



JOINT STOCK COMPANY

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

Annual report of 2010

(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>Alfreds Auzinsh - Chairman (since 1998) Zigurds Kalninsh (since 1998) Maksims Araslanovs (since 2003)</i>
Council	<i>Eriks Kazha – Chairman Gunars Lubis Viktors Rojs Kristina Kazha Nina Kazha</i>
Reporting period	<i>01.01.2010 - 31.12.2010</i>
Main shareholders	<i>Basing on the list of shareholders on October 31,2010 as at the end of the day: 1. JSC „Baltijas Holdings”-41.6 % Reg.Nr.40003148033, 2, Klijanu street, Riga 2. „Tehprojekts”,Ltd.- 41.6% Reg.Nr. 40103020397, 12,Unijas street, Riga 3. State social security agency- 4.6% 4. Other physical and legal persons- 12.2%</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 39.

2. Statements

The total volume of sales in 2010 is by 27.7 % higher than in 2009.

**Net turnover in 2009 was 628859 LVL
in 2010 – 803089 LVL**

But great part of sales was realized from warehouses. The volume of production in 2010 was only 310485 LVL that is 56 % of the production volume in 2009 when new goods on 549873 LVL were produced.

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.

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

Due to the complicated economic situation the result of economic activities in 2010 are losses 331 632 LVL. A positive tendency is that the losses of this year are twice less than in 2009.

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

Item	01.01.2010	31.12.2010
Total liquidity ratio (current assets/current liabilities)	12.1	17.0
Absolute liquidity ratio (cash/ current liabilities)	1.3	0.4

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

From the balance sheet (average value)

Item	Total LVL	Turnover ratio	Turnover in days
Net turnover	803089		
All assets	2141539	0.38	947
Current assets	1582590	0.51	706
Inventory	1201353	0.67	537
Receivables	298900	2.69	134

Profitability ratios

Item	2010	2009
Return on sales (profit/net turnover)	-0.38	-1.03
Return on assets (profit/ total assets)	-0.16	-0.28
Return on share capital (net profit/ share capital)	-0.09	-0,19
Return on equity capital (net profit/ equity capital)	-0.18	-0.31

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 2011 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 requests for deliveries according to contracts in 2010 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 2011.

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. 97% 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 14, 2011

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, 2010 and the results of its operations and cash flows for the period ended on December 31, 2010.

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,

Zigurds Kalniņš
Member of the Board

March 14, 2011

*JSC „Rīgas autoelektroaparātu rūpnīca”
Annual report of 2010*

BALANCE SHEET		For the year 2010		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
			31.12.10	01.01.10	31.12.10	01.01.10
A. LONG-TERM INVESTMENTS						
1. Intangible assets						
1.1. Patents, licenses and similar rights	3	010	0	0	0	0
1. TOTAL		020	0	0	0	0
2. Fixed assets						
2.1. Land, buildings and constructions	4	030	480176	489554	683229	696573
2.2. Equipment and machinery	5	040	25304	120518	36004	171482
2.3. Other fixed assets and inventory	5	050	674	1471	959	2093
2. TOTAL		060	506154	611543	720192	870148
3. Long-term financial investments						
3.1. Other securities and investments		070	200		284	
3. TOTAL		080	200		284	
A. TOTAL		090	506354	611543	720476	870148
B. CURRENT ASSETS						
1. Inventory						
1.1. Raw materials, direct materials and auxiliary materials	6.1.	100	262497	261494	373500	372073
1.2. Work in progress	6.2.	110	35628	50786	50694	72262
1.3. Finished goods and goods for sale	6.3.	120	686289	1053684	976501	1499257
1.4. Advance payments for goods	6.4.	130	26035	26292	37045	37410
1. TOTAL		140	1010449	1392256	1437740	1981002
2. Receivables						
2.1. Trade receivables	7.1.	150	176721	98594	251451	140287
2.2. Other receivables	7.2.	160	63533	26764	90399	38082
2.3. Short-term loans	7.3.	170	75640	154617	107626	220000
2.4. Deferred expenses		180	195	1737	278	2471
2. TOTAL		190	316089	281712	449754	400840
3. Cash	3. TOTAL	8	200	113664	51010	161729
B. TOTAL		210	1440202	1724978	2049223	2454422
TOTAL ASSETS		220	1946556	2336521	2769700	3324570

BALANCE SHEET		For the year 2010		0.702804	0.702804	
		LVL	LVL	EUR	EUR	
LIABILITIES	Notes	Row code	At the end of the period 31.12.10	At the beginning of the year 01.01.10	At the end of the period 31.12.10	At the beginning of the year 01.01.10
A. Equity capital						
1. Share capital	9	230	3565509	3565509	5073262	5073262
2. Retained profit:						
a) brought forward from previous years		240	-1371975	-1371975	-1952145	-1952145
b) for the current year		250	-331632		-471870	
A. TOTAL		260	1861902	2193534	2649247	3121117
B. CREDITORS						
1. Current liabilities						
1.1. Advance payments from customers	10.1.	270	17570	20129	25000	28641
1.2. Trade creditors	10.2.	280	47377	67904	67411	96619
1.3. Taxes and social security payments	10.3.	290	3545	22731	5044	32343
1.4. Other creditors	10.4.	300	7927	25604	11279	36431
1.5. Accrued liabilities	10.5.	310	8234	6619	11716	9418
B. TOTAL		320	84653	142987	120450	203452
TOTAL LIABILITIES		10.1.	330	1946555	2336521	2769697

PROFIT OR LOSS ACCOUNT

For the year 2010

(LVL) (LVL)

EUR

EUR

0.702804

No	Item	Notes	Row code	2010	2009	2010	2009
1	Net turnover	11	010	803089	628859	1142693	894786
2	Cost of sales		020	848645	800549	1207513	1139079
3	Gross profit or loss		030	-45556	-171690	-64820	-244293
4	Selling expenses		040	28142	108587	40043	154505
5	Administrative expenses		050	272252	399983	387380	569125
6	Other operating income		060	78595	90810	111831	129211
7	Other operating expenses		070	38094	59163	54203	84181
8	Interest receivable and similar income		080	1291	60	1837	85
9	Interest payable and similar expenses		90				
10	Profit or loss before extraordinary items and taxes		100	-304158	-648553	-432778	-922808
11	Profit or loss before taxes		110	-304158	-648553	-432778	-922808
12	Income tax		120				
13	Other taxes (Real estate tax)		130	27474	25183	39092	35832
14	Profit or loss for the period		140	-331632	-673736	-471870	-958640

Earnings per share

-0,093

-0,189

-0,133

-0,269

STATEMENT OF CASH FLOWS for the year 2010

A. Cash flow from operating activities				0.702804	
No	ITEMS	2010 LVL	2009 LVL	2010 EUR	2009 EUR
1	Income from sales and services	739778	1301199	1052609	1851439
2	Payments to suppliers for goods and services	-545325	-527733	-775928	-750896
3	Payments to employees and in their interests or to the third persons according to their orders	-155411	-450648	-221130	-641214
4	Other expenses for economic activities	-12567	-12983	-17881	-18473
5	Income from other economic activities	26093	17075	37127	24295
6	Tax payments	-47873	-256348	-68117	-364750
7	VAT paid		-90		-128
8	Deferred expenses	-166	-1699	-236	-2418
	Cash flow from gross operating activities	4529	68773	6444	97855
9	Real estate tax payments	-27475	-25183	-39093	-35832
	TOTAL	-22946	43590	-32649	62023
A.	Net cash flow from operating activities	-22946	43590	-32649	62023

B. Cash flow from investment activities					
No	ITEMS	2010 LVL	2009 LVL	2010 EUR	2009 EUR
1	Purchase of intangible and fixed assets		-854		-1215
2	Purchase of parts of enterprises	-200		-285	
3	Sales of intangible and fixed assets	3582	30844	5097	43887
4	Issued loans	-66503	-154617	-94625	-220000
5	Repaid loans	145480		206999	
6	Received interest	1261		1795	
	TOTAL	83620	-124627	118981	-177328
B.	Net cash from investment activities	83620	-124627	118981	-177328

C. Cash flow from financing

No	ITEMS	2010 LVL	2009 LVL	2010 EUR	2009 EUR
1	Received interest for deposit	30	60	43	85
	TOTAL	30	60	43	85
C.	Net cash flow from financing	30	60	43	85

SUMMARY OF CASH INCOME AND EXPENDIT

No	ITEMS	2010 LVL	2009 LVL	2010 EUR	2009 EUR
A	The result from operating activities	-22946	43590	-32649	62023
B	The result from investment activities	83620	-124627	118981	-177328
C	The result from financing	30	60	43	85
D	The result from currency rate fluctuations	1950	487	2774	693
	Cash increase or decrease	62654	-80490	89149	-114527
	Cash and cash equivalents at the beginning of the reporting period	51010	131500	72580	187107
	Cash and cash equivalents at the end of the reporting period	113664	51010	161729	72580

STATEMENT OF EXCHANGES IN EQUITY
for the year 2010

(LVL)

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
On Dec. 31, 2008	3565509	0	-414565	-283674	2867270
Losses carried forward			-283674	283674	0
Profit (+) or losses (-) of the reporting period				-673736	-673736
On Dec. 31, 2009	3565509	0	-698239	-673736	2193534
Losses carried forward			-673736	673736	0
Profit (+) or losses (-) of the reporting year				-331632	-331632
On Dec. 31, 2010	3565509	0	-1371975	-331632	1861902

0.702804 EUR

	Share capital	Reserves	Profit from previous years	Profit of the reporting year	Total
On Dec. 31, 2008	5073262	0	-589873	-403632	4079757
Losses carried forward			-403632	403632	0
Profit (+) or losses (-) of the reporting period				-958640	-958640
On Dec. 31, 2009	5073262	0	-993505	-958640	3121117
Losses carried forward			-958640	958640	0
Profit (+) or losses (-) of the reporting year				-471870	-471870
On Dec. 31, 2010	5073262	0	-1952145	-471870	2649247

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, 2010 till December 31, 2010.

Accounts in 2010 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 01.10.2010 until 31.12.2010.

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	31.12.2010	31.12.2009
USD	0.535	0.489
EUR	0.702804	0.702804
RUR	0.0176	0.0164

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 2010 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. Assets of deferred income tax are accepted only if it is expected to regain them.

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

Residual value of patents, licenses and similar rights at the end of the year 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 2010

	Licenses and patents	Similar rights	Total
	LVL	LVL	LVL

Historical cost

On January 1, 2010	0	3720	3720
Additions	0	0	0
Disposals	0	0	0
On December 31, 2010	0	3720	3720

Depreciation

On January 1, 2010	0	3720	3720
Charge for the year	0	0	0
Disposals	0	0	0
On December 31, 2010	0	3720	3720

Net book value on January 1, 2010	0	0	0
Net book value on December 31, 2010	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 Dec. 31, 2010:	480176 LVL	on January 1, 2010	489554 LVL
including: buildings and constructions-	347102LVL		356480 LVL
land -	133074 LVL		133074 LVL
Cadastral value on Jan. 01, 2011	2564309LVL		
Cadastral value of the buildings -	1696319LVL		
Cadastral value of the land -	867990 LVL		

5. Statement of changes in fixed assets in 2010

	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, 2010	133074	665224	1564819	107765	2470882
Disposals			63697	1826	65523
Historical or re-valued cost on December 31, 2010	133074	665224	1501122	105939	2405359

Depreciation

On January 1, 2010	0	308744	1444301	106294	1859339
Charge for the year		9378	95214	792	105384
Disposals			63697	1821	65518
On December 31, 2010	0	318122	1475818	105265	1899205

Net book value on January 1, 2010	133074	356480	120518	1471	611543
Net book value on December 31, 2010	133074	347102	25304	674	506154

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

6. Inventory. Balance sheet –row code 100;110;120;130.

6.1. On December 31, 2010 the total value of raw materials and sub-components in the warehouses is 251852 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 10645 LVL.

On January 1, 2010 the total value of stocks was 250797 LVL.

The value of other inventory on January 1, 2010 was 10697 LVL.

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6.2. On December 31, 2010 the stock of work in progress (parts) 35628 LVL provide the process of production for two weeks.

On January 1, 2010 the stock of work in progress (parts) amounted to 50786 LVL.

6.3. On December 31, 2010 the stock of finished goods was 686289 LVL. The stock of finished goods is evaluated in production costs.

On January 1, 2010 the stock of finished goods amounted to 1053684 LVL.

6.4. Advance payments for goods.

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL 31.12.2010</i>	<i>Total in LVL 01.01.2010</i>
Enterprises of Russia	For materials		121
Enterprises of Latvia	For materials	44	
Enterprises of China	For materials	128	12677
Enterprises of Latvia	For outfit	25863	13494
	TOTAL	26035	26292

7. Receivables

7.1. Trade receivables. Balance sheet –row code 150

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2010</i>	<i>Total in LVL 01.01.2010</i>
Enterprises of Russia	For the goods	156453	831
Enterprises of Belarus	For the goods	10789	97189
Enterprises of Latvia	For the goods	9479	574
Total:		176721	98594

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 160.

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2010</i>	<i>Total in LVL 01.01.2010</i>
Enterprises of Latvia	Agreement of lease, el. power, water, thermal energy and services	3356	2600
Enterprises of Latvia	For materials	1365	1894
Enterprise of Belarus	For materials and outfit	11617	
Enterprises of Latvia	For the equipment	5140	5140
Enterprise of Belarus	For the equipment	28499	
Other enterprises of Latvia	Other debts	14	14
Employees of the enterprise	Settlements for business trips and other operating expenses	69	272
State Revenue Service	Overpaid taxes (VAT)	12307	14450
Enterprises of Latvia	VAT on unpaid invoices	1165	2394
Total:		63533	26764

7.3. Short term loans Balance sheet –row code 170

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2010</i>	<i>Total in LVL 01.01.2010</i>
Enterprises of Latvia	Agreement: Repayment date – April 1, 2010		154617
Enterprises of Latvia	Agreements: Repayment –First half of 2011	75640	
Total:		75640	154617

8. Cash and cash equivalents. Balance sheet –row code 200

<i>Currency</i>	<i>Balance in currency</i>	<i>Exchange rate of the Bank of Latvia</i>	<i>Balance LVL As on Dec. 31, 2010</i>	<i>Balance LVL As on January 1, 2010</i>
LVL			22903.60	50445.86
USD	109129.93	0.535	58384.51	240.58
EUR	44451.53	0.702804	31240.71	310.25
RUR	64520.11	0.0176	1135.55	13.77
Total			113664,37	51010.46

9. Share capital.

The share capital in 2010 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 – 270

<i>Business partner</i>	<i>Advance payments</i>	<i>Total in LVL 31.12.2010</i>	<i>Total in LVL 01.01.2010</i>
Enterprise of Russia	For goods		2559
Enterprise of Latvia	For real estate	17570	17570
Total:		17570	20129

10.2. Trade creditors. Balance sheet row code – 280

<i>Business partner</i>	<i>Substantiation</i>	<i>Total in LVL 31.12.2010</i>	<i>Total in LVL 01.01.2010</i>
PSJSC „Latvenergo”	Contract	6373	9427
ME „Rīgas ūdens”	Contract	210	242
Enterprises of Latvia	Communication services	183	337
Enterprise of Latvia	Transport services		400
Enterprise of Latvia	For materials and sub-components	37118	50134
Enterprise of Latvia	Stock exchange	756	
Other enterprises of Latvia	Different services	2737	7364
Total:		47377	67904

Due date – January, 2010

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

<i>Tax</i>	<i>Date of payment</i>	<i>Total in LVL 31.12.2010</i>	<i>Total in LVL 01.01.2010</i>
Personal income tax	January, 2011	2061	9026
Social security payments	January, 2011	1474	13702
Business risk fee	January, 2011		2
Natural resource tax (NRT)	January, 2011		1
Total:		3545	22731

Taxes: (LVL)

<i>Item</i>	<i>Dec.31,2009 Overpaid (-) Debt(+)</i>	<i>Calculated in 2009</i>	<i>Fine</i>	<i>Paid in 2009</i>	<i>Dec.31,2010 Overpaid (-) Debt(+)</i>
Personal income tax	9026.14	41677.05	0.98	22891.31 25751.76*	2061.10
Social security payments	13702.11	59676.46		24832.99 47062.15*	1483.43
Real estate tax	0.00	27474.67		27474.67	0.00
NRT for water resources	1.15			1.15	0.00
Business risk fee	1.72	146.25		147.75 0.22*	0.00
Value added tax	-14450.09	-70671.23		72814.13	-12307.19

*Shifted for payments of other taxes.

In 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 300

<i>Debt</i>	<i>Date of payment</i>	<i>Total in LVL 31.12.2010</i>	<i>Total in LVL 01.01.2010</i>
Salary	January, 2011	6453	24314
Other creditors		1474	1290
Total:		7927	25604

10.5. Accrued liabilities. Balance sheet row code 310

In accordance with the law „On the annual reports” provisions for vacations of 2010 are calculated in total 8234 LVL.

The provisions for vacations of 2009 were calculated 6619 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>
2010	628859	803089	791697	4050
%	100	100	98.6	0.5
2009	2775130	628859	610493	12377
%	100	100	97.1	1.9

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>
2010	803089	431740	22455	319145	10899	18850
%	100	53.8	2.8	39.7	1.4	2.3
2009	628859	109704	278649	198316	849	41341
%	100	17.4	44.3	31.6	0.1	6.6

<i>Row code</i>	<i>Item</i>	<i>2010 LVL</i>	<i>2009 LVL</i>	<i>% vs. 2009</i>
010	Net turnover	803089	628859	127.7

The net turnover in 2010 has increased by 27.7% if compared with the previous year.

In 2010 the profit and loss account includes only the result of currency fluctuations and currency exchange. To ensure comparability of data the items of 2009 are recalculated.

Items	In the report of 2009		In the report of 2010	
	LVL	EUR	LVL	EUR
Other operating income	120658	171681	90810	129211
incl. income from currency fluctuations and currency exchange	40244	57262	10396	14792
Other operating expenses	89011	126651	59163	84181
incl. losses from currency fluctuations and currency exchange	29848	42470		

*JSC „Rīgas autoelektroaparātu rūpnīca”
Annual report of 2010*

Row code	Item	2010 LVL	2009 LVL
10	Net turnover	803089	628859
	including - income from basic activities, liable to VAT	18850	41341
	- income, liable to 0% VAT	784239	587518
20	Cost of sales	848645	800549
	including -costs of materials and sub-components including transport expenses, custom fees and import duties	292093	232045
	- salaries and social security payments	297915	318572
	- provisions for vacations	5110	3115
	- energy resources	101113	77681
	- contracts (for repairing works and maintenance of different systems)	32997	28682
	- amortization	106190	131451
	- different operating costs	13227	9003
30	Gross profit or loss	-45556	-171690
40	Selling expenses, total:	28142	108587
	Incl. - salaries and social security payments	9876	12863
	- provisions for vacations	787	1029
	- wrapping and transport costs	15257	10548
	- write-off of a bad debt	831	83246
	- other selling expenses	1391	901
50	Administrative expenses	272252	399983
	including - salaries and social security payments	79842	350461
	- provisions for vacations	2338	2475
	- communication expenses	5283	8312
	- office expenses	794	486
	- expenses due to annual report	2000	1500
	- bank services	1744	2191
	- transport expenses for administration	2676	2774
	- fee of Stock exchange	5000	5000
	- marketing, legal and other services	168952	20100
	- other administrative expenses	2720	5877
	- representation expenses	903	807
60	Other operating income:	78595	90810
	including - income of foreign exchange rate revaluations		10396
	- sales of materials and outfit	15459	4707
	- income from sales of fixed assets	32611	25517
	- income from rent charges	22174	14014
	- diminishing of taxes of the previous years (social payments)		4654
	- other income	8351	31522

*JSC „Rīgas autoelektroaparātu rūpnīca”
Annual report of 2010*

Row code	Item	2009 LVL	2008 LVL
70	Other operating expenses:	38094	59163
	including- from sales of foreign currency	830	
	- fines	31	2072
	- expenses due to substitution of devices during guarantee period	2319	5029
	- electric power for renters	18946	
	- other expenses	15968	52062
80	Interest receivable and similar income	1291	60
90	Interest payable and similar expenses	0	0
100	Profit or loss before extraordinary items and taxes	-304158	-648553
110	Profit or loss before taxes	-304158	-648553
120	Income tax for the reporting period as in Income Tax Statement	0	0
130	Other taxes	27474	25183
140	Profit or loss for the period after taxes (net income)	-331632	-673736

12. Because of great losses there ensued assets of deferred income tax in 2010. 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.

In 2010 there were no deals between JSC „RAR” and JSC „Baltijas Holdings”.

In 2010 „Tehprojekts”, Ltd. obtained from JSC „RAR” materials for 127.06 LVL, and received a short term loan 40000.00 LVL. JSC „RAR” received services from „Tehprojekts”, Ltd. for 746.52 LVL and made a prepayment for outfit 14966.93 LVL. Values include VAT. All transactions are executed for market prices.

14. Management remuneration

	Number of members	In 2010		In 2009	
		Salary LVL	Social security payments of employer LVL	Salary LVL	Social security payments of employer LVL
Council	5	23000.00	5540.70	145800.00	30099.30
Board	3	20307.34	4271.74	97200.00	17610.76
Total		43307.34	9812.44	243000.00	47710.06

15. The company’s key figures in 2010:

- 1) balance total – 1946556 LVL
- 2) net turnover – 803089 LVL
- 3) average number of employees - 39

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 2010 is 2000.00 LVL and 22% VAT 440.00 LVL or in total 2440.00 LVL.

Chairman of the Board

A.Auzinsh

Members of the Board

Z.Kalninh

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 22 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 2010, 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, 2010 as well as of its financial performance and its cash flows for the year 2010 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 2010.

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, March 20, 2011