total - 1'022'248 shares .

The Company's major shareholders on 08.01.2020. are:

Vladimirs Cadovičs	6,15%	291 785 shares
Valentīns Istomins	29,52%	1 400 000 shares
Marija Ančevska	21,93%	1 040 000 shares
Sergejs Safronovs	10,54%	500 000 shares
RENGARTS SIA	10,31%	488 797 shares
Other	21,55%	1 022 398 shares

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

Chairman of the Board Vladimirs Cadovičs owns 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 996 592 EUR and it increased by 29,7 % comparing to the previous reporting period.

The Company closed its fiscal year with the results as follows:	31.12.2019.	31.12.2018.
Result before extraordinary items and taxes is:	(32 359)	(22 029)
Income tax:	-	-
Net result:	(32 359)	(22 029)

The company profitability:	31.12.2019.	31.12.2018.
Gross profitability of primary activity	39,52%	48,81%
Liquidity coefficients		
General liquidity	10,00	9,09
Fast liquidity	5,73	5,66
Full liquidity	0,79	0,87

Alternative Performance Measures (APM)

Gross profitability of primary activity

The indicator reflects what is the markups on the products of the main activities.

Formulas

$$\frac{\text{Gross profit or loss (P/l)}}{\text{Cost of goods sold P/l 20.appen.}} \times 100\%$$

General liquidity

*Provides a general idea of the company's ability to repay short-term liabilities.
The higher the indicator, the higher the solvency.*

$$\frac{\text{Total liabilities (Balance assets)}}{\text{Short-term liabilities (Balance equity and liabilities)}}$$

Fast liquidity

The ability of a company to repay short-term liabilities through cash and debtors.

$$\frac{\text{Total liabilities - stocks (Balance assets)}}{\text{Short-term liabilities (Balance equity and liabilities)}}$$

Full liquidity

Shows a short-term liability ratio of the most liquid assets (money)

$$\frac{\text{Cash (Balance 10.appen.)}}{\text{Short-term liabilities (Balance equity and liabilities)}}$$

The above-described alternative performance measures are used by the management of the Company to evaluate Company's performance for a particular financial period as well as to make decisions.

Basis of going concern assumption

The Company has closed the reporting period with a loss of EUR 32 359. At the end of the reporting year, uncovered losses for previous years amounted to EUR 5 511 291, while total equity was positive at EUR 1 263 791.

Company's short-term liabilities does not exceed it's current assets.

Company's total liabilities does not exceed it's total assets.

The company has no registered commercial pledge.

There are no liquidation processes registered.

There are no insolvency processes registered.

There are no legal protection processes registered.

The Company has no bank loans.

No other significant events that could significantly affect the assessment of the reporting year have occurred.

The going concern assumption is applicable in the preparation of the financial statements.

Future prospects of the Company

In 2019, we expanded our customer base by increasing the Company's share in the Latvian jewelry wholesale market, covering most of Riga's shopping centers. The company will continue this work in 2020.

In 2019, the Company planned to invent a new warehouse and customer relationship management system. This plan has been implemented and in 2020 the Company will continue to modernize this system.

In 2020, the Company plans to monitor the market situation and will try to maintain the existing share of the Company in the Latvian jewelry wholesale market as much as possible, regardless of the impact of the COVID-19 virus.

In 2020, the Company plans to develop e-commerce.

Risk Management

The Company's operations involve financial risks. These risks may include:

- market risk- when market prices for services, precious metals and goods change that affect company assets and liabilities negatively.

- credit risk - when the company may incur financial losses due to the insolvency of the business partner;

- liquidity risk - upon occurrence it may lead to a situation where assets have to be sold at a lower price than their fair value

Subsequent events

In February 2020, the entire world was exposed to the COVID-19 virus. Although the prevalence of the virus is currently lower in Latvia than in several other European countries, it should be noted that COVID-19 will affect our company's financial performance in 2020.

Our most important foreign partners - jewelry manufacturers - have stated that they are forced to drastically reduce their production and will not be able to supply us with this product until the end of the pandemic. Due to this, the volume and assortment of products offered will significantly decrease both in our sales outlets and in our wholesale.

A decrease in buyer's demand is forecasted in both retail and wholesale markets.

How devastating and long-lasting the consequences of COVID-19 will be is not yet clear. It will depend on many reasons, including the general economic situation and the purchasing power of the population.

In the time period between the last day of the financial year and the date of signing the financial statements there have been no other significant events that would significantly effect financial results for the year or the financial position of the Company.

Report on corporate governance for 2019 is electronically publicly available on Nasdaq Riga corporate website:
<http://www.nasdaqbaltic.com>.

Board of directors

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Tamāra Fruļa

Member of the Board

Aleksandrs Struļevičs

29th April, 2020

Statement of Management Responsibility

Management is responsible for preparing financial statements based on the initial accounting records of each year of account, which truly reflects the company's financial position at the end of the year of account, as well as results of operations and cash flows for the period.

Hereby it is confirmed by the Company managers that upon drawing the present report for period, 01.01.2019-31.12.2019, appropriate accounting methods were used, the same were applied on consistent basis, and reasonable and cautious decisions are made.

The Management confirms that the relevant Latvian Accounting principles have been observed and the financial statements have been prepared in accordance with the principle of continuation.

The management report contains a clear overview of the Company's development and performance.

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

Board of directors

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Aleksandrs Struļevičs

29th April, 2020

Balance Sheet

<i>ASSETS</i>	Appendixes	31.12.2019. EUR	31.12.2018. EUR
Long-term investments			
I Intangible assets:			
Concessions, licenses and similar rights		35	95
Total intangible investments:	1	35	95
II Fixed assets:			
1. <i>Real estate:</i>			
a) Land, buildings, constructions and perennial plantations		103 919	108 682
2. Leasehold improvements		-	584
3. Other fixed assets and inventory		33 400	9 352
Total fixed assets	2.	137 319	118 618
Total long-term investments		137 354	118 713
Current assets			
I. Stocks			
1. Raw materials, direct materials and auxiliary materials	3.	104 499	141 592
2. Unfinished products and orders	4.	96 274	58 476
3. Finished goods and goods for sale	5.	340 514	304 521
4. Advance payments for stocks	6.	308	428
Total stocks		541 595	505 017
III. Debtors			
1. Trade receivables	7.	623 881	698 805
2. Other receivables	8.	3 233	4 437
3. Deferred expenses	9.	750	652
Total debtors		627 864	703 894
V.Cash	10.	100 748	127 883
Total current assets		1 270 207	1 336 794
Grand total assets		1 407 561	1 455 507

Appendixes from Page 13 to 28 an integral part of these annual report

Board of directors

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Member of the Board

Aleksandrs Struļevičs

Chief accountant

Nataļja Beļšova

Balance Sheet

	Equity and liabilities	Appendixes	31.12.2019. EUR	31.12.2018. EUR
	Equity			
1.	Share capital	11.	6 640 172	6 640 172
2.	Long-term investment revaluation reserve	12.	58 788	71 074
3.	Reserves			
a)	Other reserves	13.	108 481	108 481
	Total reserves		108 481	108 481
4.	Undistributed profit from previous year		(5 511 291)	(5 489 262)
5.	Profit or loss of the reporting year		(32 359)	(22 029)
	Total equity		1 263 791	1 308 436
	Long-term liabilities			
	Other borrowings (financial lease)	14	16 711	-
	Total long-term liabilities		16 711	-
	Short-term liabilities			
1.	Other borrowings (financial lease)	14.	4 742	-
2.	Trade payables	15.	53 701	86 345
3.	Taxes and social security contributions	16.	44 371	36 223
4.	Other payables	17.	9 577	11 311
5.	Accrued liabilities	18.	14 668	13 192
	Total short-term liabilities		127 059	147 071
	Total liabilities		143 770	147 071
	Grand total equity and liabilities		1 407 561	1 455 507

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Chief accountant

Natalja Beļšova

29th April, 2020

Profit or loss statement

(classified by cost function)

Parameters	Appendixes	Year 2019	Year 2018
1. Net turnover	19.	996 592	768 202
a) from other operating activities		996 592	768 202
2. Cost of goods sold and services rendered	20.	(714 320)	(516 227)
3. Gross profit or loss		282 272	251 975
4. Selling expenses	21.	(253 036)	(238 670)
5. Administrative expenses	22.	(87 634)	(96 756)
6. Other operating income	23.	62 676	76 556
7. Other operating expenses	24.	(35 665)	(14 991)
8. Interest payable and similar expenses			
a) to other persons	25.	(972)	-
9. Profit or loss before corporate income tax		(32 359)	(21 886)
10. Corporate income tax for the reporting year		-	(143)
11. Profit or loss after calculation of corporate income tax		(32 359)	(22 029)
12. Profit or loss for the reporting year		(32 359)	(22 029)
13. Profit or loss per one share for the year		-0,007	-0,005
14. Profit or loss per one share from the beginning		-1,17	-1,16

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Natalja Beļšova

29th April, 2020

Cash flow statement
(by direct method)

	Notes	Year 2019	Year 2018
I. Cash flow from operating activities			
1. Income from the goods sold and services rendered		884 161	609 469
2. Payments to suppliers, staff, other expenditures on main activities		(979 988)	(764 814)
3. Other income and expenditures from operating activities		78 277	179 449
4. Gross cash flow from operating activities		(17 550)	24 104
II. Cash flow from investing activities			
1. Acquisition of fixed assets and intangible assets (-)	2	(4 890)	(4 591)
2. Income from disposal of fixed assets and intangible assets (+)		-	4 385
Net cash flow from investing activities		(4 890)	(206)
III. Cash flow from financing activities			
1. Lease payments for fixed assets	14	(4 695)	-
Net cash flow from financing activities		(4 695)	-
V. Cash and cash equivalents increase or decrease		(27 135)	23 898
VI. Cash and cash equivalents at the beginning of the reporting period		127 883	103 985
VII. Cash and cash equivalents at the end of the reporting period		100 748	127 883

Appendixes from Page 13 to 28 an integral part of these annual report

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29th April, 2020

Statement on changes in equity

	Notes	Year 2019	Year 2018
I.Share capital	11		
Opening balance		6 640 172	6 640 172
Closing balance		6 640 172	6 640 172
II.Revaluation reserve for long-term investments			
Opening balance		71 074	88 843
Increase/decrease of revaluation reserve for long-term investments		(12 286)	(17 769)
Closing balance		58 788	71 074
III Reserves			
Opening balance		108 481	108 481
Closing balance		108 481	108 481
IV. Retained earnings			
Opening balance		(5 511 291)	(5 489 262)
Increase/decrease of retained earnings		(32 359)	(22 029)
Closing balance		(5 543 650)	(5 511 291)
V.Total equity			
Opening balance		1 308 436	1 348 234
Closing balance		1 263 791	1 308 436

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29th April, 2020

Appendix to the financial statement

1. Accounting Policy

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"

21.10.2003 Cabinet Regulation No. 585 "Regulations on Accounting and Organization";

21.06.2016 Cabinet Regulation No. 399 "Regulations regarding the Form of Electronic Copies of Financial Statements Prepared by Companies or Cc

Profit or Loss Statement is classified by cost function.

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;
(excluding changes in accounting policies);
- 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) costs are reconciled with revenue 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.

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.

Appendix to the financial report

Changes in the accounting policy

The Company changes the accounting policy if:

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 02.01.2020.

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 statement

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 02.01.2020.

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.

Inventories

Inventories are stated at the lower of cost or net realizable value

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.

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

Inventory balances are checked during annual inventory 02.01.2020.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.

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 statement

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.

On March 9, 2020, the Company's management performed a revaluation of the Company's buildings as of 31.12.2019. The cost replacement method and the income capitalization method were used for the revaluation of real estate (buildings); balanced market value as of 31.12.2019. calculated at EUR 103 919.

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.

The difference resulting from such a revaluation between a valuation based on acquisition cost or production cost and a valuation based on revaluation, if this difference is positive (hereinafter - appreciation), shall be included in the relevant balance sheet asset item showing the revalued amount. the object of fixed assets, and in the liability item "Long-term investment revaluation reserve" in the section "Equity" of the balance sheet. The new carrying amount of an asset is calculated by first writing off the accumulated depreciation until the revaluation date from the asset's previous carrying amount and then increasing or decreasing the remaining amount accordingly at the fair value determined on the revaluation of the asset. However, the revaluation reserve for long-term investments does not include the amount by which the revaluation increase resulting in revaluation fully or partially offsets the impairment adjustments for the same item of property, plant and equipment that were included in profit or loss in previous years. This amount is included in the income statement as income in the reporting year in which the increase in the value of the fixed asset is established.

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

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

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

Equity under "Long-term investments revaluation reserve" included in the increase in value are reduced by recognizing a reduction in the income statement:

1) gradually revalued the item during each accounting period to write off an amount equal to the difference between

depreciation calculated based on the asset's revalued value and depreciation, calculated on the basis of the asset's acquisition value.

Long-term investments revaluation reserve may not be paid,

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

Appendix to the financial statement

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

Accounts payable 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.

Lease

Finance leases in which all risks and rewards of ownership of the leased asset are transferred to the Company are recognized in the balance sheet as property, plant and equipment at the lower of the fair value of the leased asset at the inception of the lease or the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance costs are charged to the income statement as interest expense.

If there is sufficient reason to believe that at the end of the lease term the leased asset will become the property of the lessee, the estimated useful life of the asset is assumed. In all other cases, the depreciation of capitalized leased assets is calculated using the straight-line method over the estimated useful lives of the assets or the lease term, whichever is shorter.

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.

Appendix to the financial statement

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

31.12.2019.	31.12.2018.
16 185	19 253

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:

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:

	2019	2018
Annual Report Statutory audit (review)	3 500	3 100
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 concluded agreements on lease of premises with legal and natural persons, at the address Rīga, Terēzes Street 1. Leased area of premises is 527,57 sqm.

Planned revenues according to concluded lease agreements:

for 2020 is 15 107 €

The company leases the land. The area of leased land is 2069 sqm. The agreements have been concluded until 2022.

The company leases premises with an area of 18 sqm. To the branch at the address Rīga, Lidonu Street 27 k-1. The agreement was concluded until 2021.

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.

Appendix to the financial statement

1.Intangible assets

	Concessions, patents, licenses and similar rights	Intangible assets Total
Initial Value		
31.12.2018.	862	862
31.12.2019.	862	862
Depreciation		
31.12.2018.	767	767
Calculated	60	60
31.12.2019.	827	827
Residual value		
31.12.2018.	95	95
31.12.2019.	35	35

2.Fixed assets

	Buildings, constructions	Long-term investments in leased fixed assets	Equipment and machinery	Other fixed assets	Total
Initial Value					
31.12.2018.	202 323	3 212	90 576	73 163	369 274
Acquisition	-	-	-	32 341	32 341
* Revaluation +	5 571	-	-	-	5 571
* Revaluation -	(89)	-	-	-	(89)
* Written off reval.09.03.2020.	(103 756)	-	-	-	(103 756)
* Written off reval.(pr/loss)	(130)	-	-	-	(130)
Sales	-	-	-	(27 937)	(27 937)
31.12.2019.	103 919	3 212	90 576	77 567	275 274
Depreciation					
31.12.2018.	93 641	2 628	90 576	63 811	250 656
Calculated	10 116	584	-	8 293	18 993
* Written off reval.09.03.2020.	(103 757)	-	-	-	(103 757)
Sales	-	-	-	(27 937)	(27 937)
31.12.2019.	-	3 212	90 576	44 167	137 955
Residual value					
31.12.2018.	108 682	584	-	9 352	118 618
31.12.2019.	103 919	-	-	33 400	137 319

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.

In the reporting period a car was acquisitioned financial leasing EUR 27 150,13.

Low-value items booked expenses at the acquisition date

Vehicles are insured.

Appendix to the financial report

Revaluation of real estate

* On March 9, 2020, the Company's management performed a revaluation of the Company's buildings as of 31.12.2019. The cost replacement method and the income capitalization method was applied for the revaluation of real estate (buildings); balanced market value as of 31.12.2019. calculated at EUR 103 919.

Appendix to the financial statement

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

Changes in the item "Long - term investment revaluation reserve"

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	71 074	58 788	108 682	12 286	57 938	103 919
<i>including:</i>						
Factory building Nr.3	118	0	2 211	118	1 104	1 848
Pass (boiler house)	1 092	1 601	13 420	-509	15 120	13 322
Canteen	21 013	18 556	47 123	2 457	12 237	46 829
Administration building	11 833	10 547	27 831	1 286	15 557	27 679
Factory building Nr.2	37 018	28 084	18 097	8 934	13 920	14 241

Appendix to the financial statement

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

	<u>31.12.2019.</u>	<u>31.12.2018.</u>
gold	39 259	76 317
silver	636	197
precious stones, semiprecious stones	61 716	60 964
Low value inventory	956	956
Fuel	22	44
Instruments	1 910	3 114
Total	<u>104 499</u>	<u>141 592</u>

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

	<u>31.12.2019.</u>	<u>31.12.2018.</u>
	96 274	58 476
Total	<u>96 274</u>	<u>58 476</u>

5. Finished goods and goods for sale

Balances of goods

	<u>31.12.2019.</u>	<u>31.12.2018.</u>
	340 514	304 521
Total	<u>340 514</u>	<u>304 521</u>

6. Advance payments for stocks

Advance payment for fuel SIA NESTE

	<u>31.12.2019.</u>	<u>31.12.2018.</u>
	308	428
Total	<u>308</u>	<u>428</u>

7. Trade receivables

Gold for jewelry production

Foreign receivables

Receivables from residents

Lease receivables

	<u>31.12.2019.</u>	<u>31.12.2018.</u>
	-	939
	3 309	53 087
	622 716	629 927
	63 788	61 931
Total	<u>689 813</u>	<u>745 884</u>

Provisions 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 31.12.2018.	47 079
Reduction of provisions (payment and write-off)	(1 344)
Increase	20 197
Provisions 31.12.2019.	65 932

Appendix to the financial statement

Explanatory notes to the items of the balance sheet

	<u>31.12.2019.</u>	<u>31.12.2018.</u>
8. Other receivables		
Creditcard	997	2 333
Guarantee	1 900	1 900
Advances to employees	107	7
Security deposit for Venden equipment	31	31
Overpayment of taxes (risk duty)	19	2
Overpayment of taxes (Corporate income tax)	15	-
Other	164	164
Total	<u>3 233</u>	<u>4 437</u>
9. Deferred expenses		
Insurance of the transport	21	85
Health insurance of the employees	189	-
Tax system subscription	531	567
Other	9	-
Total	<u>750</u>	<u>652</u>
10. Cash		
Money in cash	3 607	6 939
Money in cash machines	2 580	4 405
Money in operating accounts:		
SEB banka	94 561	116 539
Total	<u>100 748</u>	<u>127 883</u>

11. Information on the share capital of the company.

On 28.05.2015 the Company had denominated the share capital. As a result of denomination, the share capital of the company is 6 640 172 EUR that is divided into 4 742 980 shares with nominal value of 1,40 EUR. The residual value in amount of EUR 108 480,54 was transferred to reserves.

All shares are ordinary shares with voting rights.

4'493'700 shares of the total number of Company's shares are bearer shares in dematerialized form.

249 280 shares of the total number of Company's shares are registered shares in dematerialized form.

Company owners:

	<i>Shares</i>	<u>31.12.2019.</u>	
		<i>psc.</i>	EUR
Vladimirs Cadovičs		291 785	408 499
Valentīns Istomins		1 400 000	1 960 000
Marija Ančevska		1 540 000	2 156 000
RENGARTS SIA		488 797	684 316
Others		1 022 398	1 431 357
Total		<u>4 742 980</u>	<u>6 640 172</u>

Appendix to the financial statement

Explanatory notes to the items of the balance sheet

Reserves

12. Long-term investment revaluation reserve

On 09.03.2020. real estate was revalued.

31.12.2018.	71 074
increase	5 571
decrease	(89)
written off	(17 768)
31.12.2019.	58 788

13. Share capital denomination reserve

31.12.2018.	108 481
31.12.2019.	108 481

14. Other borrowings (financial lease)

	31.12.2019.	31.12.2018.
Long-term liabilities SIA UniCredit Leasing	16 711	-
Short-term liabilities SIA UniCredit Leasing	4 742	-
Total	21 453	-

Interest rate: 3-month EURIBOR and fixed rate 5.00%

<i>Lease liabilities received</i>	29 730
<i>Lease liabilities repaid</i>	-3 723 (and % 972)
<i>Lease liabilities offset</i>	-4 554
	<u>21 453</u>

15. Trade payables (short-term)

	31.12.2019.	31.12.2018.
Trade payables for goods	6 316	7 184
Foreign trade payables for goods	45 809	76 988
Trade payables for services	1 576	2 173
Total	53 701	86 345

16. Taxes and social security contributions

	31.12.2019.	31.12.2018.
Personal Income tax	3 223	2 488
Social security contributions	6 388	5 179
Value added tax	34 707	28 334
Corporate income tax	-	155
Natural resources tax	53	38
Business motor vehicles tax	-	29
Total	44 371	36 223

17. Other liabilities (short-term)

	31.12.2019.	31.12.2018.
Salaries	8 671	9 642
Guarantee money	701	1 669
Overpaid amounts (debtors)	205	-
Total	9 577	11 311

Appendix to the financial statement

Explanatory notes to the items of the balance sheet

18. Accrued liabilities

Liabilities for the subsequent period

	31.12.2019.	31.12.2018.
For communication services	96	73
Utilities	2 646	126
For audit of the annual report	1 750	1 240
Other	41	2 275
Provisions for vacations	10 135	9 478
Total	14 668	13 192

Appendix to the financial statement

Explanatory notes to the items of the profit or loss statement

19. Net turnover	2019.gads	2018.gads
a) from other operating activities		
Revenue from wholesales	882 472	696 070
Returned goods	(113 163)	(143 174)
Discount	(16 640)	(11 370)
Revenue from retail sales	243 923	226 676
Total	996 592	768 202
Net turnover by geographical markets		
<i>Latvia</i>	848 167	625 638
<i>EU</i>	148 425	141 706
<i>Lithuania</i>	-	858
<i>Bulgaria</i>	-	-
Total	996 592	768 202
20. Cost of goods sold and services rendered	2019.gads	2018.gads
Purchasing and manufacturing expenses	712 778	512 956
Markdown and write - down expenses	1 203	3 217
Jewellery stamping at the LPB*	339	54
Total	714 320	516 227
21. Selling costs	2019.gads	2018.gads
Employee salary costs	140 843	133 187
Health insurance of employees	189	-
Social security contributions	32 672	30 947
Accumulat.liabilities for vacations, salary (+); (-)	(618)	(1 273)
Accumulat.liabilities for vacations, social contributions (+); (-)	(141)	(283)
Advertising expenses	1 276	1 411
Utilities (water, electricity, gas)	32 302	36 683
Rent of land and premises	27 641	27 346
Natural resources tax	53	39
Leasehold improvements write-offs (repair)	584	717
Depreciation of fixed assets	13 911	7 632
Low-value inventory writeoff	2 664	1 509
Other selling costs	1 660	755
Total	253 036	238 670
22. Administrative expenditures	2019.gads	2018.gads
Salary of administration	39 814	39 218
Health insurance of employees (administration)	442	-
Social security contributions	8 484	8 357
Risk duty	73	79
Accumulat.liabilities for vacations, salary (+); (-)	1 167	3 371
Accumulat.liabilities for vacations, VSAOI (+); (-)	249	822
Communication services (long distance calls, internet)	3 247	3 210
Bank services	2 710	1 952

Explanatory notes to the items of the profit or loss statement

	<u>2019.gads</u>	<u>2018.gads</u>
To "NASDAQ Riga" for shares and Central depository	7 732	7 335
Office expenses	3 893	4 372
Impairment adjustments for intangible assets	-	144
Depreciation of fixed assets (administrative building)	1 825	1 825
Real estate tax (administrative building)	1 701	1 701
Business trip allowances	261	3 416
Security services	2 358	2 243
Annual report and audit expenses	3 500	3 100
Transport insurance	923	877
Transport expenses (fuel, repair)	7 690	12 065
Transport rental expenses	-	1 887
Business motor vehicles tax	987	541
Representation expenses	23	11
Other administrative expenses, (incl. legal expenses)	555	230
Total	<u>87 634</u>	<u>96 756</u>

23. Other operating income

	<u>2019.gads</u>	<u>2018.gads</u>
Net result from sale of fixed assets	4 132	-
Decrease in longterm investment revaluation reserve	17 768	17 769
Heating for tenants	18 276	22 030
Rent of premises	20 953	35 478
Third party revenue from utilities	25 113	100 580
Third party costs for utilities	(25 113)	(100 580)
Write-off of doubtful or bad debts (D 431 K 8190)	203	-
Other income (free packaging)	1 344	1 279
Total	<u>62 676</u>	<u>76 556</u>

24. Other operating expenses

	<u>2019.gads</u>	<u>2018.gads</u>
Late payment fee	4	12
Expenses for staff motivation	-	181
Write-off of bad debts	823	-
Provisions for doubtful debts	20 197	487
Funeral allowance	-	1 000
Previous year 's expenses	-	1 805
Depreciation of the building (after revaluation)	130	-
Real estate tax for buildings	4 125	4 125
Net result from sale of fixed assets ¹	-	129
Other expenses	10 386	7 252
Total	<u>35 665</u>	<u>14 991</u>

25. Interest payable and similar charges

	<u>2019.gads</u>	<u>2018.gads</u>
Finance lease interest payments	972	-
Total	<u>972</u>	<u>-</u>

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	0	4 132	0	4 132	4 132

² Revenue from rent of premises	23 686
Depreciation of rented premises	<u>(2 733)</u>
Income	<u>20 953</u>

Appendix to the financial statement

Overall information

	<u>2019</u>	<u>2018</u>
26. Average number of employees in the year		
Average number of employees	<u>18</u>	<u>18</u>
Board	3	3
Others	<u>15</u>	<u>15</u>
27. Total expenditures on staff	<u>221 813</u>	<u>211 709</u>
- salary	180 657	172 405
- Social contributions	<u>41 156</u>	<u>39 304</u>
- included:		
<i>Board of directors salary</i>		
- salary	39 814	39 218
- Social contributions	<u>8 484</u>	<u>8 357</u>
- total	<u>48 298</u>	<u>47 575</u>

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

28. Basis of going concern assumption

The Company has closed the reporting period with a loss of EUR 32 359. At the end of the reporting year, uncovered losses for previous years amounted to EUR 5 511 291, while total equity was positive at EUR 1 263 791.

Company's short-term liabilities does not exceed it's current assets.

Company's total liabilities does not exceed it's total assets.

The company has no registered commercial pledge.

There are no liquidation processes registered.

There are no insolvency processes registered.

There are no legal protection processes registered.

The Company has no bank loans.

No other significant events that could significantly affect the assessment of the reporting year have occurred.

The going concern assumption is applicable in the preparation of the financial statements.

29. Subsequent events

In February 2020, the entire world was exposed to the COVID-19 virus. Although the prevalence of the virus is currently lower in Latvia than in several other European countries, it should be noted that COVID-19 will affect our company's financial performance in 2020.

Our most important foreign partners - jewelry manufacturers - have stated that they are forced to drastically reduce their production and will not be able to supply us with this product until the end of the pandemic. Due to this, the volume and assortment of products offered will significantly decrease both in our sales outlets and in our wholesale.

A decrease in buyer's demand is forecasted in both retail and wholesale markets.

How devastating and long-lasting the consequences of COVID-19 will be is not yet clear. It will depend on many reasons, including the general economic situation and the purchasing power of the population.

In the time period between the last day of the financial year and the date of signing the financial statements there have been no other significant events that would significantly effect financial results for the year or the financial position of the Company.

Annual report prepared Chief accountant Natalja Beļšova

Appendixes to the annual report from Page 13 to 28 signed

Chairman of the Board

Vladimirs Cadovičs

Member of the Board

Tamāra Fruļa

Member of the Board

Aleksandrs Struļevičs

Chief accountant

Natalja Beļšova

29th April, 2020