



JOINT STOCK COMPANY

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

Annual report for the year 2009

(audited)

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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>
Board	<i>Alfrēds Auziņš - Chairman (since 1998) Zigurds Kalniņš (since 1998) Maksims Araslanovs (since 2003)</i>
Council	<i>Ēriks Kaža – Chairman Gunārs Lubis Viktors Rojs Kristina Kaža Tatjana Ļevenkova (until 15.04.2009) Ņina Kaža (since 15.04.2009.)</i>
Reporting year	<i>01.01.2009 - 31.12.2009</i>
Main shareholders	Basing on the list of shareholders on October 31,2009 as at the end of the day: <ol style="list-style-type: none"> <i>1. JSC „Baltijas Holdings”-40.5 % Reg.Nr.40003148033, 2, Klijanu street, Riga</i> <i>2. „Tehprojekts”,Ltd.- 40.6% Reg.Nr. 40103020397, 12,Unijas street, Riga</i> <i>3. State social security agency- 4.6%</i> <i>4. Other physical and legal persons- 14.3%</i>
Auditor	<i>Auditing company “SARGUNS”, Ltd. Reg Nr. 41503013991 13,Malnavas street, Riga</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. JSC “Rīgas autoelektroaparātu rūpnīca” has maintained the same profile of production - production of control and measuring devices for motorcars and tractors.

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

The company has introduced quality management system corresponding to ISO 9001:2000. Average number of employees in the reporting year is 66.

2. Statements

The economic crisis has greatly influenced the economic activities of JSC “RAR” in 2009.

The total volume of production and sales is 22.7 % if compared with the year 2008.

Net turnover in 2008 was 2775130 LVL
in 2009 – 628859 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 production of several items is terminated therefore JSC “RAR” is selling materials and equipment that is no more necessary.

Cash holdings in bank guarantee the ability to execute the contracts.

At the end of 2009 great part of customers’ debts were regained. Today all 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 2009 are losses 673736 LVL.

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

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Item	01.01.2009	31.12.2009
Total liquidity ratio (current assets/current liabilities)	10.2	12.1
Absolute liquidity ratio (cash/ current liabilities)	0.6	0.4

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

From “Profit of loss account”

Item	Total LVL
Net turnover	628859

From the balance sheet (average value)

Item	Total LVL	Turnover ratio	Turnover in days
All assets	2717866	0.23	1565
Current assets	2041139	0.31	1161
Inventory	1398813	0.45	800
Receivables	551071	1.14	316

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 board predicts that the volumes of production and sales in 2010 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. Due to the reduced demand the deliveries have not covered the total volumes of the contracts of 2008 so their duration was extended to 2009. Requests for deliveries according to new contracts were small.

It is very complicate to predict further perspectives of the enterprise in this economic situation. Therefore the Managing board is developing measures to change and improve the organizational structure and to diminish fixed costs to carry out economic activities in 2010.

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. 93% 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*

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. Besides, even if the prices are equal the automobile and tractor producers prefer local suppliers. The only possibility to stay in the market is to offer products of higher quality for low prices.

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

Board: _____	A.Auziņš
_____	Z.Kalniņš
_____	M. Araslanovs

March 22, 2010

The annual report is approved at the shareholders' meeting on April 27, 2010.

Chairperson of the shareholders meeting _____

Statement of Management Responsibility

The 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 22 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on December 31, 2009 and the results of its operations and cash flows for the period ended on December 31, 2009.

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 board in the preparation of the financial statements have been prudent and reasonable.

The 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 board is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

On behalf of the board,

Alfrēds Auziņš
Chairman of the Board

March 22, 2010

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BALANCE SHEET		For the year 2009		0.702804		0.702804	
				LVL	LVL	EUR	EUR
ASSETS	Notes	Row code	At the end of the period	At the beginning of the year	At the end of the period	At the beginning of the year	
			31.12.09	01.01.09	31.12.09	01.01.09	
A. LONG-TERM INVESTMENTS							
1. Intangible assets							
1.1. Patents, licenses and similar rights	3	010		126		179	
1. TOTAL		020	0	126	0	179	
2. Fixed assets							
2.1. Land, buildings and constructions	4	030	489554	498932	696573	709916	
2.2. Equipment and machinery	5	040	120518	238801	171482	339783	
2.3. Other fixed assets and inventory	5	050	1471	4052	2093	5766	
2. TOTAL		060	611543	741785	870148	1055465	
A. TOTAL		070	611543	741911	870148	1055644	
B. CURRENT ASSETS							
1. Inventory							
1.1. Raw materials, direct materials and auxiliary materials	6.1.	080	261494	302457	372073	430358	
1.2. Work in progress	6.2.	090	50786	42774	72262	60862	
1.3. Finished goods and goods for sale	6.3.	100	1053684	1060082	1499257	1508361	
1.4. Advance payments for goods	6.4.	110	26292	58	37410	83	
1. TOTAL		120	1392256	1405371	1981002	1999664	
2. Receivables							
2.1. Trade receivables	7.1.	130	98594	794151	140287	1129975	
2.2. Other receivables	7.2.	140	26764	25562	38082	36371	
2.3. Short-term loans	7.3.	150	154617		220000	0	
2.4. Deferred expenses		160	1737	717	2471	1020	
2. TOTAL		170	281712	820430	400840	1167366	
3. Cash	8	180	51010	131500	72580	187107	
B. TOTAL		190	1724978	2357301	2454422	3354137	
TOTAL ASSETS		200	2336521	3099212	3324570	4409781	

BALANCE SHEET	<u>For the year 2009</u>		0.702804	0.702804		
			LVL	LVL	EUR	EUR
LIABILITIES	Notes	Row code	At the end of the period	At the beginning of the year	At the end of the period	At the beginning of the year
			31.12.09	01.01.09	31.12.09	01.01.09
A. Equity capital						
1. Share capital	9	210	3565509	3565509	5073262	5073262
2. Retained profit:						
a) brought forward from previous years		220	-698239	-698239	-993505	-993505
b) for the current year		230	-673736		-958640	
A. TOTAL						
		240	2193534	2867270	3121117	4079757
B. CREDITORS						
1. Current liabilities						
1.1. Advance payments from customers	10.1.	250	20129	1368	28641	1947
1.2. Trade creditors	10.2.	260	67904	135863	96619	193316
1.3. Taxes and social security payments	10.3.	270	22731	25803	32343	36714
1.4. Other creditors	10.4.	280	25604	34828	36431	49556
1.5. Accrued liabilities	10.5.	300	6619	34080	9418	48491
B. TOTAL						
		310	142987	231942	203452	330024
TOTAL LIABILITIES						
	10.1.	320	2336521	3099212	3324569	4409781

STATEMENT OF CASH FLOWS for the year 2009

A. Cash flow from operating activities						0.702804
No	ITEMS	2009 LVL	2008 LVL	2009 EUR	2008 EUR	
1	Income from sales and services	1301199	2823454	1851439	4017413	
2	Payments to suppliers for goods and services	-527733	-1975842	-750896	-2811370	
3	Payments to employees and in their interests or to the third persons according to their orders	-450648	-1023807	-641214	-1456746	
4	Other expenses for economic activities	-12983	-31889	-18473	-45374	
5	Income from other economic activities	17075	23528	24295	33477	
6	Tax payments	-256348	-464225	-364750	-660532	
7	VAT paid	-90	6856	-128	9755	
8	Deferred expenses	-1699	-8664	-2418	-12328	
	Cash flow from gross operating activities	68773	-650589	97855	-925705	
9	Real estate tax payments	-25183	-26142	-35832	-37197	
	TOTAL	43590	-676731	62023	-962902	
A.	Net cash flow from operating activities	43590	-676731	62023	-962902	

B. Cash flow from investment activities						
No	ITEMS	2009 LVL	2008 LVL	2009 EUR	2008 EUR	
1	Purchase of intangible and fixed assets	-854	-79	-1215	-112	
2	Sales of intangible and fixed assets	30844	45886	43887	65289	
3	Issued loans	-154617	-1060	-220000	-1508	
4	Repaid loans		21060		29966	
5	Received interest		1340		1907	
	TOTAL	-124627	67147	-177328	95542	
B.	Net cash from investment activities	-124627	67147	-177328	95542	

C. Cash flow from financing

No	ITEMS	2009 LVL	2008 LVL	2009 EUR	2008 EUR
1	Paid dividends		-6000		-8537
2	Received interest for deposit	60	9842	85	14004
	TOTAL	60	3842	85	5467
C.	Net cash flow from financing	60	3842	85	5467

SUMMARY OF CASH INCOME AND EXPENDIT

No	ITEMS	2009 LVL	2008 LVL	2009 EUR	2008 EUR
A	The result from operating activities	43590	-676731	62023	-962902
B	The result from investment activities	-124627	67147	-177328	95542
C	The result from financing	60	3842	85	5467
D	The result from currency rate fluctuations	487	-12851	693	-18285
	Cash increase or decrease	-80490	-618593	-114527	-880178
	Cash and cash equivalents at the beginning of the reporting period	131500	750093	187107	1067286
	Cash and cash equivalents at the end of the reporting period	51010	131500	72580	187108

STATEMENT OF EXCHANGES IN EQUITY
for the year 2009

(LVL)

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
On Dec. 31, 2007	3565509	34050	-448615		3150944
Losses covered from reserve		-34050	34050		0
Profit (+) or losses (-) of the reporting period				-283674	-283674
On Dec. 31, 2008	3565509	0	-414565	-283674	2867270
Losses covered forward			-283674	283674	0
Profit (+) or losses (-) of the reporting year				-673736	-673736
On Dec. 31, 2009	3565509	0	-698239	-673736	2193534

0.702804 EUR

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
On Dec. 31, 2007	5073262	48449	-638322		4483389
Losses covered from reserve		-48449	48449		48449
Profit (+) or losses (-) of the reporting period				-403632	-403632
On Dec. 31, 2008	5073262	0	-589873	-403632	4079757
Losses covered forward			-403632	403632	0
Profit (+) or losses (-) of the reporting year				-958640	-958640
On Dec. 31, 2009	5073262	0	-993505	-958640	3121117

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 in all essential aspects.

The reporting period is

January 1, 2009 till December 31, 2009.

Accounts in 2009 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 01.10.2009 until 31.12.2009**.

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	31.12.2009	31.12.2008
USD	0.489	0.495
EUR	0.702804	0.702804
RUR	0.0164	0.0171

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.

2.9. In compliance with the law „On annual reports” deferred taxation liabilities are to be calculated for the beginning of the year 2009 and at the end of it and included in balance sheet. Changes in liabilities of deferred income tax are to be 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

Residual value of patents, licenses and similar rights at the end of the year the was 0 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 2009

	Licenses and patents	Similar rights	Total
	LVL	LVL	LVL

Historical cost

On January 1, 2009	80	3720	3800
Additions			
Disposals	80		80
On December 31, 2009	0	3720	3720

Depreciation

On January 1, 2009	80	3594	3674
Charge for the year		126	126
Disposals	80		80
On December 31, 2009	0	3720	3720

Net book value on January 1, 2009	0	126	126
Net book value on December 31, 2009	0	0	0

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, 2009:	489554 LVL	on January 31, 2009	498932 LVL
including: buildings and constructions-	356480 LVL		365858 LVL
land -	133074 LVL		133074 LVL

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

5. Statement of changes in fixed assets in 2009

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

Historical or re-valued cost

Historical or re-valued cost on January 1, 2009	133074	666878	1803431	112169	2715552
Additions			706		706
Disposals		1654	239318	4404	245376
Historical or re-valued cost on December 31, 2009	133074	665224	1564819	107765	2470882

Depreciation

On January 1, 2009	0	301020	1564630	108117	1973767
Charge for the year		9378	118989	2562	130929
Disposals		1654	239318	4385	245357
On December 31, 2009	0	308744	1444301	106294	1859339

Net book value on January 1, 2009	133074	365858	238801	4052	741785
Net book value on December 31, 2009	133074	356480	120518	1471	611543

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, 2009 the total value of raw materials and sub-components in the warehouses is 250797 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, 2009 was 10697 LVL.

On January 1, 2009 the total value of stocks was 291400 LVL.

The value of other inventory on January 1, 2009 was 11057 LVL.

6.2. On December 31, 2009 the stock of work in progress (parts) 50786 LVL provide the process of production for almost a month.

On January 1, 2009 the stock of work in progress (parts) amounted to 42774 LVL.

6.3. On December 31, 2009 the stock of finished goods was 1053684 LVL. The stock of finished goods is evaluated in production costs.

On January 1, 2009 the stock of finished goods amounted to 1060082 LVL.

6.4. Advance payments for goods.

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL 31.12.2009</i>	<i>Total in LVL 01.01.2009</i>
Enterprises of Russia	For materials	121.43	0.00
Enterprises of China	For materials	12676.87	0.00
Enterprises of Latvia	For outfit	13493.84	57.89
	TOTAL	26292.14	57.89

7. Receivables

7.1. Trade receivables. Balance sheet –row code 130

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2009</i>	<i>Total in LVL 01.01.2009</i>
Enterprises of Russia	For the goods	831.13	209714.68
Enterprises of Belarus	For the goods	97188.79	582345.82
Enterprises of Lithuania	For the goods		723.92
Enterprises of Latvia	For the goods	574.18	1366.03
Total:		98594.10	794150.45

Customers' debts are real. According to the signed contracts customers shall pay for the delivered production in 30 up to 60 days. Enterprises of Belarus fall behind the term of payment.

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

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2009</i>	<i>Total in LVL 01.01.2009</i>
Enterprises of Latvia	Agreement of lease, el. power, water, thermal energy and services	2599.54	2041.65
Enterprises of Latvia	For materials	1893.64	5829.61
Enterprises of Latvia	For the equipment	5140.39	4659.82
Enterprise of Latvia	Scrap-metal sales		1694.19
Enterprise of Latvia	Waste disposal		184.51
Other enterprises of Latvia	Other debts	14.41	8.20
Employees of the enterprise	Settlements for business trips and other operating expenses	272.12	438.80
State Revenue Service	Overpaid taxes (VAT)	14450.09	9357.42
Enterprises of Latvia	VAT on unpaid invoices	2393.51	1348.01
Total:		26763.70	25562.21

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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 31.12.2009</i>	<i>Total in LVL 01.01.2009</i>
Enterprises of Latvia	Agreement: Repayment date – April 1, 2010	154616.88	0.00
Total:		154616.88	0.00

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, 2009</i>	<i>Balance LVL As on January 31, 2009</i>
Shop-warehouse	LVL			11.25	36.12
Treasury	LVL			1071.74	4854.33
	EUR	15.00	0.702804	10.54	73.79
	USD	71.00	0.489	34.72	155.93
	Total: 1			1128.25	5120.17
Current accounts	LVL			49362.87	11194.96
	USD	420.99	0.489	205.86	5155.90
	EUR	426.45	0.702804	299.71	109897.79
	RUR	839.56	0.0164	13.77	130.95
	Total: 2			49882.21	126379.60
	Total: 1+2			51010.46	131499.77

9. Share capital.

The share capital in 2009 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. Current liabilities

10.1. Advance payments from customers. Balance sheet row code - 250

<i>Business partner</i>	<i>Advance payments</i>	<i>Total in LVL 31.12.2009</i>	<i>Total in LVL 01.01.2009</i>
Enterprises of Latvia	For equipment	0.00	1368.00
Enterprise of Russia	For goods	2558.82	0.00
Enterprise of Latvia	For real estate	17570.10	0.00
Total:		20128.92	1368.00

10.2. Trade creditors Balance sheet row code - 260

<i>Business partner</i>	<i>Substantiation</i>	<i>Total in LVL 31.12.2009</i>	<i>Total in LVL 01.01.2009</i>
PSJSC „Latvenergo”	Contract	8796.58	12445.18
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 and sub-components	0.00	1913.96
Other enterprises of Latvia	Different services	60.08	474.41
Total:		135862.71	242920.66

Due date – January, 2009

10.3. Taxes and social security payments Balance sheet row code - 270

<i>Tax</i>	<i>Date of payment</i>	<i>Total in LVL 31.12.2009</i>	<i>Total in LVL 01.01.2009</i>
Personal income tax	January, 2010	9026.14	12744.90
Social security payments	January, 2010	13702.11	13023.63
Business risk fee	January, 2010	1.72	17.72
Natural resource tax (NRT)	January, 2010	1.15	17.42
Total:		22731.12	25803.67

Taxes: (LVL)

Item	Dec.31,2008 Overpaid (-) Debt(+)	Calculated in 2009	Fine	Correction	Paid in 2009	Dec.31,2009 Overpaid (-) Debt(+)
Personal income tax	12744.90	114995.27	1077.65	-46.08	119745.60	9026.14
Social security payments	13023.63	187093.91	973.48	115.75	136317.41 46532.83* 4654.42**	13702.11
Real estate tax	0,00	25183.02			25183.02	0.00
NRT for water resources	17.42	10.87			27.14	1.15
Business risk fee	17.72	246.00		-4.75	257.25	1.72
Value added tax	-9357.42	-51535.40			90.10 46532.83*	-14450.09

*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.

10.4. Other creditors. Balance sheet row code 280

<i>Debt</i>	<i>Date of payment</i>	<i>Total in LVL 31.12.2009</i>	<i>Total in LVL 01.01.2009</i>
Salary	January, 2010	24313.66	33425.68
Other creditors	2009	1290.21	1402.26
Total:		25603.87	34827.94

10.5. Accrued liabilities. Balance sheet row code 290

In accordance with the law „On the annual reports” provisions for vacations of 2009 are calculated in total 6619.26 LVL.

The provisions for vacations of 2008 were calculated 34080.34 LVL.

11. 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.)

11.1. 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>
2009	628859	610493	12377	5989
%	100	97.1	1.9	1.0
2008	2775130	2655949	74467	44714
%	100	95.7	2.7	1.6

11.2. 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>
2009	628859	109704	278649	198316	849	41341
%	100	17.4	44.3	31.6	0.1	6.6
2008	2775130	637441	1372645	444980	46225	273839
%	100	23.0	49.5	16.0	1.6	9.9
Row code	Item	2009 LVL	2008 LVL	% vs. 2008		
010	Net turnover	628859	2775130	22.7		

The net turnover in 2009 has diminished if compared with that in the previous year and is 22.7% of it.

Row code	Item	2009 LVL	2008 LVL
10	Net turnover	628859	2775130
	including - income from basic activities, liable to 21% VAT	41341	273845
	- income, liable to 0% VAT	587518	2501285

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20	Cost of sales	800549	2632214
	including -costs of materials and sub-components including transport expenses, custom fees and import duties	232045	1335547
	- salaries and social security payments	318572	930045
	- provisions for vacations	3115	29060
	- energy resources	77681	156091
	- contracts (for repairing works and maintenance of different systems)	28682	7160
	- amortization: total	131451	152842
	including - amortization of intangible and fixed assets	131055	151249
	- write-off from current assets	396	1593
	- operating costs total:	9003	21469
	including - expenses for protection of environment	210	1891
	- expenses for certification of the production	3214	3720
	- insurance expenses	641	620
	- expenses for business trips	2860	9679
	- expenses for work safety and other operating expenses	2078	5559
30	Gross profit or loss	-171690	142916
40	Selling expenses, total:	108587	70319
	Incl. - salaries and social security payments	12863	31772
	- provisions for vacations	1029	910
	- wrapping and transport costs	10548	33824
	- write-off of a bad debt	83246	
	- other selling expenses	901	3591
	- advertising expenditures		222
50	Administrative expenses	399983	414626
	including - salaries and social security payments	350461	371678
	- provisions for vacations	2475	4110
	- communication expenses	8312	15237
	- office expenses	486	182
	- expenses due to annual report	1500	3000
	- bank services	2191	3458
	- transport expenses for administration	2774	3362
	- other administrative expenses	30977	12473
	- representation expenses	807	1126
60	Other operating income:	120658	284175
	including - income of foreign exchange rate revaluations	40245	97871
	- sales of materials	4707	22437
	- income from sales of outfit		3984
	- income from sales of fixed assets	25517	72966
	- income from rent charges	14014	17240
	- other income	31521	64027
	- diminishing of taxes of the previous years (social payments)	4654	4353

*JSC „Rīgas autoelektroaparātu rūpnīca”
Annual report for the year 2009*

Row code	Item	2009 LVL	2008 LVL
70	Other operating expenses:	89011	242354
	including - expenses for sales of current assets and scrap	18944	33694
	- from sales of foreign currency	29848	148926
	- fines	2072	9
	- expenses due to substitution of devices during guarantee period	5029	3063
	- write-off of fixed assets because of selling	19	1647
	- other expenses	33099	55015
80	Interest receivable and similar income	60	10407
90	Interest payable and similar expenses	0	0
100	Profit or loss before extraordinary items and taxes	-648553	-289801
110	Profit or loss before taxes	-648553	-289801
120	Income tax for the reporting period as in Income Tax Statement	0	0
121	Deferred income tax	0	-32268
130	Other taxes	25183	26142
140	Profit or loss for the period after taxes (net income)	-673736	-283674

12. Because of great losses there ensued assets of deferred income tax in 2009. As there is no confidence that the enterprise will gain profit in next years, the assets are not admitted.

13. Deals with affiliated companies.

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

JSC „RAR” received services from JSC „Baltijas Holdings” for 24321.00LVL in 2009.

In 2009 „Tehprojekts”, Ltd. obtained from JSC „RAR” materials for 45.38 LVL, finished goods for 289.24 LVL and fixed assets for 2534.95 LVL as well as received a short term loan 188000.00 EUR. JSC „RAR” received services from „Tehprojekts”, Ltd. for 6160.34 LVL and made a prepayment for outfit 16327.55 LVL. Values include VAT. All transactions are executed for market prices.

14. Management remuneration in 2009

	<i>Number of members</i>	<i>Salary for 2009 LVL</i>	<i>Social security payments of employer LVL</i>
Council	5	145800.00	30099.30
Board	3	97200.00	17610.76
Total		243000.00	47710.06

15. The company’s key figures in 2009:

- 1) balance total – 2336521 LVL
- 2) net turnover – 628859 LVL
- 3) average number of employees - 66

16. There are no pledged assets, guarantees or non-balance liabilities for the enterprise.

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 “SARGUNS” for auditing the annual report for the year 2009 is 2000.00 LVL and 21% VAT 420.00 LVL or in total 2420.00 LVL.

Chairman of the Board

A.Auzinsh

Members of the 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 7 to 23 included in the annual report of JSC „Rīgas Autoelektroaparātu rūpnīca”. The audited financial statements include the balance sheet as on 31 December 2009, profit or loss account of 2009, 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 2009 as well as of its financial performance and its cash flows for the year 2009 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 6 and have not identified material inconsistencies between the financial information revealed in the Management Report and that in the financial statements for 2009.

SIA AUDITORFIRMA „SARGUNS”
Commercial company of certified auditors
Certificate No. 18

Ēvalds Figurnovs
Managing Certified auditor
Certificate No 38
Chairman of the Board
Professor, habilitated doctor of economics

Riga, April 09, 2010