



JOINT STOCK COMPANY
„RĪGAS AUTOELEKTROAPARĀTU RŪPNĪCA”

Annual report for the year 2004

(translated from Latvian; breviary)

Report of the Management about the year 2004.

1. Information about JSC" RAR" and its basic activities.

The company was founded in 1946 under the Ministry of Automotive industry of the USSR as a manufacturer of electric equipment and other goods for automobiles and agricultural machinery. At now the joint stock company "Rigas autoelektroaparatu rupnica" has the same profile of production and basic activities:

- production of control and measuring devices for motorcars and tractors, automotive accessories and different locks;
- designing of new devices as well as designing and manufacturing of tooling and instruments

The following technological processes are used in the manufacturing: metal machining and punching, pressure casting of zinc alloys, moulding of plastics, electroplating and paint coating and assembling of finished products.

Since 2003 the company has introduced quality management system corresponding to ISO 9001:2000. In 2004 the personnel continued to perfect the quality management system.

2. Conclusions.

The total volume of production and sales increased greatly in 2004.

Net turnover in 2004 was 5791180 LVL

in 2003 – 3604147 LVL

If compared with 2003 it has increased by 60,7 %.

To execute delivery obligations according to the signed contracts the management of JSC "RAR" supplementary engaged 84 employees .

The increase of delivery volumes in 2004 improved the results of work and financial situation of the enterprise. Cash holdings in the bank guarantee the ability to execute the contracts.

Customers' debts are real. According to the signed contracts customers shall pay for the delivered production in 45 up to 60 days.

JSC "RAR" doesn't use bank credits for carrying out of the manufacturing processes. The property of the society is insured in the Insurance JSC "Nordens".

In the result of economic activities in 2004 the JSC "RAR " gained profit:

Profit before taxes was - 275535 LVL,

after tax payments – 250195 LVL.

According to the declaration of income tax of the enterprise the tax shall be paid from income 63783 LVL and it's 9567 LVL.

To keep the gained position in the market, in 2004 the enterprise began the preparing of the production for manufacturing of new instrument panels for Russian companies TZK "GAZ " in N.Novgorod and automobiles' producing company in Uljanovsk as well as for Belarusian automobiles' producing company in Minsk. Therefore expenses for the production of metal machining and punching equipment, special instruments and controlling devices have increased at the end of the year. The enterprise will start manufacturing of the new goods at the end of 2004 and at the beginning of 2005.

The products of the enterprise are specific and are intended mainly for complete set of automobiles and agricultural machinery in Russia, Ukraine and Belarus. Therefore the production and delivery volumes are greatly depending on the planned production volumes of automobiles' producers and from the per cent of the production of our enterprise in total delivery volumes.

The volumes of production in 2005 are planned the same as in 2004.

The rapid increase of material, sub-component, energy and fuel prices in 2004 that is expected to continue in 2005 impact the results of economic activities because the prices of the goods produced in „RAR” are limited by severe competition in the market. The earnings after tax payments in 2005 are predicted to be not more than 5-7% of net turnover.

The enterprise continues to operate and looks for new business partners and customers in the West European countries, but up to now the negotiations either haven't been enough successful to develop profitable cooperation or are continued in the level of intension.

The enterprise needs cash holdings to obtain new equipment, to improve the quality of produced goods, for repairing works as well as for re-equipment of electroplating shop to meet the demands of environmental protection.

The Managing Board of JSC „RAR” proposes a following distribution of the earnings of the year of account in total 250195 LVL:

- to pay dividends 0,02 LVL per one share (total 65310,18 LVL) ;
- to invest the other 184884,82 LVL in the development of the enterprise.

Date of approval of the annual report:

2005 _____

JSC " Rīgas autoelektroaparātu rūpnīca "

BALANCE SHEET

for the year 2004

k=0,703

ASSETS	Notes	Row code	LVL	LVL	EUR	EUR
			At the end of the year	At the beginning of the year	At the end of the year	At the beginning of the year
1	2	3	4	5	6	7
A. LONG-TERM INVESTMENTS						
1. Intangible assets						
1.1. Patents, licences and similar rights		010	47166	61697	67092	87762
1. TOTAL		020	47166	61697	67092	87762
2. Fixed assets						
2.1. Land, buildings and constructions		030	1040117	1053622	1479541	1498751
2.2. Equipment and machinery		040	201832	156483	287101	222593
2.3. Other fixed assets and inventory		050	29139	22145	41449	31501
2.4. Construction in progress		060	90040	90040	128080	128080
2. TOTAL		070	1361128	1322290	1936171	1880925
3. Long-term financial investments						
3.1. Participation in capital of affiliated companies		080	1040	1040	1479	1479
3.2. Loans to joint owners		090		40000		56899
3. TOTAL		100	1040	41040	1479	58378
A. TOTAL		110	1409334	1425027	2004742	2027065
B. CURRENT ASSETS						
1. Inventory						
1.1. Raw materials, direct materials and auxiliary materials		120	563128	666491	801036	948067
1.2. Work in progress		130	95401	69222	135706	98467
1.3. Finished goods and goods for sale		140	466570	319562	663684	454569
1.4. Advance payments for goods		150	21929	15041	31193	21395
1. TOTAL		160	1147028	1070316	1631619	1522498
2. Receivables						
2.1. Trade receivables		170	1271538	825588	1808731	1174378
2.2. Other receivables		180	93956	71077	133650	101105
2.3. Deferred expenses		190	3088	870	4393	1238
2. TOTAL		200	1368582	897535	1946774	1276721
3. Cash		3. TOTAL	210	411307	493628	585074
B. TOTAL		220	2926917	2461479	4163467	3501393
TOTAL ASSETS		230	4336251	3886506	6168209	5528458

JSC " Rīgas autoelektroaparātu rūpnīca "

BALANCE SHEET

for the year 2004

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			LVL	LVL	EUR	EUR
LIABILITIES	Notes	Row code	At the end of the year	At the beginning of the year	At the end of the year	At the beginning of the year
1	2	3	4	5	6	7
A. Equity capital						
1. Share capital (equity capital)		240	3265368	3265367	4644904	4644903
2. Reserves:		250	165625	726466	235598	1033380
a) other reserves		260	165625	726466	235598	1033380
TOTAL		270	3430993	3991833	4880502	5678283
3. Retained profit:						
a) brought forward from previous years		280		-560841		-797782
b) for the current year		290	250195		355896	
A. TOTAL		300	3681188	3430992	5236398	4880501
B.CREDITORS						
1. Long-term liabilities						
1.1. Debts to suppliers and contractors		310	300037		426795	
1. TOTAL		320	300037		426795	
2. Current liabilities						
2.1. Advance payments from customers		330	6515	1777	9267	2528
2.2. Trade creditors		340	54971	372799	78195	530297
2.3. Taxes and social security payments		350	14045	3319	19979	4721
2.4. Other creditors		360	64636	45687	91943	64989
2.5. Deferred income		370		31932		45422
2.6. Accumulated obligations		380	214859		305632	
2. TOTAL		390	355026	455514	505016	647957
B.TOTAL		400	655063	455514	931811	647957
TOTAL LIABILITIES		410	4336251	3886506	6168209	5528458

JSC " Rīgas autoelektroaparātu rūpnīca "

Profit or Loss account

for the year 2004

LVL

LVL

EUR

EUR

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No	Items	Notes	Row code	2004	2003	2004	2003
				4	5	6	7
1	Net turnover		010	5791180	3604147	8237809	5126809
2	Cost of sales		020	4581922	2933365	6517670	4172638
3	Gross profit or loss		030	1209258	670782	1720139	954171
4	Selling expenses		040	509867	911949	725273	1297225
5	Administrative expenses		050	279096	244695	397007	348073
6	Other operating income		060	246242	173115	350273	246252
7	Other operating expenses		070	386423	243558	549677	346455
8	Interest receivable and similar income		080	12687	10589	18047	15063
9	Write-offs of the value of long-term financial assets and short term securities		090		760		1081
10	Interest payable and similar expenses		100	17266		24560	
11	Profit or loss before extraordinary items and taxes		110	275535	-546476	391942	-777348
12	Profit or loss before taxes		120	275535	-546476	391942	-777348
	Income tax		130	9567		13609	
13	Other taxes		140	15773	14365	22437	20434
14	Profit or loss for the year		150	250195	-560841	355896	-797782

Earnings per share

0,077

0,109

JSC " Rīgas autoelektroaparātu rūpnīca "

STATEMENT OF CASH FLOWS for the year 2004

A. Cash flow from operating activities

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No	ITEMS	2004	2003	2004	2003
		LVL	LVL	EUR	EUR
1	Income from sales and services	5395897	3343275	7675529	4755725
2	Payments to suppliers for goods and services	-4362954	-2622450	-6206193	-3730370
3	Payments to employees and in their interests or to the third persons according to their orders	-904656	-615521	-1286851	-875563
4	Other expenses for economic activities	-54148	-71938	-77024	-102330
5	Income from other economic activities	32159	68827	45745	97905
6	Tax payments	-160076	-154473	-227704	-219734
7	Received taxes (VAT)	1573	2053	2238	2920
8	Deferred expenses	-11139	-3348	-15845	-4762
	Cash flow from gross operating activities	-63344	-53575	-90105	-76209
9	Interest expenses	-8563	-84	-12181	-119
10	Real estate tax payments	-15773	-14365	-22437	-20434
	TOTAL	-87680	-68024	-124723	-96762
A.	Net cash flow from operating activities	-87680	-68024	-124723	-96762

B. Cash flow from investment activities

No	ITEMS	2004	2003	2004	2003
		LVL	LVL	EUR	EUR
1	Sale of shares of associated or affiliated companies		400		569
2	Purchase of intangible and fixed assets	-53984	-38750	-76791	-55121
3	Sales of intangible and fixed assets	20660	11828	29389	16825
4	Issued loans	-2400	-50900	-3414	-72404
5	Repaid loans	41790	260065	59445	369936
6	Received interest	1532		2179	
	TOTAL	7598	182643	10808	259805
B.	Net cash from investment activities	7598	182643	10808	259805

C. Cash flow from financing

No	ITEMS	2004	2003	2004	2003
		LVL	LVL	EUR	EUR
1	Income from issue of shares and bonds	1		1	
2	Received interest for deposit	11155	10525	15868	14972
	TOTAL	11156	10525	15869	14972
C.	Net cash flow from financing	11156	10525	15869	14972

SUMMARY OF CASH INCOME AND EXPENDITURE

No	ITEMS	2004	2003	2004	2003
		LVL	LVL	EUR	EUR
A	The result from operating activities	-87680	-68024	-124723	-96762
B	The result from investment activities	7598	182643	10808	259805
C	The result from financing	11156	10525	15869	14972
D	The result from currency rate fluctuations	-13395	-5939	-19054	-8448
	Cash increase or decrease	-82321	119205	-117100	169567
	Cash and cash equivalents at the beginning of the year	493628	374423	702174	532607
	Cash and cash equivalents at the end of the year	411307	493628	585074	702174

JSC " Rīgas autoelektroaparātu rūpnīca "
Statement of exchanges in equity for the year 2004.

(LVL)

	Share capital	Reserves	Profit or losses	Total
On Dec.31, 2002	5442279		-1450446	3991833
Changes in equity reg. on Nov.25, 2003	-2176912	2176912		0
Write-off of the losses of previous years		-1450446	1450446	0
Losses of the year			-560841	-560841
On Dec.31, 2003	3265367	726466	-560841	3430992
Issue of a share reg. on Jun.30, 2004	1			1
Write-off of the losses of previous years		-560841	560841	0
Profit of the year			250195	250195
On Dec.31, 2004	3265368	165625	250195	3681188

K=0,703 (EUR)

	Share capital	Reserves	Profit or losses	Total
On Dec.31, 2002	7741506		-2063223	5678283
Changes in equity reg. on Nov.25, 2003	-3096603	3096603		0
Write-off of the losses of previous years		-2063223	2063223	0
Losses of the year			-797782	-797782
On Dec.31, 2003	4644903	1033380	-797782	4880501
Issue of a share reg. on Jun.30, 2004	1			1
Write-off of the losses of previous years		-797782	797782	0
Profit of the year			355896	355896
On Dec.31, 2004	4644904	235598	355896	5236398