



JOINT STOCK COMPANY

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

**Annual report for the year 2009**

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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 (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"> <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>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 674663 LVL.

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

Item	01.01.2009	31.12.2009
Total liquidity ratio (current assets/current liabilities)	10.2	12.0
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	<b>628859</b>

**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 Management 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 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

February 24, 2010

## **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 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 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

February 24, 2010

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

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



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BALANCE SHEET			<u>For the year 2009</u>		<b>0.702804</b>	<b>0.702804</b>
			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
<b>A. Equity capital</b>						
1. Share capital	<b>9</b>	210	3565509	3565509	5073262	5073262
<b>2. Retained profit:</b>						
a) brought forward from previous years		220	-698239	-698239	-993505	-993505
b) for the current year		230	-674663		-959959	
<b>A. TOTAL</b>		<b>240</b>	<b>2192607</b>	<b>2867270</b>	<b>3119798</b>	<b>4079757</b>
<b>B.CREDITORS</b>						
<b>1. Current liabilities</b>						
1.1. Advance payments from customers	<b>10.1.</b>	250	20129	1368	28641	1947
1.2. Trade creditors	<b>10.2.</b>	260	67904	135863	96619	193316
1.3. Taxes and social security payments	<b>10.3.</b>	270	22662	25803	32245	36714
1.4. Other creditors	<b>10.4.</b>	280	26600	34828	37849	49556
1.5. Accrued liabilities	<b>10.5.</b>	300	6619	34080	9418	48491
<b>B.TOTAL</b>		<b>310</b>	<b>143914</b>	<b>231942</b>	<b>204772</b>	<b>330024</b>
<b>TOTAL LIABILITIES</b>	<b>10.1.</b>	<b>320</b>	<b>2336521</b>	<b>3099212</b>	<b>3324570</b>	<b>4409781</b>

**PROFIT OR LOSS ACCOUNT**

**For the year 2009**

( LVL ) ( LVL ) EUR EUR  
**0.702804**

No	Item	Notes	Row code	2009	2008	2009	2008
1	Net turnover	<b>11</b>	010	628859	2775130	894786	3948654
2	Cost of sales		020	800549	2632214	1139079	3745303
<b>3</b>	<b>Gross profit or loss</b>		<b>030</b>	<b>-171690</b>	<b>142916</b>	<b>-244293</b>	<b>203351</b>
4	Selling expenses		040	108587	70319	154505	100055
5	Administrative expenses		050	399983	414626	569125	589960
6	Other operating income		060	119662	284175	170264	404345
7	Other operating expenses		070	88942	242354	126553	344839
8	Interest receivable and similar income		080	60	10407	85	14808
9	Interest payable and similar expenses		90				
10	Profit or loss before extraordinary items and taxes		100	-649480	-289801	-924127	-412350
11	<b>Profit or loss before taxes</b>		<b>110</b>	<b>-649480</b>	<b>-289801</b>	<b>-924127</b>	<b>-412350</b>
12	Income tax		120				
12.1.	Deferred income tax		121	0	-32269	0	-45915
13	Other taxes (Real estate tax)		130	25183	26142	35832	37197
<b>14</b>	<b>Profit or loss for the period</b>		<b>140</b>	<b>-674663</b>	<b>-283674</b>	<b>-959959</b>	<b>-403632</b>

**Earnings per share**

**-0,189    -0,080    -0,269    -0,113**

**STATEMENT OF CASH FLOWS for the year 2009**

<b>A. Cash flow from operating activities</b>					<b>0.702804</b>
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
	<b>Cash flow from gross operating activities</b>	<b>68773</b>	<b>-650589</b>	<b>97855</b>	<b>-925705</b>
9	Real estate tax payments	-25183	-26142	-35832	-37197
	<b>TOTAL</b>	<b>43590</b>	<b>-676731</b>	<b>62023</b>	<b>-962902</b>
A.	Net cash flow from operating activities	<b>43590</b>	<b>-676731</b>	<b>62023</b>	<b>-962902</b>

<b>B. Cash flow from investment activities</b>					
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
	<b>TOTAL</b>	<b>-124627</b>	<b>67147</b>	<b>-177328</b>	<b>95542</b>
B.	Net cash from investment activities	<b>-124627</b>	<b>67147</b>	<b>-177328</b>	<b>95542</b>

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**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
	<b>TOTAL</b>	<b>60</b>	<b>3842</b>	<b>85</b>	<b>5467</b>
<b>C.</b>	Net cash flow from financing	<b>60</b>	<b>3842</b>	<b>85</b>	<b>5467</b>

**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	<b>-80490</b>	<b>-618593</b>	<b>-114527</b>	<b>-880178</b>
	Cash and cash equivalents at the beginning of the reporting period	<b>131500</b>	<b>750093</b>	<b>187107</b>	<b>1067286</b>
	Cash and cash equivalents at the end of the reporting period	<b>51010</b>	<b>131500</b>	<b>72580</b>	<b>187108</b>

**STATEMENT OF EXCHANGES IN EQUITY**  
for the year 2009

(LVL)

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
<b>On Dec. 31, 2007</b>	<b>3565509</b>	<b>34050</b>	<b>-448615</b>		<b>3150944</b>
Losses covered from reserve		-34050	34050		<b>0</b>
Profit (+) or losses (-) of the reporting period				-283674	-283674
<b>On Dec. 31, 2008</b>	<b>3565509</b>	<b>0</b>	<b>-414565</b>	<b>-283674</b>	<b>2867270</b>
Losses covered forward			-283674	283674	<b>0</b>
Profit (+) or losses (-) of the reporting year				-674663	-674663
<b>On Dec. 31, 2009</b>	<b>3565509</b>	<b>0</b>	<b>-698239</b>	<b>-674663</b>	<b>2192607</b>

0.702804

EUR

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
<b>On Dec. 31, 2007</b>	<b>5073262</b>	<b>48449</b>	<b>-638322</b>		<b>4483389</b>
Losses covered from reserve		-48449	48449		48449
Profit (+) or losses (-) of the reporting period				-403632	-403632
<b>On Dec. 31, 2008</b>	<b>5073262</b>	<b>0</b>	<b>-589873</b>	<b>-403632</b>	<b>4079757</b>
Losses covered forward			-403632	403632	<b>0</b>
Profit (+) or losses (-) of the reporting year				-959959	-959959
<b>On Dec. 31, 2009</b>	<b>5073262</b>	<b>0</b>	<b>-993505</b>	<b>-959959</b>	<b>3119798</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, 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**

<b>On January 1, 2009</b>	<b>80</b>	<b>3720</b>	<b>3800</b>
Additions			
Disposals	80		80
<b>On December 31, 2009</b>	<b>0</b>	<b>3720</b>	<b>3720</b>

#### **Depreciation**

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

<b>Net book value on January 1, 2009</b>	<b>0</b>	<b>126</b>	<b>126</b>
<b>Net book value on December 31, 2009</b>	<b>0</b>	<b>0</b>	<b>0</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, 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**

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

**Depreciation**

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

<b>Net book value on January 1, 2009</b>	<b>133074</b>	<b>365858</b>	<b>238801</b>	<b>4052</b>	<b>741785</b>
<b>Net book value on December 31, 2009</b>	<b>133074</b>	<b>356480</b>	<b>120518</b>	<b>1471</b>	<b>611543</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, 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. The stocks of finished goods are too large because of rapid deminishment of demand.

Average monthly delivery in 2009 is 52.4 thousand LVL.

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
<b>TOTAL</b>		<b>26292.14</b>	<b>57.89</b>

## 7. Receivables

### 7.1. Trade receivables. Balance sheet –row code 130

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2009</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
<b>Total:</b>		<b>98594.10</b>	<b>794150.45</b>

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
<b>Total:</b>		<b>26763.70</b>	<b>25562.21</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 31.12.2009</i>	<i>Total in LVL 01.01.2009</i>
Enterprises of Latvia	Agreement: Repayment date – April 1, 2010	154616.88	0.00
<b>Total:</b>		<b>154616.88</b>	<b>0.00</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, 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
	<b>Total: 1</b>			<b>1128.25</b>	<b>5120.17</b>
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
	<b>Total: 2</b>			<b>49882.21</b>	<b>126379.60</b>
	<b>Total: 1+2</b>			<b>51010.46</b>	<b>131499.77</b>

**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
<b>Total:</b>		<b>20128.92</b>	<b>1368.00</b>

**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
<b>Total:</b>		<b>135862.71</b>	<b>242920.66</b>

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	9067.49	12744.90
Social security payments	January, 2010	13586.36	13023.63
Business risk fee	January, 2010	6.72	17.72
Natural resource tax (NRT)	January, 2010	1.15	17.42
<b>Total:</b>		<b>22661.72</b>	<b>25803.67</b>

#### Taxes: (LVL)

<i>Item</i>	<i>On Dec.31,2008 Overpaid (-) Debt(+)</i>	<i>Calculated in 2009</i>	<i>Paid in 2009</i>	<i>On Dec.31,2009 Overpaid (-) Debt(+)</i>
Personal income tax	12744.90	114995.27	118672.68	9067.49
Social security payments	13023.63	187093.91	135343.93 46532.83* 4654.42**	13586.36
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	246.25	257.25	6.72
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	25310.08	33425.68
Other creditors	2009	1290.21	1402.26
<b>Total:</b>		<b>26600.29</b>	<b>34827.94</b>

### 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>
<b>2009</b>	628859	610493	12377	5989
<b>%</b>	<b>100</b>	<b>97.1</b>	<b>1.9</b>	<b>1.0</b>
<b>2008</b>	2775130	2655949	74467	44714
<b>%</b>	<b>100</b>	<b>95.7</b>	<b>2.7</b>	<b>1.6</b>

### 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>
<b>2009</b>	628859	109704	278649	198316	849	41341
<b>%</b>	<b>100</b>	<b>17.4</b>	<b>44.3</b>	<b>31.6</b>	<b>0.1</b>	<b>6.6</b>
<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>Row code</b>	<b>Item</b>	<b>2009 LVL</b>	<b>2008 LVL</b>	<b>% vs. 2008</b>		
<b>010</b>	Net turnover	628859	2775130	<b>22.7</b>		

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
<b>10</b>	<b>Net turnover</b>	<b>628859</b>	<b>2775130</b>
	including - income from basic activities, liable to 21% VAT	41341	273845
	- income, liable to 0% VAT	587518	2501285

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<b>20</b>	<b>Cost of sales</b>	<b>800549</b>	<b>2632214</b>
	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	<b>131451</b>	<b>152842</b>
	including - amortization of intangible and fixed assets	131055	151249
	- write-off from current assets	396	1593
	- operating costs total:	<b>9003</b>	<b>21469</b>
	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
<b>30</b>	<b>Gross profit or loss</b>	<b>-171690</b>	<b>142916</b>
<b>40</b>	<b>Selling expenses, total:</b>	<b>108587</b>	<b>70319</b>
	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
<b>50</b>	<b>Administrative expenses</b>	<b>399983</b>	<b>414626</b>
	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
<b>60</b>	<b>Other operating income:</b>	<b>119662</b>	<b>284175</b>
	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	30525	64027
	- diminishing of taxes of the previous years (social payments )	4654	4353

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Row code	Item	2009 LVL	2008 LVL
<b>70</b>	<b>Other operating expenses:</b>	<b>88942</b>	<b>242354</b>
	including - expenses for sales of current assets and scrap	18944	33694
	- from sales of foreign currency	29848	148926
	- fines	2067	9
	- expenses due to substitution of devices during guarantee period	5029	3063
	- write-off of fixed assets because of selling	19	1647
	- other expenses	33035	55015
<b>80</b>	Interest receivable and similar income	60	10407
<b>90</b>	Interest payable and similar expenses	0	0
<b>100</b>	Profit or loss before extraordinary items and taxes	-649480	-289801
<b>110</b>	Profit or loss before taxes	-649480	-289801
<b>120</b>	Income tax for the reporting period as in Income Tax Statement	0	0
<b>121</b>	Deferred income tax	0	-32268
<b>130</b>	Other taxes	<b>25183</b>	<b>26142</b>
<b>140</b>	<b>Profit or loss for the period after taxes ( net income )</b>	<b>-674663</b>	<b>-283674</b>

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. Management remuneration in 2009**

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

**14. The company's key figures in 2009:**

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

15. 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  
Management Board

A.Auzinsh

Members of the  
Management Board

Z.Kalninch

M.Araslanovs