



JOINT STOCK COMPANY

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

**Report for 12 months of 2012**

**(not 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 up to 26.07.2012) Zigurds Kalninsh (since 1998 up to 05.02.2013) Maksym Araslanov (since 2003)</i>
Council	<i>Eriks Kazha – Chairman Gunars Lubis Viktors Rojs Kristina Kazha (up to 18.04.2012) Nina Kazha Galina Kraveca (since 18.04.2012)</i>
Reporting period	<i>01.01.2012 - 31.12.2012</i>
Main shareholders	<i>Basing on the list of shareholders on October 31,2012 as at the end of the day: 1. JSC „Baltijas Holdings”-43,9 % Reg.Nr.40003148033, 2, Klijanu street, Riga 2. „Tehprojekts”,Ltd.- 43,9% Reg.Nr. 40103020397, 12,Unijas street, Riga 3. 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 9001:2008.

Average number of employees in the reporting year is 31.

### **2. Statements**

The total volume of sales in 2012 was only 64, 8 % from that in 2011.

**Net turnover in 2011 was 372482 LVL  
in 2012 – 254600 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.

Today all customers’ debts are real. According to the signed contracts customers shall pay for the delivered production in 60 days.

The result of economic activities in 2012 is gained profit 6381 LVL.

At the beginning of the year the balance value of real estate is much lower than cadastral value. Therefore the real estate on Klijanu street 2B is revaluated in conformity with actual value determined by certified estimator.

In 2012 JSC „RAR” invested 1,1 million LVL in reconstruction of office building improving effectiveness of expenditure of thermal energy and establishing ventilation system attracting investments of Climate changes financial instrument. „RAR” financed 35% of the project attaching credits of other enterprises.

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

Item	01.01.2012	31.12.2012
Total liquidity ratio (current assets/current liabilities)	3,3	7,0
Absolute liquidity ratio (cash/ current liabilities)	0,9	0,1

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

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

Item	Total LVL	Turnover ratio
Net turnover	<b>254600</b>	
All assets	2743705	0,09
Current assets	1419258	0,18
Inventory	852384	0,30
Receivables	311388	0,82

**Profitability ratios**

Item	2012	2011
Return on sales ( profit/net turnover)	0,13	-0,84
Return on assets (profit/ total assets)	0,01	-0,15
Return on share capital (net profit/ share capital)	0,002	-0.10
Return on equity capital (net profit/ equity capital)	0,003	-0.21

*Future prospects and further development*

The board predicts that the volumes of sales in 2013 will be much bigger than in 2012. The contract with GAZ for 2013 includes greater deliveries than the previous one. A contract for renewal of mutual collaboration with Belarus is in development. A further perspective is to perform assembly works of other goods besides the production of electrical appliances for automobiles and tractors. The negotiations with potential customers in the countries of European Union are going on.

The real estate that belongs to the company is much bigger than it is necessary for the process of production. To enhance the efficiency of the estate, the production is transferred to smaller premises. Thus appears a possibility to lease the vacated space. These activities will diminish the costs for maintenance of the enterprise and raise the competitiveness of the prices of the produced goods. It is scheduled that in 2013 the lease of the real estate will start bring revenue.

***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) 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.

*3) Currency risk*

The introduction of euro in Latvia will cause the rise of prices and the costs of production will increase.

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

Member of Board: \_\_\_\_\_

M. Araslanov

February 28, 2013

## **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 20 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on December 31, 2012 and the results of its operations and cash flows for the period ended on December 31, 2012.

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,

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Maksym Araslanov  
Member of the Board

February 28, 2013

*JSC „Rīgas autoelektroaparātu rūpnīca”  
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<b>BALANCE SHEET</b>		<b>For the year 2012</b>		<b>0.702804</b>	<b>0.702804</b>	
			LVL	LVL	EUR	EUR
ASSETS	Notes	Row code	At the end of the period 31.12.12	At the beginning of the year 01.01.12	At the end of the period 31.12.12	At the beginning of the year 01.01.12
<b>A. LONG-TERM INVESTMENTS</b>						
<b>1. Fixed assets</b>						
1.1. Land, buildings and constructions	3	010	2223609	409229	3163911	582280
1.2. Equipment and machinery		020	3614	11520	5142	16392
1.3. Other fixed assets and inventory		030	176	346	250	492
<b>2. TOTAL</b>		<b>040</b>	<b>2227399</b>	<b>421095</b>	<b>3169303</b>	<b>599164</b>
<b>2. Long-term financial investments</b>						
2.1. Other securities and investments		050	200	200	285	285
<b>2. TOTAL</b>		<b>060</b>	<b>200</b>	<b>200</b>	<b>285</b>	<b>285</b>
<b>A. TOTAL</b>		<b>070</b>	<b>2227599</b>	<b>421295</b>	<b>3169588</b>	<b>599449</b>
<b>B. CURRENT ASSETS</b>						
<b>1. Inventory</b>						
1.1. Raw materials, basic materials and consumables		080	225900	247309	321427	351889
1.2. Work in progress		090	77439	28834	110186	41027
1.3. Finished goods and goods for sale	4	100	472177	572896	671847	815158
1.4. Advance payments for goods	5	110	64759	15454	92144	21989
<b>1. TOTAL</b>		<b>120</b>	<b>840275</b>	<b>864493</b>	<b>1195604</b>	<b>1230063</b>
<b>2. Debtors</b>						
2.1. Purchasers' debts	6	130	26458	73684	37646	104843
2.2. Other debtors	7	140	197928	236491	281626	336496
2.3. Short-term loans	8	150	12265	75640	17452	107626
2.4. Next period costs		160	143	166	203	236
<b>2. TOTAL</b>		<b>170</b>	<b>236794</b>	<b>385981</b>	<b>336927</b>	<b>549201</b>
<b>3. Cash</b>	9	180	21475	489497	30556	696492
<b>B. TOTAL</b>		<b>190</b>	<b>1098544</b>	<b>1739971</b>	<b>1563087</b>	<b>2475756</b>
<b>TOTAL ASSETS</b>		<b>200</b>	<b>3326143</b>	<b>2161266</b>	<b>4732675</b>	<b>3075205</b>



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BALANCE SHEET			<b>For the year 2012</b>		<b>0.702804</b>	<b>0.702804</b>
			LVL	LVL	EUR	EUR
					At the end of the period	At the beginning of the year
<b>LIABILITIES</b>	Notes	Row code	31.12.12	01.01.12	31.12.12	01.01.12
<b>A. Equity</b>						
1. Share capital	10	210	3565509	3565509	5073262	5073262
2. Long-term investment revaluation reserve	11	220	664485	0	945477	0
<b>TOTAL</b>		<b>230</b>	<b>4229994</b>	<b>3565509</b>	<b>6018739</b>	<b>5073262</b>
<b>2. Retained profit:</b>						
a) brought forward from previous years		240	-1939628	-1939628	-2759842	-2759842
b) for the accounting year		250	6381		9079	
<b>A. TOTAL</b>		<b>260</b>	<b>2296747</b>	<b>1625881</b>	<b>3267976</b>	<b>2313420</b>
<b>B.PROVISIONS</b>						
<b>1.Other provisions</b>	12	270	14564	9674	20773	13765
<b>B. TOTAL</b>		<b>280</b>	<b>14564</b>	<b>9674</b>	<b>20773</b>	<b>13765</b>
<b>C.CREDITORS</b>						
<b>1. Long term creditors</b>						
1.1.Other loans	13	290	327300	0	465706	0
1.2.Next period income	14	300	531651		756471	
<b>1.TOTAL</b>		<b>310</b>	<b>858951</b>	<b>0</b>	<b>1222177</b>	<b>0</b>
<b>2. Short term creditors</b>						
2.1.Advance payments from customers		320	49998	0	71141	
2.2. Accounts payable to suppliers and contractors	15	330	67391	131376	95889	186931
2.3. Taxes and State mandatory social insurance payments	16	340	5813	10907	8271	15520
2.4. Other creditors	17	350	15514	11659	22074	16589
2.5.Next period income	14	360	12992	367175	18486	522443
2.6. Accrued obligations	18	370	4173	4594	5938	6537
<b>2.TOTAL</b>		<b>380</b>	<b>155881</b>	<b>525711</b>	<b>221799</b>	<b>748020</b>
<b>C.TOTAL CREDITORS</b>		<b>390</b>	<b>1014832</b>	<b>525711</b>	<b>1443976</b>	<b>748020</b>
<b>TOTAL LIABILITIES</b>		<b>400</b>	<b>3326143</b>	<b>2161266</b>	<b>4732725</b>	<b>3075205</b>

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**PROFIT OR LOSS ACCOUNT**

**For the year 2012**

( LVL ) ( LVL )

**EUR**

**EUR**

**0.702804**

No	Item	Notes	Row code	2012	2011	2012	2011
1	Net turnover	19	010	254600	372482	362263	529994
2	Production costs of goods sold		020	278546	443245	396335	630681
<b>3</b>	<b>Gross profit or loss</b>		<b>030</b>	<b>-23946</b>	<b>-70763</b>	<b>-34072</b>	<b>-100687</b>
4	Sales costs		040	1684	17368	2396	24712
5	Administrative expenses		050	115510	165171	164356	235017
6	Other income from economic activities		060	262114	71665	372954	101970
7	Other costs of economic activities		070	93774	132175	133428	188068
8	Other interest income and similar income		080	6566	0	9342	0
9	Interest payments and similar expenses		090	0		0,00	
10	Profit or loss before extraordinary items and taxes		100	33766	-313812	48044	-446514
11	<b>Profit or loss before taxes</b>		110	33766	-313812	48044	-446514
12	Enterprise income tax		120				
13	Other taxes (Real estate tax)		130	27385	29186	38965	41528
<b>14</b>	<b>Profit or loss for the accounting year</b>		<b>140</b>	<b>6381</b>	<b>-342998</b>	<b>9079</b>	<b>-488042</b>

**Earnings per share**

**0,002**

**-0,096**

**0,003**

**-0,137**

**STATEMENT OF CASH FLOWS for 2012**

**I. Cash flow from operating activities**

K=0.702804

No	ITEMS	2012	2011	2012	2011
		LVL	LVL	EUR	EUR
1	Income from sales and services	279591	486568	397822	692324
2	Payments to suppliers, to employees and other expenses for production	-469415	-496206	-667917	-706038
3	Other income or expenses for economic activities	180177	36527	256369	51973
4	Cash flow from gross operating activities	-9647	26889	-13726	38259
5	Real estate tax payments	-27385	-29186	-38965	-41528
<b>I.</b>	<b>Net cash flow from operating activities</b>	<b>-37032</b>	<b>-2297</b>	<b>-52691</b>	<b>-3269</b>

**II. Cash flow from investment activities**

No	ITEMS	2012	2011	2012	2011
		LVL	LVL	EUR	EUR
1	Purchase of intangible and fixed assets	-1124966		-1600682	
2	Sales of intangible and fixed assets	150383	13075	213976	18604
3	Given loans		-15000		-21343
4	Repaid loans	35640	15000	50711	21343
5	Received interest	3076		4377	
<b>II.</b>	<b>Net cash from investment activities</b>	<b>-935867</b>	<b>13075</b>	<b>-1331618</b>	<b>18604</b>

**III. Cash flow from financing**

No	ITEMS	2012	2011	2012	2011
		LVL	LVL	EUR	EUR
1	Received loans	408754		581604	
2	Received as financing of KPFI 10/51 project	177468	367175	252514	522443
3	Repaid loans	-78650		-111909	
<b>III.</b>	<b>Net cash flow from financing</b>	<b>507572</b>	<b>367175</b>	<b>722209</b>	<b>522443</b>

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**SUMMARY OF CASH INCOME AND EXPENDITURE**

No	ITEMS	2012	2011	2012	2011
		LVL	LVL	EUR	EUR
I.	The result from operating activities	-37032	-2297	-52691	-3269
II.	The result from investment activities	-935867	13075	-1331618	18604
III.	The result from financing	507572	367175	722209	522443
IV.	The result from currency rate fluctuations	-2695	-2120	-3835	-3015
V.	Cash increase or decrease	<b>-468022</b>	<b>375833</b>	<b>-665935</b>	<b>534763</b>
VI.	Cash and cash equivalents at the beginning of the reporting period	<b>489497</b>	<b>113664</b>	<b>696491</b>	<b>161729</b>
VII.	Cash and cash equivalents at the end of the reporting period	<b>21475</b>	<b>489497</b>	<b>30556</b>	<b>696492</b>

**STATEMENT OF EXCHANGES IN EQUITY**  
for the year 2012

LVL	At the end of the accounting year	At the end of previous year
<b>Share capital</b>	3565509	3565509
<b>Long-term investment revaluation reserve</b>		
In the balance sheet of the previous period	0	0
Exchanges of long-term investment revaluation reserve	664485	0
In the balance sheet at the end of the accounting period	664485	0
<b>Retained profit</b>		
Retained profit brought forward from previous years	-1939628	-1596630
Correction		
Profit of the accounting year	6381	-342998
Total profit in the balance sheet at the end of the accounting year	-1933247	-1939628
<b>Equity</b>		
In the balance sheet of the previous period	1625881	1968879
Correction	0	
In the balance sheet at the end of the accounting period	2296747	1625881

EUR	At the end of the accounting year	At the end of previous year
<b>Share capital</b>	5073262	5073262
<b>Long-term investment revaluation reserve</b>		
In the balance sheet of the previous period	0	0
Exchanges of long-term investment revaluation reserve	945477	0
In the balance sheet at the end of the accounting period	945477	0
<b>Retained profit</b>		
Retained profit brought forward from previous years	-2759842	-2271800
Correction		
Profit of the accounting year	9079	-488042
Total profit in the balance sheet at the end of the accounting year	-2750763	-2759842
<b>Equity</b>		
In the balance sheet of the previous period	2313420	2801462
Correction		
In the balance sheet at the end of the accounting period	3267976	2313420

## **NOTES TO FINANCIAL STATEMENTS**

### **1. General principles**

The annual report is prepared in accordance with the law „On accountancy”, „On the annual reports”, Regulations No.488 issued by the Cabinet of Ministers of the Republic of Latvia “Regulations on enforcement policies of the law on annual reports” and Regulations No.481 issued by the Cabinet of Ministers of the Republic of Latvia “Regulations on content and preparation procedures of the cash flow statement and statement of changes in equity”.

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, 2012 till December 31, 2012.

Accounts in 2012 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 01.11.2012 until 31.12.2012.

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

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Kind of fixed assets	Rate of depreciation	
	In financial accounts	
<b>Buildings, constructions and transmission devices</b>	From 1,0% to 8,3 %	
	Years	Months
<b>Equipment and machinery</b>		
Loading devices and machinery	2	24
Technological equipment and machinery, working in adverse conditions	4	48
Technological equipment for production, laboratory equipment (measurement equipment)	5	60
Thermal technical equipment, pumps and compressors, ventilation equipment	7	84
Power units, electric motors, telecommunication equipment	8	96
Vehicles (cars, trucks and trailers)	5	60
<b>Other fixed assets and inventory</b>		
Office equipment and inventory	10	120
Computers, software, xeroxes and electronic cash-registers	5	60
Inventory used in production and for transportation and storage of goods	3	36
Other inventory	5	60

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

2.6. Stock of finished goods is valued in accordance with the lowest market price.

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	31.12.2012	31.12.2011
USD	0.531	0.544
EUR	0.702804	0.702804
RUR	0.0173	0.017

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 2011 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.

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**3. Buildings, constructions and land are registered in Land Register and is the property of „RAR”. Balance sheet –row code 010**

Balance value on Dec. 31, 2012:	2223609 LVL	on January 1, 2012	409229 LVL
including: buildings and constructions-	1834382 LVL		296933LVL
land -	389227 LVL		112296 LVL
<b>Cadastral value on Jan. 01, 2012</b>	<b>2281525LVL</b>		
Cadastral value of the buildings -	1559531LVL		
Cadastral value of the land -	721994 LVL		

At the beginning of the year the balance value of real estate is much lower than cadastral value. Therefore the real estate on Klijanu street 2B is revaluated in conformity with actual value determined by certified estimator.

Increase in value is stated in long-term investment revaluaton reserves.

In 2012 JSC „RAR” invested 1,1 million LVL in reconstruction of office building improving effectiveness of expenditure of thermal energy and establishing ventilation system attracting investments of Climate changes financial instrument.

**Statement of changes in fixed assets in 2012**

	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, 2012</b>	<b>112296</b>	<b>577535</b>	<b>1458584</b>	<b>104275</b>	<b>2252690</b>
Obtained		1160649			1160649
Disposals		120213	309379	16127	445719
Revaluation	276931	387554			664485
<b>Historical or re-valued cost on December 31, 2011</b>	<b>389227</b>	<b>2005525</b>	<b>1149205</b>	<b>88148</b>	<b>3632105</b>

**Depreciation**

<b>On January 1, 2012</b>	<b>0</b>	<b>280602</b>	<b>1447064</b>	<b>103929</b>	<b>1831595</b>
Charge for the year		10754	6668	170	17592
Disposals		120213	308141	16127	444481
<b>On December 31, 2012</b>	<b>0</b>	<b>171143</b>	<b>1145591</b>	<b>87972</b>	<b>1404706</b>

<b>Net book value on January 1, 2012</b>	<b>112296</b>	<b>296933</b>	<b>11520</b>	<b>346</b>	<b>421095</b>
<b>Net book value on December 31, 2012</b>	<b>389227</b>	<b>1834382</b>	<b>3614</b>	<b>176</b>	<b>2227399</b>

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



#### 4. Inventory. Balance sheet –row code 100

At the end of 2011 stock of finished goods was valued at the lowest market price. At the end of 2012 it was recalculated according to the lowest market prices of the reporting year and the value was increased by 51593 LVL.

#### 5. Advance payments for goods. Balance sheet –row code 110

<i>Advance payment</i>	<i>Total in LVL 31.12.2012</i>	<i>Total in LVL 01.01.2012</i>
For materials	35176	12081
For outfit	29583	3373
<b>TOTAL</b>	<b>64759</b>	<b>15454</b>

#### 6. Purchasers' debts. Balance sheet –row code 130

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2012</i>	<i>Total in LVL 01.01.2012</i>
Enterprises of Russia	For the goods	15669	
Enterprises of Belarus	For the goods	10789	11994
<b>Total:</b>		<b>26458</b>	<b>73684</b>

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

#### 7. Other receivables. Balance sheet –row code 140

<i>Debt</i>	<i>Total in LVL 31.12.2012</i>	<i>Total in LVL 01.01.2012</i>
Agreement of lease, el. power	6091	36
For materials and outfit	34042	42474
For the equipment	31016	34859
For real estate	118910	158131
Other debts	26	991
VAT on unpaid invoices	7843	
	<b>197928</b>	<b>236491</b>

- Term of payment - within two years

#### 8. Short term loans Balance sheet –row code 150

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2012</i>	<i>Total in LVL 01.01.2012</i>
Enterprises of Latvia	Agreements: Repayment – December 2012	12265	<b>75640</b>
<b>Total:</b>		<b>12265</b>	<b>75640</b>

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

<i>Currency</i>	<i>Balance in currency</i>	<i>Exchange rate of the Bank of Latvia</i>	<i>Balance LVL As on Dec. 31, 2012</i>	<i>Balance LVL As on January 1, 2012</i>
LVL			5065.75	376875.77
USD	3901.93	0.531	2071.93	35733.76
EUR	20400.00	0.702804	14337.20	892.14
RUR	37.56	0.017	0.65	75995.67
<b>Total</b>			<b>21475.53</b>	<b>489497.34</b>

**10. Share capital. Balance sheet row code 210**

The share capital in 2012 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.

**11. Long-term investment revaluation reserve. Balance sheet row code 220**

Increase in value due to revaluation of real estate is stated in long-term investment revaluation reserves.

**12. Other provisions. Balance sheet row code – 270**

In accordance with the law „On the annual reports” provisions for vacations of 2012 are calculated in total 14564 LVL.

The provisions for vacations of 2011 were calculated 9674 LVL.

**13. Other loans. Balance sheet row code – 290**

Reconstruction of office building is implemented attracting investments of Climate changes financial instrument. „RAR” is financing 35% of the project attaching credits of other enterprises.

**14. Next period income. Balance sheet row code 300 and 360**

Received financing 544643,56 LVL for KPFI-10/51 project - reconstruction of office building improving effectiveness of expenditure of thermal energy. 12992,40 LVL of them are short term next period income and 531651,16 LVL are long term next period income.

**15. Accounts payable to suppliers and contractors. Balance sheet row code – 330**

<i>Substantiation</i>	<i>Total in LVL 31.12.2012</i>	<i>Total in LVL 01.01.2012</i>
For electric power	2900	
For water supply	911	212
Stock exchange payments	756	762
Rental		11777
For materials and sub-components	58288	106853
Different services	4536	11772
<b>Total</b>	<b>67391</b>	<b>131376</b>

**16. Taxes and State mandatory social insurance payments. Balance sheet row code – 340**

<i>Tax</i>	<i>Date of payment</i>	<i>Total in LVL 31.12.2012</i>	<i>Total in LVL 01.01.2012</i>
Personal income tax	January, 2013	2125	2799
Social security payments	January, 2013	3639	4750
Business risk fee	January, 2013	9	8
VAT			3350
Cars' tax for enterprises	January, 2013	40	
<b>Total:</b>		<b>5813</b>	<b>10907</b>

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.

**17. Other creditors. Balance sheet row code 350**

<i>Debt</i>	<i>Date of payment</i>	<i>Total in LVL 31.12.2012</i>	<i>Total in LVL 01.01.2012</i>
Salary	January, 2013	7456	9672
Other creditors		8058	1987
<b>Total:</b>		<b>15514</b>	<b>11659</b>

**18. Accrued liabilities. Balance sheet row code 370**

4173 LVL for different services received in December 2012.

**19. 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 etc.)

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>Other metal ware</i>	<i>Different orders</i>
2012.g.	254600	135430	0	110122	9048
%	100	53.2	0.0	43.2	3.6

2011.g.	372482	359044	2063	0	11374
%	100	96.4	0.6	0.0	3.0

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

	Net turnover Total	including				
		Russia	Belarus	Ukraine	EU	Latvia
<b>2012</b>	254600	81778	0	18487	24185	130150
<b>%</b>	<b>100</b>	<b>32.1</b>	<b>0</b>	<b>7.3</b>	<b>9.5</b>	<b>51.1</b>
<b>2011</b>	372482	165317	1205	142283	17301	46376
<b>%</b>	<b>100</b>	<b>44.4</b>	<b>0.3</b>	<b>38.2</b>	<b>4.6</b>	<b>12.5</b>

The net turnover in 2012 decreased and was 68.4% of the previous year.

Row code	Item	2012 LVL	2011 LVL
<b>20</b>	<b>Production costs for goods sold</b>	<b>278546</b>	<b>443245</b>
	including -costs of material, sub-components and services	101384	177201
	- salaries and social security payments	150910	175977
	- provisions for vacations	5194	6262
	- energy resources	28657	37737
	- inventory and outfit	6016	
	- amortization	17591	22002
	- changes of ready made goods' stock value	-51593	
	- different operating costs	20387	24066

<b>40</b>	<b>Sales costs, total:</b>	<b>1684</b>	<b>17368</b>
	Incl. - salaries and social security payments		11631
	- wrapping and transport costs	1427	5107
	- other selling expenses	257	630

<b>50</b>	<b>Administrative expenses</b>	<b>115510</b>	<b>165171</b>
	including - salaries and social security payments	68825	86563
	- provisions for vacations	3413	169
	- communication expenses	3366	4358
	- office expenses	471	737
	- expenses due to annual report	2000	2000
	- bank services	717	12427
	- fee of Stock exchange	5000	5000
	- security costs	26303	29782
	- business trips	771	5302
	- other administrative expenses	4644	18833

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Row code	Item	2012 LVL	2011 LVL
<b>60</b>	<b>Other income from economic activities:</b>	<b>262114</b>	<b>71665</b>
	- income from currency exchange rate revaluations	72	
	- income from sales of fixed assets	89697	12447
	- sales of materials and outfit	83782	44413
	- sales of scrap metal	82177	6091
	- other income	6386	8714

<b>70</b>	<b>Other costs of economic activities:</b>	<b>93774</b>	<b>132175</b>
	including- from sales of foreign currency		4860
	- fines	152	599
	- expenses due to substitution of devices during guarantee period	769	1282
	- electric power for renters	5051	7155
	- write-off of fixed assets because of selling	1238	45
	- write down of stock's value		78122
	- variations in material stocks	59349	
	- other expenses	27215	40112

Member of the Boar

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M. Araslanov

February 28, 2013