



JOINT STOCK COMPANY

**„Rīgas autoelektroaparātu rūpnīca”  
( reg.Nr. 4 0003030454 )**

**Annual report for the year 2008**

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### **Information about the company**

Name of the company	<i>Rīgas autoelektroaparātu rūpnīca</i>
Legal form	<i>Joint stock company</i>
Registration number in the Register of Enterprises, place and date	<i>000303045, Riga, 22.04.1998</i>
Registration number in Commercial Register, place and date	<i>40003030454, Riga, 30.06.2004</i>
Address	<i>2, Klijanu street, Riga, Latvia, LV-1013</i>
Management Board	<i>Alfrēds Auziņš - Chairman (since 1998) Zigurds Kalniņš (since 1998) Maksims Araslanovs (since 2003)</i>
Supervisory Board	<i>Ēriks Kaža – Chairman Gunārs Lubis Viktors Rojs Kristina Kaža Tatjana Ļevenkova</i>
Reporting year	<i>01.01.2008 - 31.12.2008</i>
Main shareholders	Basing on the list of shareholders on April 30,2008 as at the beginning of the day: <ol style="list-style-type: none"> <li><i>1. JSC „Baltijas Holdings”-40.5 % Reg.Nr.40003148033, 2, Klijanu street, Riga</i></li> <li><i>2. „Tehprojekts”,Ltd.- 40.6% Reg.Nr. 40103020397, 12,Unijas street, Riga</i></li> <li><i>3. State social security agency- 4.6%</i></li> <li><i>4. Other physical and legal persons- 14.3%</i></li> </ol>
Auditor	<i>“Auditfirma Alfa un Omega”, Ltd. Reg Nr. 40002041709 33-7, Gaujas street, Riga, LV-1026</i>

## Management report

### 1. Information about the company and its basic activities

The company was found 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. Up to the end of 2008 JSC “Rīgas autoelektroaparātu rūpnīca” had 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.

In 2009 the profile of production and basic activities will be moulding of plastic parts, electroplating and assembling of control and measuring devices for motorcars and tractors.

Since 2003 the company has introduced quality management system corresponding to ISO 9001:2000.

Average number of employees in the reporting year is 215.

### 2. Statements

The economic crisis that is still deepening greatly influenced the economic activities of JSC “RAR” in 2008.

The total volume of production and sales is 62.7 % if compared with the year 2007.

**Net turnover in 2007 was 4425814LVL  
in 2008 – 2775130 LVL**

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 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 growth of material prices, increase of costs for all kind of energy resources as well as systematic increasing of minimal wages have a negative impact on the economic activities of the enterprise while the price level of company’s produced goods is limited by severe competition in the definite market.

The company is arranging its territory – selling the equipment that is no more necessary for production, gathering and selling the used packing materials and scrap. Thus additional income 236.4 thousand LVL was gained. On the other hand, the expenses for the protection of environment and utilization of different substances in 2008 were 1.9 thousand LVL.

Cash holdings in 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 30 up to 60 days.

### *Estimate of efficiency*

The balance sheet and profit or loss account items are used to analyze the performance of the company.

Due to the complicated economic situation the result of economic activities in 2008 are losses 283674 LVL.

Solvency, capability of the company to cover its current liabilities at any time, is described by liquidity ratios.

Item	01.01.2008	31.12.2008
Total liquidity ratio (current assets/current liabilities)	5.8	10.2
Absolute liquidity ratio (cash/ current liabilities)	1.6	0.7

The ratio “*Turnover of all assets*” reveals the effectiveness of assets.

**From “Profit of loss account”**

Item	Total LVL
Net turnover	<b>2775130</b>

**From the balance sheet (average value)**

Item	Total LVL	Turnover ratio	Turnover in days
All assets	3381680	0.82	439
Current assets	2563436	1.1	327
Inventory	1289393	2.2	164
Receivables	833246	3.3	109

*Events after the balance sheet date*

There have not been any significant or extraordinary events between the last day of the reporting year and the day when the management signed the report that could essentially influence data or financial position of the company.

*Future prospects and further development*

The Management Board predicts that the volumes of production and sales in 2008 will reduce as the economic crisis has affected also the producers of automobiles in Russia, Belarus and Ukraine. According to shriveled opportunities for sales they have reduced the volumes of production. In such a situation it is difficult to stand the competition in the market of Russia because the production costs of their local producers are lower than those in Latvia. Due to the reduced demand the deliveries have not covered the total volumes of the contracts of 2008 so their duration will be extended. Therefore the negotiations on new contracts are indefinite yet.

The Managing board is analyzing all costs and the performance of 2008 to carry out economic activities in 2009 and developing measures to change and improve the organizational structure and to diminish fixed costs.

***Risks for the economic activities of the company:***

*1) Risk for technological innovations*

Developing and introducing of new technologies is an expensive process. If it is necessary to obtain new machinery, equipment, punch press or introduce new technologies, it may cost from tens of thousands EUR up to hundred of thousands EUR. It is hard to return this money because the new product takes part in a tender where design, functions, quality as well as

price are evaluated. As the products are intended for complete set of definite automobiles there is a risk that a contract will not be signed for any of reasons.

2) *Quality risk and responsibility*

The company has introduced quality management system corresponding to ISO 9001:2000. According to technical demands the guarantee period is two years from the production date. The producer guarantees substitution of faulty devices during guarantee period. According to contract the producer is responsible for the quality of the product. The supplier is to pay fine for delivery of imperfect goods therefore additional expenses may arise because of substitution of the products in guarantee period.

3) *Exchange risk*

There are different currencies denoted in contracts with the suppliers of materials and sub-components as well as contracts for deliveries of the company's production. The most often is EUR. 90% of net turnover is export. Before signing of contracts the company evaluates the exchange risk and tries to avoid it.

4) *Economic and market risk*

Growth of prices for materials, services and fuel as well as energy resources raises costs of production. There are three main factors which must be taken into account when setting the price – costs of production, demand and prices of competitors. If the level of prices for materials and services remain lower for the internal market of NVS (Commonwealth of Independent States) it may create essential problems for competitiveness of goods manufactured by the company.

There is lack of new specialists with appropriate technical education.

5) *Political risk*

Political relationships among Latvia, Russia and Belarus can have an impact on the activities of the company. At the moments of ice jam economic sanctions against Latvia are possible.

*JSC “Rīgas autoelektroaparātu rūpnīca” has neither foreign mission nor branch.*

*The Managing Board of JSC „RAR” proposes to optimize economic activities and to cover the losses of the reporting year during the next years.*

Management Board: \_\_\_\_\_

A.Auziņš

\_\_\_\_\_

Z.Kalniņš

\_\_\_\_\_

M. Araslanovs

March 9, 2009

## **Statement of Management Responsibility**

The Management Board of JSC „Rīgas autoelektroaparātu rūpnīca” (the Company) is responsible for the preparation of the financial statements of the Company.

The financial statements on pages 7 to 23 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on December 31, 2008 and the results of its operations and cash flows for the period ended on December 31, 2008.

The financial statements are prepared in accordance with laws “On accountancy”, “On the annual reports” and Latvian Accounting Standards on a going company basis. Appropriate accounting policies have been applied on a consistent basis. Judgements and estimates made by the Management Board in the preparation of the financial statements have been prudent and reasonable.

The Management Board of JSC “RAR” is responsible for the maintenance of proper accounting records, the safeguarding of the Company’s assets and the prevention and detection of fraud and other irregularities in the Company. The Management Board is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

On behalf of the Management Board,

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Alfrēds Auziņš  
Chairman of the Board

March 9, 2009

*JSC „Rīgas autoelektroaparātu rūpnīca”  
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**BALANCE SHEET**

**For the year 2008**

k=0.703

ASSETS	Notes	Row code	LVL	LVL	EUR	EUR
			At the end of the period	At the beginning of the year	At the end of the period	At the beginning of the year
			31.12.08	01.01.08	31.12.08	01.01.08
<b>A. LONG-TERM INVESTMENTS</b>						
<b>1. Intangible assets</b>						
1.1. Patents, licenses and similar rights	<b>3</b>	010	126	1548	179	2202
<b>1. TOTAL</b>		<b>020</b>	<b>126</b>	<b>1548</b>	<b>179</b>	<b>2202</b>
<b>2. Fixed assets</b>						
2.1. Land, buildings and constructions	<b>4</b>	030	498932	508310	709718	723058
2.2. Equipment and machinery	<b>5</b>	040	238801	366516	339689	521360
2.3. Other fixed assets and inventory	<b>5</b>	050	4052	18204	5764	25895
<b>2. TOTAL</b>		<b>060</b>	<b>741785</b>	<b>893030</b>	<b>1055171</b>	<b>1270313</b>
<b>A. TOTAL</b>		<b>070</b>	<b>741911</b>	<b>894578</b>	<b>1055350</b>	<b>1272515</b>
<b>B. CURRENT ASSETS</b>						
<b>1. Inventory</b>						
1.1. Raw materials, direct materials and auxiliary materials	<b>6.1.</b>	080	302457	529135	430238	752681
1.2. Work in progress	<b>6.2.</b>	090	42774	91894	60845	130717
1.3. Finished goods and goods for sale	<b>6.3.</b>	100	1060082	499992	1507940	711226
1.4. Advance payments for goods	<b>6.4.</b>	110	58	52394	82	74529
<b>1. TOTAL</b>		<b>120</b>	<b>1405371</b>	<b>1173415</b>	<b>1999105</b>	<b>1669153</b>
<b>2. Receivables</b>						
2.1. Trade receivables	<b>7.1.</b>	130	794151	780027	1129660	1109569
2.2. Other receivables	<b>7.2.</b>	140	25562	39516	36361	56210
2.3. Short-term loans	<b>7.3.</b>	150		21835		31060
2.4. Deferred expenses	<b>7.4.</b>	160	717	4684	1020	6663
<b>2. TOTAL</b>		<b>170</b>	<b>820430</b>	<b>846062</b>	<b>1167041</b>	<b>1203502</b>
<b>3. Cash</b>	<b>8</b>	180	131500	750093	187056	1066989
<b>B. TOTAL</b>		<b>190</b>	<b>2357301</b>	<b>2769570</b>	<b>3353202</b>	<b>3939644</b>
<b>TOTAL ASSETS</b>		<b>200</b>	<b>3099212</b>	<b>3664148</b>	<b>4408552</b>	<b>5212159</b>



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**BALANCE SHEET**

**For the year 2008**

k=0.703

LIABILITIES	Notes	Row code	LVL	LVL	EUR	EUR
			At the end of the period	At the beginning of the year	At the end of the period	At the beginning of the year
			31.12.08	01.01.08	31.12.08	01.01.08
<b>A. Equity capital</b>						
1. Share capital	<b>9</b>	210	3565509	3565509	5071848	5071848
2. Reserves:	<b>10</b>	220	0	34050	0	48436
a) other reserves		230	0	34050	0	48436
<b>TOTAL</b>		<b>240</b>	<b>3565509</b>	<b>3599559</b>	<b>5071848</b>	<b>5120284</b>
<b>3. Retained profit:</b>						
a) brought forward from previous years		250	-414565	-448615	-589708	-638144
b) for the current year		260	-283674		-403520	
<b>A. TOTAL</b>		<b>270</b>	<b>2867270</b>	<b>3150944</b>	<b>4078620</b>	<b>4482140</b>
<b>B.CREDITORS</b>						
<b>1. Long-term liabilities</b>						
1.1. Deferred tax liabilities	<b>11</b>	280		32269		45902
<b>1. TOTAL:</b>		<b>290</b>	<b>0</b>	<b>32269</b>	<b>0</b>	<b>45902</b>
<b>2. Current liabilities</b>						
2.1. Advance payments from customers	<b>12.1.</b>	300	1368	19485	1946	27717
2.2. Trade creditors	<b>12.2.</b>	310	135863	242920	193262	345547
2.3. Taxes and social security payments	<b>12.3.</b>	320	25803	42578	36704	60566
2.4. Other creditors	<b>12.4.</b>	330	34828	74578	49542	106085
2.5. Unpaid dividends	<b>12.5.</b>	340		6000		8535
2.6. Accrued liabilities	<b>12.6.</b>	350	34080	95374	48478	135667
<b>2. TOTAL</b>		<b>360</b>	<b>231942</b>	<b>480935</b>	<b>329932</b>	<b>684117</b>
<b>B.TOTAL</b>		<b>370</b>	<b>231942</b>	<b>513204</b>	<b>329932</b>	<b>730019</b>
<b>TOTAL LIABILITIES</b>		<b>380</b>	<b>3099212</b>	<b>3664148</b>	<b>4408552</b>	<b>5212159</b>

**PROFIT OR LOSS ACCOUNT**

**For the year 2008**

**( LVL ) ( LVL )**

**EUR**

**EUR**

K=0,703

No	Item	Notes	Row code	2008	2007	2008	2007
1	Net turnover	<b>13</b>	010	2775130	4425814	3947553	6295610
2	Cost of sales		020	2632214	5003839	3744259	7117836
<b>3</b>	<b>Gross profit or loss</b>		<b>030</b>	<b>142916</b>	<b>-578025</b>	<b>203294</b>	<b>-822226</b>
4	Selling expenses		040	70319	195230	100027	277710
5	Administrative expenses		050	414626	330709	589795	470425
6	Other operating income		060	284175	1052844	404232	1497644
7	Other operating expenses		070	242354	639248	344743	909315
8	Interest receivable and similar income		080	10407	24358	14804	34649
9	Interest payable and similar expenses		90	0	0	0	0
10	Profit or loss before extraordinary items and taxes		100	-289801	-666010	-412235	-947383
11	<b>Profit or loss before taxes</b>		<b>110</b>	<b>-289801</b>	<b>-666010</b>	<b>-412235</b>	<b>-947383</b>
12	Income tax		120	0	0	0	0
12.1.	Deferred income tax		121	-32269	-39746	-45900	-56538
13	Other taxes (Real estate tax)		130	26142	40551	37185	57683
<b>14</b>	<b>Profit or loss for the period</b>		<b>140</b>	<b>-283674</b>	<b>-666815</b>	<b>-403520</b>	<b>-948528</b>

**Earnings per share**

**-0,080**

**-0,187**

**-0,11**

**-0,27**

**STATEMENT OF CASH FLOWS for the year 2008**

<b>A. Cash flow from operating activities</b>					<b>K=0.703</b>	
No	ITEMS	2008 LVL	2007 LVL	2008 EUR	2007 EUR	
1	Income from sales and services	2823454	4839441	4016293	6883984	
2	Payments to suppliers for goods and services	-1975842	-3335842	-2810586	-4745152	
3	Payments to employees and in their interests or to the third persons according to their orders	-1023807	-1248274	-1456340	-1775639	
4	Other expenses for economic activities	-31889	-51019	-45361	-72573	
5	Income from other economic activities	23528	36510	33468	51935	
6	Tax payments	-464225	-512789	-660350	-729430	
7	VAT paid	6856	-2482	9752	-3530	
8	Deferred expenses	-8664	-11169	-12324	-15888	
	<b>Cash flow from gross operating activities</b>	<b>-650590</b>	<b>-285624</b>	<b>-925448</b>	<b>-406293</b>	
9	Real estate tax payments	-26142	-40430	-37185	-57510	
	<b>TOTAL</b>	<b>-676731</b>	<b>-326054</b>	<b>-962633</b>	<b>-463803</b>	
A.	Net cash flow from operating activities	<b>-676731</b>	<b>-326054</b>	<b>-962633</b>	<b>-463803</b>	

<b>B. Cash flow from investment activities</b>					
No	ITEMS	2008 LVL	2007 LVL	2008 EUR	2007 EUR
1	Purchase of intangible and fixed assets	-79	-26801	-112	-38124
2	Sales of intangible and fixed assets	45886	773475	65272	1100249
3	Issued loans	-1060	-102000		-145092
4	Repaid loans	21060	83780	28450	119175
5	Received interest	1340	2044	1906	2907
	<b>TOTAL</b>	<b>67147</b>	<b>730498</b>	<b>95516</b>	<b>1039115</b>
B.	Net cash from investment activities	<b>67147</b>	<b>730498</b>	<b>95516</b>	<b>1039115</b>

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**C. Cash flow from financing**

No	ITEMS	2008 LVL	2007 LVL	2008 EUR	2007 EUR
1	Paid dividends	-6000	-65310	-8535	-92902
2	Received interest for deposit	9842	21539	14000	30639
	<b>TOTAL</b>	<b>3842</b>	<b>-43771</b>	<b>5465</b>	<b>-62263</b>
<b>C.</b>	Net cash flow from financing	<b>3842</b>	<b>-43771</b>	<b>5465</b>	<b>-62263</b>

**SUMMARY OF CASH INCOME AND EXPENDIT**

No	ITEMS	2008 LVL	2007 LVL	2008 EUR	2007 EUR
A	The result from operating activities	-676731	-326054	-962633	-463803
B	The result from investment activities	67147	730498	95516	1039115
C	The result from financing	3842	-43771	5465	-62263
D	The result from currency rate fluctuations	-12851	-24955	-18280	-35498
	Cash increase or decrease	<b>-618593</b>	<b>335718</b>	<b>-879932</b>	477551
	Cash and cash equivalents at the beginning of the reporting period	<b>750093</b>	<b>414375</b>	<b>1066989</b>	<b>589438</b>
	Cash and cash equivalents at the end of the reporting period	<b>131500</b>	<b>750093</b>	<b>187057</b>	<b>1066989</b>

**STATEMENT OF EXCHANGES IN EQUITY**  
for the year 2008

(LVL)

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
<b>On Dec. 31, 2006</b>	<b>3565509</b>	<b>34050</b>	<b>289510</b>		<b>3889069</b>
Calculated dividends for 2006			-71310		-71310
Profit (+) or losses (-) of the reporting period			-666815		-666815
<b>On Dec. 31, 2007</b>	<b>3565509</b>	<b>34050</b>	<b>-448615</b>	<b>0</b>	<b>3150944</b>
Losses covered from reserve		-34050	34050		0
Profit (+) or losses (-) of the reporting year				-283674	-283674
<b>On Dec. 31, 2008</b>	<b>3565509</b>	<b>0</b>	<b>-414565</b>	<b>-283674</b>	<b>2867270</b>

K=0,703

EUR

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
<b>On Dec. 31, 2006</b>	<b>5071848</b>	<b>48436</b>	<b>411821</b>		<b>5532105</b>
Calculated dividends for 2006			-101437		-101437
Profit (+) or losses (-) of the reporting period			-948528		-948528
<b>On Dec. 31, 2007</b>	<b>5071848</b>	<b>48436</b>	<b>-638144</b>		<b>4482140</b>
Losses covered from reserve		-48436	48436		0
Profit (+) or losses (-) of the reporting year				-403520	-403520
<b>On Dec. 31, 2008</b>	<b>5071848</b>	<b>0</b>	<b>-589708</b>	<b>-403520</b>	<b>4078620</b>

## NOTES TO FINANCIAL STATEMENTS

### 1. General principles

The annual report is prepared in accordance with the law „On accountancy”, „On the annual reports” and Latvian accounting standards.

Profit or loss account is prepared in accordance with methods of turnover expenses.

Statement of cash flows is prepared using the direct method.

The financial statements include comparable information of the same period of the previous year.

The financial statements are presented in the national currency of Latvia, the lat (LVL) and in euro (EUR).

### 2. Accounting policy

The accounting policy of the Company was developed to ensure that the information is:

- applicable for decision making;
- is credible and fairly presents the results of activities and the financial position;
- reveals economic essence of a deal;
- is not prejudiced;
- is prudent;
- is complete is all essential aspects.

The reporting period is

January 1, 2008 till December 31, 2008.

Accounts in 2008 are kept according to the approved chart of accounts of the enterprise.

2.1. The synthetic register of accounting is general ledger. The entries in it are made from the grouping reports of economic operations. Registers of analytic accounting are accounting entry books, lists and cards.

2.2. Computers and software developed by “Bilance”, Ltd. are used to compile accounting registers.

2.3. Balances of assets were checked-up in an inventory **from 01.10.2008 until 31.12.2008**.

2.4. Depreciation of fixed assets is calculated using the straight-line method applying the depreciation rates set by management.

2.5. Stock of materials and purchased parts is estimated using weighted average prices.

2.6. Stock of finished goods is estimated using the production cost.

2.7. Foreign currency in bank accounts and in treasury is translated into Lats in accordance with the official Bank of Latvia exchange rate for the last day of reporting period.

Foreign currency	31.12.2008	31.12.2007
USD	0.495	0.484
EUR	0.702804	0.702804
RUR	0.0171	0.0197

2.8. All debts are real and reconciled with debtors and creditors. Debts in foreign currency are translated into Lats in accordance with the official Bank of Latvia exchange rate for the last day of reporting period. The resulting profit or loss is revealed in profit or loss account of the period.

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2.9. In compliance with the law „On annual reports” deferred taxation liabilities were calculated for the beginning of the year 2007 and at the end of it and included in balance sheet. Changes in liabilities of deferred income tax are revealed in profit or loss account. Deferred income tax is calculated by liability method including all temporary differences between asset and liability values in financial statements and their values in the calculations for taxes.

**3. Long term investments. Balance sheet –row code 010**

At the end of the year the total value of patents, licenses and similar rights was 126 LVL. (Paid design works carried out by other enterprises according with contracts. Those permit the enterprise to make equipment for manufacturing process and to produce devices for motorcars and tractors. The purchased design documentation is hold in the design office).

**Statement of changes in intangible assets in 2008**

	Licenses and patents	Similar rights	Total
	LVL	LVL	LVL

**Historical cost**

<b>On January 1, 2008</b>	<b>80</b>	<b>14221</b>	<b>14301</b>
Additions	40		40
Disposals	40	10501	10541
<b>On December 31, 2008</b>	<b>80</b>	<b>3720</b>	<b>3800</b>

**Depreciation**

<b>On January 1, 2008</b>	<b>64</b>	<b>12689</b>	<b>12753</b>
Charge for the year	56	1406	1462
Disposals	40	10501	10541
<b>On December 31, 2008</b>	<b>80</b>	<b>3594</b>	<b>3674</b>

<b>Net book value on January 1, 2008</b>	<b>16</b>	<b>1532</b>	<b>1548</b>
<b>Net book value on December 31, 2008</b>	<b>0</b>	<b>126</b>	<b>126</b>

Profit or loss account includes depreciation; balance sheet reveals net book value.

**4. Buildings, constructions and land are registered in Land Register and is the property of „RAR”. Balance sheet –row code 030**

Balance value on December 31, 2008:	498932 LVL	on January 31, 2008	508310 LVL
including: buildings and constructions-	365858 LVL		375236 LVL
land -	133074 LVL		133074 LVL
<b>Cadastral value on 31.12.08.</b>	<b>4516063 LVL</b>		
Cadastral value of the buildings -	2422748 LVL		
Cadastral value of the land -	2093315 LVL		

Cadastral value of buildings in 2009 is 2278855 LVL; land -1514570 LVL.

## 5. Statement of changes in fixed assets in 2008

	Land	Buildings and constructions	Equipment and machinery	Other fixed assets and inventory	Total
	LVL	LVL	LVL	LVL	LVL

### Historical or re-valued cost

<b>Historical or re-valued cost on January 1, 2008</b>	<b>133074</b>	<b>666878</b>	<b>2148564</b>	<b>162124</b>	<b>3110640</b>
Additions				189	189
Disposals			345133	50144	395277
<b>Historical or re-valued cost on December 31, 2008</b>	<b>133074</b>	<b>666878</b>	<b>1803431</b>	<b>112169</b>	<b>2715552</b>

### Depreciation

<b>On January 1, 2008</b>	<b>0</b>	<b>291642</b>	<b>1782048</b>	<b>143920</b>	<b>2217610</b>
Charge for the year		9378	127715	12694	149787
Disposals			345133	48497	393630
<b>On December 31, 2008</b>	<b>0</b>	<b>301020</b>	<b>1564630</b>	<b>108117</b>	<b>1973767</b>

<b>Net book value on January 1, 2008</b>	<b>133074</b>	<b>375236</b>	<b>366516</b>	<b>18204</b>	<b>893030</b>
<b>Net book value on December 31, 2008</b>	<b>133074</b>	<b>365858</b>	<b>238801</b>	<b>4052</b>	<b>741785</b>

Profit or loss account includes depreciation; balance sheet reveals net book value.

## 6. Inventory. Balance sheet –row code 080; 090; 100; 110.

6.1. On December 31, 2008 the total value of raw materials and sub-components in the warehouses is 291400 LVL, and they provide the process of production for two months. The value of other inventory (material and outfit) for auxiliary bays on December 30, 2008 was 11057 LVL.

On January 1, 2008 the total value of stocks was 501785 LVL.

The value of other inventory on January 1, 2008 was 27350 LVL.

6.2. On December 31, 2008 the stock of work in progress (parts) 42774 LVL provide the process of production for almost a month.

On January 1, 2008 the stock of work in progress (parts) amounted to 91894 LVL.

6.3. On December 31, 2008 the stock of finished goods was 1060082 LVL. The stock of finished goods is evaluated in production costs. The stock of finished goods ensures the deliveries of goods in time according to concluded contracts.

Average monthly delivery in 2008 is 230.3 thousand LVL.

On January 1, 2008 the stock of finished goods amounted to 499992 LVL.



6.4. Advance payments for goods.

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL 31.12.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprises of Russia	For materials	0.00	25084.21
Enterprise of Germany	For materials	0.00	237.27
Enterprises of China	For materials	0.00	26858.13
Enterprises of Latvia	For materials	57.89	213.93
	<b>TOTAL</b>	<b>57.89</b>	<b>52393.54</b>

7. Receivables

7.1. Trade receivables. Balance sheet –row code 130

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprises of Russia	For the goods	209714.68	260828.77
Enterprises of Belarus	For the goods	582345.82	426041.49
Enterprises of Lithuania	For the goods	723.92	1632.73
Enterprises of Latvia	For the goods	1366.03	91523.62
	<b>Total:</b>	<b>794150.45</b>	<b>780026.61</b>

Customers' debts are real. According to the signed contracts customers shall pay for the delivered production in 30 up to 60 days.

7.2. Other receivables. Balance sheet –row code 140.

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprises of Latvia	Agreement of lease, el. power, water, thermal energy and services	2041.65	2868.27
Enterprises of Latvia	For materials	5829.61	1707.10
Enterprises of Latvia	For the equipment	4659.82	0.00
Enterprise of Latvia	Scrap-metal sales	1694.19	1611.41
State treasury	Accounts in customs	0.00	150.97
Enterprise of Latvia	Waste disposal	184.51	216.17
Other enterprises of Latvia	Other debts	8.20	192.52
Employees of the enterprise	Settlements for business trips and other operating expenses	438.80	835.31
State Revenue Service	Overpaid taxes ( VAT)	9357.42	29872.73
Enterprises of Latvia	VAT on unpaid invoices	1348.01	2061.85
	<b>Total:</b>	<b>25562.21</b>	<b>39516.33</b>

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**7.3. Short term loans. Balance sheet –row code 150.**

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprise of Latvia	Agreement: Repayment date – April 1, 2008	0.00	20775.00
Employees of the enterprise	Short term loans to the employees of the enterprise	0.00	1060.00
<b>Total:</b>		<b>0.00</b>	<b>21835.00</b>

**7.4. Deferred expenses. Balance sheet –row code 160.**

<i>Business partner</i>	<i>Year of the deal</i>	<i>Total in LVL 31.12.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprises of Latvia	Subscription to newspapers for 2009, special literature on legislation of Latvia	318.21	973.97
Transport insurance	2009	352.62	560.51
Auditing firm of Latvia	2008	0.00	1770.00
„T.U.P”, Ltd.	2008	0.00	1292.00
Enterprises of Latvia	Subscriber’s fee	46.39	87.69
<b>Total:</b>		<b>717.22</b>	<b>4684.17</b>

**8. Cash and cash equivalents. Balance sheet –row code 180.**

<i>Cash location</i>	<i>Currency</i>	<i>Balance in currency</i>	<i>Exchange rate of the Bank of Latvia</i>	<i>Balance LVL As on Dec. 31, 2008</i>	<i>Balance LVL As on January 31, 2008</i>
Shop-warehouse	LVL			36.12	47.97
Treasury	LVL			4854.33	7945.57
	EUR	105.00	0.702804	73.79	7486.27
	USD	315.00	0.495	155.93	537.72
	<b>Total: 1</b>			<b>5120.17</b>	<b>16017.53</b>
Current accounts	LVL			11194.96	48172.92
	USD	10415.96	0.495	5155.90	130439.44
	EUR	156370.46	0.702804	109897.79	133021.50
	RUR	7657.62	0.0171	130.95	76264.10
Deposit account	LVL				51000.00
	EUR		0.702804		295177.68
	<b>Total: 2</b>			<b>126379.60</b>	<b>734075.64</b>
	<b>Total: 1+2</b>			<b>131499.77</b>	<b>750093.17</b>

**9. Share capital.**

The share capital in 2008 is 3565509 LVL.

Nominal value of a share is 1.00 LVL.

There are 1802723 registered shares and 1762786 bearer’s shares.

All the shares have equal rights.

**10. Reserves. Balance sheet row code - 220.**

The shareholders’ meeting in 2003 took a decision to diminish the share capital and to create reserves. The losses of the previous years are written off of the reserves. No reserve has remained on December 31, 2008.

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**11. Long-term liabilities.**

**11.1. Balance sheet row code - 280 .**

In 2007 deferred taxation liabilities were calculated as at the end of the year and included in balance sheet and profit or loss account. According to the estimations of 2008, there are no deferred taxation liabilities.

	<b>31.12.2008 (LVL)</b>	<b>1.01.2008 (LVL)</b>
Deferred taxation liabilities	0	32269

**12. Current liabilities.**

**12.1. Advance payments from customers. Balance sheet row code - 300 .**

<i>Business partner</i>	<i>Advance payments</i>	<i>Total in LVL 31.12.2008</i>	<i>Total in LVL 01.01.2008</i>
Enterprise of Switzerland	For equipment	0.00	11596.26
Enterprises of Latvia	For equipment	1368.00	480.00
Enterprise of Ukraine	For goods	0.00	5217.85
Enterprises of Latvia	For goods	0.00	2190.75
<b>Total:</b>		<b>1368.00</b>	<b>19484.86</b>

**12.2. Trade creditors. Balance sheet row code - 320**

<i>Business partner</i>	<i>Substantiation</i>	<i>Total in LVL 31.12.2008</i>	<i>Total in LVL 01.01.2008</i>
PSJSC „Latvenergo”	Contract	8796.58	12445.18
JSC „Lattelekom”	Contract	795.37	902.09
JSC „Rīgas siltums”	Contract	9868.35	15762.48
ME „Rīgas ūdens”	Contract	354.09	650.77
Enterprises of Latvia	Communication services	93.38	294.70
Enterprise of Latvia	Transport services	275.00	0.00
Enterprise of Latvia	For materials	0.00	1913.96
Enterprise of Latvia	For delivery of electronic plates	115384.84	189729.00
Enterprise of Latvia	For materials	40.32	40.33
Enterprise of Latvia	Program maintenance for accountancy	194.70	194.70
Enterprise of Latvia	For goods	0.00	500.00
Enterprise of Germany	For materials	0.00	20013.04
Other enterprises of Latvia	Different services	60.08	474.41
<b>Total:</b>		<b>135862.71</b>	<b>242920.66</b>

Due date – January, 2009

**12.3. Taxes and social security payments. Balance sheet row code - 320.**

<i>Tax</i>	<i>Date of payment</i>	<i>Total in LVL 31.12.2008</i>	<i>Total in LVL 01.01.2008</i>
Personal income tax	January, 2009	12744.90	25681.08
Social security payments	January, 2009	13023.63	12812.79
Income tax (withhold from services by non-residents )	January, 2009	0.00	3910.10
Business risk fee	January, 2009	17.72	66.97
Natural resource tax (NRT)	January, 2009	17.42	107.70
<b>Total:</b>		<b>25803.67</b>	<b>42578.64</b>

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**Taxes: (LVL)**

Item	On Dec.31,2007 Overpaid (-) Debt(+)	Calculated in 2008	Paid in 2008	On Dec.31,2008 Overpaid (-) Debt(+)
Personal income tax	25681.08	264166.96	277103.14	12744.90
Social security payments	12812.79	420282.45	185950.51 229768.16* 4352.94**	13023.63
Real estate tax:				
Buildings and constructions	0.00	24225.62	24225.62	0.00
land	0.00	1915.58	1915.58	0.00
NRT for water resources	107.70	317.29	407.57	17.42
Business risk fee	66.97	715.25	764.50	17.72
Income tax of the enterprise	0.00			0.00
Income tax (withhold from services by non-residents )	3910.10	0.00	3910.10	0.00
Value added tax	-29872.73	-209252.85	229768.16*	-9357.42

\*Shifted for payments of other taxes.

\*\*Returned overpayment of the previous year.

In the third quarter of 2007 JSC „RAR” signed contract with „Zaļā josta”, Ltd for recovery of used wrapping materials and was exempted from natural resource tax for wrapping materials.

**12.4.Other creditors. Balance sheet row code 330.**

<i>Debt</i>	<i>Date of payment</i>	<i>Total in LVL 31.12.2008</i>	<i>Total in LVL 01.01.2008</i>
Salary	January, 2009	33425.68	72941.86
DHL – processing of goods	January, 2008		812.13
Other creditors	2009	1402.26	824.59
<b>Total:</b>		<b>34827.94</b>	<b>74578.58</b>

**12.5.Calculated but unpaid dividends for the year 2006. Balance sheet row code - 340**

Calculated but unpaid dividends for the year 2006 as on January 1, 2008 were 6000 LVL. They were paid on May 2008.

**12.6.Accrued liabilities. Balance sheet row code 350.**

In accordance with the law „On the annual reports” provisions for vacations of 2008 are calculated in total 34080.34 LVL.

The provisions for vacations of 2007 were calculated 95373.81 LVL.

### 13. Notes to profit or loss account

Net turnover is income from basic economic activities of the Company. It consists of total value of sold goods and delivered services without discounts and value added tax. Production costs of sold goods are expenses for used materials, all kind of services and energy, costs for personnel, amortization of tangible assets and writing-off of intangible assets as well as other expenses (expenses for labour safety, certification of the goods, business trips etc.)

#### 13.1. Breakdown of net turnover by kind of production: (LVL and %)

	<i>Net turnover Total:</i>	<i>Including</i>		
		<i>Control and measuring devices for vehicles</i>	<i>Locks</i>	<i>Different orders</i>
<b>2008</b>	2775130	2655949	74467	44714
<b>%</b>	<b>100</b>	<b>95.7</b>	<b>2.7</b>	<b>1.6</b>
<b>2007</b>	4425814	4302138	77913	45763
<b>%</b>	<b>100</b>	<b>97.2</b>	<b>1.8</b>	<b>1.0</b>

#### 13.2. Breakdown of net turnover by geographical markets: (LVL and %)

	<i>Net turnover Total</i>	<i>including</i>				
		<i>Russia</i>	<i>Belarus</i>	<i>Ukraine</i>	<i>EU</i>	<i>Latvia</i>
<b>2008</b>	2775130	637441	1372645	444980	46225	273839
<b>%</b>	<b>100</b>	<b>23.0</b>	<b>49.5</b>	<b>16.0</b>	<b>1.6</b>	<b>9.9</b>
<b>2007</b>	4425814	2237023	1277357	540713	68875	301846
<b>%</b>	<b>100</b>	<b>50.54</b>	<b>28.86</b>	<b>12.22</b>	<b>1.56</b>	<b>6.82</b>

<i>Row code</i>	<i>Item</i>	<i>2008 LVL</i>	<i>2007 LVL</i>	<i>% vs. 2007</i>
<b>010</b>	Net turnover	2775130	4425814	<b>62.7</b>
<b>020</b>	Cost of sales	2632214	5003839	
<b>030</b>	<b>Gross profit or loss</b>	<b>142916</b>	<b>-578025</b>	
	<b>Costs for 1 LVL of net turnover (sant.)</b>	<b>94.85</b>	<b>113.06</b>	

The net turnover in 2008 has diminished if compared with that in the previous year and is 62.7% of it.

Due to the improvements of organizational structure and optimization of fixed costs the expenses per 1 LVL have diminished. Notwithstanding, the result of economic activities of the JSC “RAR“in 2008 is losses 283674 LVL.

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<b>Row code</b>	<b>Item</b>	<b>2008 LVL</b>	<b>2007 LVL</b>
	<b>Net turnover</b>	<b>2775130</b>	<b>4425814</b>
	including - income from basic activities, liable to 18% VAT	273845	301846
<b>10</b>	- income, liable to 0% VAT	2501285	4123968
<b>20</b>	<b>Cost of sales</b>	<b>2632214</b>	<b>5003839</b>
	including -costs of materials and sub-components including transport expenses, custom fees and import duties	1335547	2655379
	- salaries and social security payments	930045	1776299
	- provisions for vacations	29060	89940
	- energy resources	156091	217707
	- contracts (for repairing works and maintenance of different systems)	7160	20819
	- amortization: total	<b>152842</b>	<b>219129</b>
	including - amortization of intangible and fixed assets	151249	186026
	- write-off from current assets	1593	33103
	- operating costs total:	<b>21469</b>	<b>24566</b>
	including - expenses for protection of environment	1891	2089
	- expenses for certification of the production	3720	5677
	- insurance expenses	620	713
	- expenses for business trips	9679	6848
	- expenses for work safety and other operating expenses	5559	9239
<b>030</b>	<b>Gross profit or loss</b>	<b>142916</b>	<b>-578025</b>
<b>40</b>	<b>Selling expenses, total:</b>	<b>70319</b>	<b>195230</b>
	Incl. - salaries and social security payments	31772	40745
	- provisions for vacations	910	2154
	- wrapping and transport costs	33824	68301
	- write-off of a bad debt		1119
	- other selling expenses	3591	8067
	- advertising expenditures	222	1172
	- marketing services according to contracts		73672
<b>50</b>	<b>Administrative expenses</b>	<b>414626</b>	<b>330709</b>
	including - salaries and social security payments	371678	281810
	- provisions for vacations	4110	3280
	- communication expenses	15237	21371
	- office expenses	182	1136
	- legal services	122	
	- expenses due to annual report	3000	1500
	- bank services	3458	4680
	- transport expenses for administration	3362	2829
	- other administrative expenses	12351	12292
	- representation expenses	1126	1811

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Row code	Item	2008 LVL	2007 LVL
<b>60</b>	<b>Other operating income:</b>	<b>284175</b>	<b>1052844</b>
	including - income of foreign exchange rate revaluations	97871	78082
	- sales of materials	22437	8638
	- income from sales of outfit	3984	
	- income from sales of fixed assets	72966	833585
	- income from rent charges	17240	25034
	- other income	64027	100568
	- diminishing of taxes of the previous years (social payments )	4353	3379
<b>70</b>	<b>Other operating expenses:</b>	<b>242354</b>	<b>639248</b>
	including - expenses for sales of current assets and scrap	33694	48526
	- from sales of foreign currency	148926	141765
	- fines	9	1529
	- over limit use of natural resources	0	1069
	- expenses due to substitution of devices during guarantee period	3063	7298
	- write-off of fixed assets because of selling	1647	401357
	- costs for services due to sales of real estate		9666
	- other expenses for operating activities	16988	7196
	- other expenses unrelated with operating activities	38027	20842
<b>80</b>	Interest receivable and similar income	10407	24358
<b>90</b>	Interest payable and similar expenses	0	0
<b>100</b>	Profit or loss before extraordinary items and taxes	-289801	-666010
<b>110</b>	Profit or loss before taxes	<b>-289801</b>	<b>-666010</b>
<b>120</b>	Income tax for the reporting period as in Income Tax Statement	0	0
<b>121</b>	Deferred income tax	<b>-32268</b>	<b>-39746</b>
<b>130</b>	Other taxes	<b>26142</b>	<b>40551</b>
	- real estate tax for buildings and constructions;	24226	38974
	- real estate tax (land).	1916	1577
<b>140</b>	<b>Profit or loss for the period after taxes ( net income )</b>	<b>-283674</b>	<b>-666815</b>

#### **14. Deals with affiliated companies.**

The affiliated companies are JSC „Baltijas Holdings” and „Tehprojekts”, Ltd.

There were no deals with JSC „Baltijas Holdings” in 2008.

In 2008 „Tehprojekts”, Ltd. obtained from JSC „RAR” materials for 9525,14 LVL and fixed assets for 4741,12 LVL as well as received services for 1966,81 LVL. JSC „RAR” obtained outfit from „Tehprojekts”, Ltd. for 39,53 LVL and received services for 3542,48 LVL

Values include VAT. All transactions are executed for market prices.

**15. Management remuneration in 2008**

	<i>Number of members</i>	<i>Salary for 2008 LVL</i>	<i>Social security payments of employer LVL</i>
Supervisory Board	5	150740,50	35299,63
Management Board	3	110015,77	23644,00
Total		260756,27	58943,63

**16. The company's key figures in 2008:**

- 1) balance total – 3099212 LVL
- 2) net turnover – 2775130 LVL
- 3) average number of employees - 215

In compliance with the law “On qualified auditors” and “On the annual reports” the annual report must be audited by certified auditors.

The recompense to the auditing company “Auditfirma Alfa un Omega” for auditing the annual report for the year 2008 is 1815.00 LVL including VAT.

Chairman of the  
Management Board

A.Auzinsh

Members of the  
Management Board

Z.Kalninch

M.Araslanovs



## INDEPENDENT AUDITORS' REPORT

To the shareholders of JSC „Rīgas Autoelektroaparātu rūpnīca”

### Report on Financial Statements

We have audited the financial statements on pages 1 to 23 included in the annual report of JSC „Rīgas Autoelektroaparātu rūpnīca”. The audited financial statements include the balance sheet as on 31 December 2008, profit or loss account of 2008, statement of exchanges in equity and statement of cash flows as well as the review of significant accounting principles and other explanatory information in notes.

#### *Responsibility of the Management for the preparation of Financial Statements*

The management is responsible for preparation of this report and fair presentation of provided information in accordance with the law of the Republic of Latvia “On the annual reports”. This responsibility includes designing, implementation and maintaining of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying of appropriate accounting policies as well as making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

We are responsible for the resolution we express on these financial statements basing on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted in Latvia. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgement, including the assessment, of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the preparation and fair presentation of the financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of JSC „Rīgas Autoelektroaparātu rūpnīca” as on 31 December 2008 as well as of its financial performance and its cash flows for the year 2008 in accordance with the “Law on the annual reports” of the Republic of Latvia.

#### *Report on conformity of Management Report*

We have read the Management Report on the Annual report set out on pages 3 to 5 and have not identified material inconsistencies between the financial information revealed in the Management Report and that in the financial statements for 2008.

SIA „Auditfirma Alfa un Omega”  
Commercial company of certified auditors

Certificate No. 96

Lidija Zelča

Riga, Latvia  
March 31, 2009

Managing Certified auditor  
Certificate No 52

Chairman of the Managing Board