



**Joint Stock Company
„Rīgas autoelektroaparātu rūpnīca”**

Reg.No. 40003030454
Adress: 18 Klijānu street, Riga, LV-1013

**Annual report
1 January 2018 – 31 December 2018**

Prepared according to the legislation standards of the Republic of Latvia

(audited)

Riga, 2019

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Information on the Company

Name of the Company	Rīgas autoelektroaparātu rūpnīca
Legal status of the Company	Joint stock company
Number, place and date of registration	000303045, Riga, 7 October 1991
Address	Registered in Commercial register: 40003030454, Riga, 30 June 2004
Main activities	18 Klijānu street, Riga, Latvia, LV-1013
Average number of employees	NACE 6820 renting and operating of own real estate
Names and positions of Board members	12 (including the members of the Board and Supervisory Council)
Names and positions of Supervisory Council members	Ēriks Kaža – Chairmen of the Board Gunārs Lubis – Member of the Board Maksym Araslanov – Member of the Board till 25.07.2018
Financial year	Edgars Lubis – Chairman of the Supervisory Council Viktors Rojs – Deputy Chairman of the Supervisory Council Zane Lube – Member of the Supervisory Council till 17.04.2018 Līga Lube – Member of the Supervisory Council since 17.04.2018 Nina Kaža – Member of the Supervisory Council Gaļina Kraveca – Member of the Supervisory Council
Names of shareholders, shareholding, number and address	1 January – 31 December 2018
Name and address of the certified audit company and certified auditor in charge	AS „Baltijas Holdings” - 43.9 % Reg.No. 40003148033, 18 Klijānu street, Riga AS „Tehprojekts”, Ltd. - 43.9% Reg.No. 40103020397, 12 Ūnijas street, Riga Other physical and legal persons - 12.2%
	Revidentu birojs Gatis Sviklis Lāsma Svikle SIA Licence No. 181 Kr. Valdemāra iela 123 - 15 Riga, LV - 1013 Latvia
	Certified auditor in charge: Gatis Sviklis Certificate No. 202

Report of the Management

Type of operations

The registered operating activity of AS “Rīgas autoelektroaparātu rūpnīca” in 2018 was rental and management activities of its own real estate. In earlier years, the Company produced control and measuring devices for motorcars and tractors. Currently the Company has completely ceased the production, but it is still selling the production from its warehouse.

Economic activities in the reporting period

Net turnover of the Company in 2018 is EUR 17,4 thousand, including EUR 4,7 thousand sales of production and EUR 12,7 thousand renting of real estate.

The net result of economic activities in 2018 is loss of EUR 113 664.

Average number of employees in the reporting period is 12, including 3 members of the Board and 5 members of the Supervisory Council.

Financial performance:

	2018	2017
Earnings (+) or loss (-) per share, EUR	-0,032	-0,08
Return on assets	-3,00%	-7,04%
Return on equity	-2,28%	-5,72%
Current liquidity	0,41	0,66

Solvency indicators

Financial dependency ratio	0,52	0,53
Liabilities to equity	1,10	1,12
Share of equity in balance sheet	0,48	0,47

The company has invested great work and a lot of money in improvement and reconstruction of its real estate to improve the effectiveness of expenditure of energy. Autonomous heating system is created. The property has become competitive. The basic concept of management is to lease as much space as possible for one tenant, and therefore negotiations with stakeholders are long-lasting. Despite the interest shown, rent agreements have not been signed in 2018. Negotiations with potential tenants are ongoing.

Because of investments in the modernisation of real estate, the Company received a EUR 315 000 credit from Meridian Trade Bank in 2016. In 2017, the Company agreed with the bank on extending the repayment deadline until September 25, 2021. Credit liabilities are regularly executed. On December 31, 2018, the remaining amount of credit is EUR 163 389.

The Company has neither foreign mission nor branch.

AS “Rīgas autoelektroaparātu rūpnīca” holds a 27.5% stake in the Belarus Joint Undertaking with limited responsibility “ETON-AVTO”, legal address: Belarus, Minsk region, Zodino, Kuznecnaja 20.

Material risks and uncertainties

The result of economic activities of the Company in 2018 is a loss of EUR 113 664 and on December 31, 2018, the Company's short-term liabilities exceeded its current assets by EUR 112 790. The short-term liabilities include the next period income for the received co-financing of EUR 86 894 for which the outflow of funds will not occur in 2019. The Company owns a large real estate. It has invested great work and a lot of money in improvement and reconstruction to improve the effectiveness of expenditure of energy. Autonomous heating system is created. The continuation of economic activity will be ensured by entering into contracts for renting the real estate, taking into account the principle of leasing as much space as possible to a single tenant. The lease contracts for real estate are expected to be concluded in 2019. The Company's management predicts it will not have liquidity problems and the Company will be able to settle with creditors within the deadline set. Therefore, the management of the Company considers that the going concern principle is applicable in the preparation of these financial statements.

Report of the Management (continued)

Financial risk management

The most significant financial instruments of the Company are borrowings from banks and cash. The aim of these financial instruments is to finance the operating activities of the Company. The Company also has a number of other financial instruments, such as trade receivables and trade creditors, arising directly from its operations. The Company is exposed to market risk, credit risks, liquidity risk and cash flow risk in relation to its financial instruments.

The market risk is a risk that changes in market factors such as foreign exchange rates, interest rates and commodity prices will affect the company's earnings or the value of its owned financial instruments. The market risk includes currency risk and interest-rate risk.

The risk of interest rates is the risk of losses due to changes in interest rates of the Company's assets and liabilities. The Company is at risk of a change in market interest rates due to its long-term liabilities, which have variable interest rates.

The Company's borrowings have variable interest rates. The management of the Company manages the interest rate risk by regularly monitoring the market interest rates available.

The Company's activities are not directly exposed to the risk of fluctuations in foreign exchange rates because transactions with customers, as well as settlement with suppliers, are taking place in the euro. As long as receivables from Belarus are not settled, the risk factor is the exchange rate of local currency in purchasers' country against EUR which burden their settlement.

Financial resources potentially exposing the Company to a certain degree of credit risk concentration are mainly cash and purchaser and customer debts. At the end of the reporting period, the Company was not exposed to a significant degree of credit risk concentration because in 2018 the Company has respected the credit policy by selling goods on credit only to customers with a good solvency. Considering that stocks of remaining inventory are small in the warehouse, the potential effect of this risk is still decreasing. The debts of buyers and customers are presented in the recoverable value. The Company's partners in cash transactions are local financial institutions with an appropriate credit history.

The Company pursues a prudent liquidity risk management maintaining sufficient credit resources that allow settling liabilities when they fall due. The management of the Company manages the liquidity and cash flow risk by monitoring forecasted and actual cash flows and by matching term structure of financial assets and liabilities.

The Company believes it will have sufficient resources to ensure its liquidity.

Subsequent events

There are no subsequent events between the last day of the reporting year and the day when the management signed the annual report that could essentially influence data or financial position of the Company on 31 December 2018.

Future prospects and further development

Next year it is intended to sell the remaining stocks of finished products from the warehouse and actively seek the possibility of leasing the buildings owned by the Company.

The board of AS „Rīgas autoelektroaparātu rūpnīca” proposes to cover the losses of 2018 from the profit of the following years.



Ēriks Kaža
Chairman of the Board



Gunārs Lubis
Member of the Board

26 March 2019

Statement of Management Responsibility

The Board of AS „Rīgas autoelektroaparātu rūpnīca” is responsible for the preparation of the financial statements of the Company.

On the basis of information available to the Board of AS „Rīgas autoelektroaparātu rūpnīca”, the financial statements are prepared in accordance with the “Law on Accounting” and “Law on Annual Reports and Consolidated Annual Reports” of the Republic of Latvia and the MK regulation No 775 “The application rules of the Law on Annual Reports and the Consolidated Annual Reports”, on a going concern basis and give a true and fair view of the financial position of AS Rīgas autoelektroaparātu rūpnīca” as at December 31, 2018, and of its financial performance and its cash flows for the year then ended. The Report of the Management gives a true information on the Company's development and operating results.

On behalf of the Board,



Ēriks Kaža
Chairman of the Board

26 March 2019

Corporate Governance Report

AS „Rīgas autoelektroaparātu rūpnīca” Corporate Governance Report of the year 2018 is prepared according to NASDAQ Riga, AS Corporate governance principles and recommendations on their implementation, issued in 2010. The report is worked out in accordance with the principle “respect or explain”.

The report is made by the Board of AS „Rīgas autoelektroaparātu rūpnīca” and revised by the Council of AS „Rīgas autoelektroaparātu rūpnīca”.

This report is prepared and submitted to NASDAQ Riga, AS together with AS “Rīgas autoelektroaparātu rūpnīca” audited annual financial report of 2018 and published at the official web site of NASDAQ Riga, AS www.nasdaqbaltic.com.

On behalf of the Board,



Ēriks Kaža
Chairman of the Board

26 March 2019

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 EUR	2017 EUR
Net sales		17 377	5 566
Cost of sales	1	251 974	269 715
Gross profit or loss		-234 597	-264 149
Selling expenses	2	-	51
Administrative expenses	3	22 104	21 239
Other operating income	4	167 873	113 347
Other operating expenses	5	14 359	95 859
Interest expenses and similar expenses	6	10 477	17 611
Profit or loss before corporate income tax		-113 664	-285 562
Corporate income tax for the reporting year		-	-
Current year's profit or loss		-113 664	-285 562
 Profit (+) or loss (-) per share		 -0,032	 -0,08

Notes on pages 13 to 22 form an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2018

ASSETS	Note	31.12.2018 EUR	31.12.2017 EUR
Long-term investments			
Intangible assets			
Patents, licenses and similar rights		59	77
Total intangible assets	7	59	77
Fixed assets:			
Land, buildings and engineering structures		3 414 789	3 486 371
Equipment and machinery		277 252	381 952
Total fixed assets	8	3 692 041	3 868 323
Long – term financial investments			
Investments in associated companies	9	12 005	11 465
Other loans	10	3 935	43 600
Total long-term financial investments		15 940	55 065
Total long-term investments		3 708 040	3 923 465
Current assets			
Inventories			
Raw materials and consumables	11	5 169	17 301
Finished goods and goods for sale	11	28 238	34 289
Advances for goods receivable		1	3
Total inventories		33 408	51 593
Debtors			
Trade debtors	12	28 043	64 737
Other debtors	13	15 900	16 182
Deferred expenses	14	549	776
Total debtors		44 492	81 695
Cash and bank	15	747	666
Total current assets		78 647	133 954
TOTAL ASSETS		3 786 687	4 057 419

Notes on pages 13 to 22 form an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2018

LIABILITIES	Note	31.12.2018 EUR	31.12.2017 EUR
<u>Shareholders' funds</u>			
Share capital	16	4 991 713	4 991 713
Other reserves – the result of denomination		81 549	81 549
Previous years' retained earnings or accumulated loss		-3 159 972	-2 874 410
Current year's profit or loss		-113 664	-285 562
Total shareholders' funds		1 799 626	1 913 290
Creditors			
Long-term creditors			
Loans from credit institutions	17	103 389	163 389
Deferred income	18	1 692 235	1 779 129
Total long-term creditors		1 795 624	1 942 518
Short-term creditors			
Loans from credit institutions	17	60 000	60 000
Other borrowings		-	1 080
Trade creditors	19	9 877	11 077
Taxes and the state compulsory social insurance contributions	20	17 069	21 207
Other creditors	21	12 564	17 218
Deferred income	18	86 894	86 894
Accrued liabilities	22	5 033	4 135
Total short-term creditors		191 437	201 611
Total creditors		1 987 061	2 144 129
TOTAL LIABILITIES		3 786 687	4 057 419

Notes on pages 13 to 22 form an integral part of these financial statements.

Cash flow statement for the year ended 31 December 2018

I. Cash flows from operating activities		Note	2018	2017
			EUR	EUR
1.	Income from net sales		68 192	81 549
2.	Payments to suppliers, to employees and other operating expenses		108 638	123 195
3.	Other income or expenses for economic activities		4 468	11 874
4.	Gross cash generated from operations		-35 978	-29 772
5.	Net Cash flows from operating activities		-35 978	-29 772
II. Cash flows from investing activities				
1.	Proceeds from sale of fixed assets and intangible assets		67 952	86 832
2.	Received repayment of the issued loans		39 400	30 050
3.	Interest received		3 704	3 991
4.	Net cash generated from investing activities		111 056	120 873
III. Cash flows from financing activities				
1.	Repayment of borrowing	17	61 080	76 611
2.	Interest paid		13 917	13 732
3.	Net cash used in financing activities		74 997	90 343
IV. Result of foreign exchange rate fluctuations			-	-349
V. Net increase in cash and cash equivalents			81	409
VI. Cash and cash equivalents at the beginning of the reporting year			666	257
VII. Cash and cash equivalents at the end of reporting year			747	666

Notes on pages 13 to 22 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2018

	31.12.2018 EUR	31.12.2017 EUR
Share capital		
At the beginning of reporting year	4 991 713	4 991 713
At the end of reporting year	4 991 713	4 991 713
Other reserves (the result of denomination)		
At the beginning of reporting year	81 549	81 549
At the end of reporting year	81 549	81 549
Retained earnings		
At the beginning of reporting year	-3 159 972	-2 874 410
Increase / decrease in retained earnings	-113 664	-285 562
At the end of reporting year	-3 273 636	-3 159 972
Equity		
Previous year balance	1 913 290	2 198 852
Balance at the end of the year	1 799 626	1 913 290

Notes on pages 13 to 22 form an integral part of these financial statements.

NOTES

ACCOUNTING POLICIES

(a) Information on the Company

The legal address of AS “Rīgas autoelektroaparātu rūpnīca” is Klijānu iela 18, Rīga. The Company is registered in Commercial Register with common registration number 40003030454. The Company is a listed company and its main shareholders are AS “Baltijas Holdings” (43.9%) and SIA “Tehprojekts” (43.9%). The Board of the Company consists of Ēriks Kaža (Chairman of the Board), Gunārs Lubis (Member of the Board) and Maksym Araslanov (Member of the Board till 25.07.2018). The Company's auditor is the certified audit company Revidentu birojs Gatis Svīklis Lāsma Svīkle SIA and certified auditor in charge Gatis Svīklis.

(b) Financial statements preparation basis

Financial statements are prepared in accordance with the Law on Accounting and Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia and the MK regulation No 775 The application rules of the Law on Annual Reports and the Consolidated Annual Reports, on a going concern basis. In accordance with section 3 (6) of the Law on Annual Reports and Consolidated Annual Reports, the Company meets the criteria of a large company. The Company's shares are listed on the NASDAQ stock exchange.

The profit and loss account is prepared in accordance with the expense function method.

Statement of cash flow is prepared using direct method.

Accounting policies used by the Company are consistent with those used in the previous reporting period.

(c) Going concern

The result of economic activities of the Company in 2018 is a loss of EUR 113 664 and on December 31, 2018, the Company's short-term liabilities exceeded its current assets by EUR 112 790. The short-term liabilities include the next period income for the received co-financing of EUR 86 894 for which the outflow of funds will not occur in 2019. The Company owns a large real estate. It has invested great work and a lot of money in improvement and reconstruction to improve the effectiveness of expenditure of energy. Autonomous heating system is created. The continuation of economic activity will be ensured by entering into contracts for renting the real estate, taking into account the principle of leasing as much space as possible to a single tenant. The lease contracts for real estate are expected to be concluded in 2019. The Company's management predicts it will not have liquidity problems and the Company will be able to settle with creditors within the deadline set. Therefore, the management of the Company considers that the going concern principle is applicable in the preparation of these financial statements.

(d) Net sales and income recognition

Net sales represent income from rent and the total of goods and services sold during the year net of value added tax. Sales of services are recognised in the accounting period in which the services are rendered. Sales of goods are recognised when the customer has accepted the goods in accordance with the goods delivery terms.

Revenue arising from the use by others of Company assets is recognized when it is believable that the Company will receive economic benefits from the transaction and the amount of revenue measured reliably.

(e) Currency unit and revaluation of foreign currency

All amounts in these financial statements are expressed in the Latvian official currency - euro (EUR).

Foreign currency transactions have been translated into euro applying the exchange rate valid at the beginning of the day of transaction determined by the conversion procedure between central banks of the European System of Central Banks and other central banks and which is published on the European Central Bank's website.

On the last day of the reporting period all monetary assets and liabilities were translated into euros in accordance with the rates (at the end of the day) published on the European Central Bank's website.

Currency
USD / 1 EUR

31.12.2018
1,145

31.12.2017
1,1993

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(f) Intangible assets and fixed assets

Intangible assets and fixed assets are recorded at historical cost net of accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the intangible assets and fixed assets. The cost of software licences includes the purchase cost and costs related to their implementation in use.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives using the following rates set by management:

	% gadā
Intangible assets	20
Buildings and engineering structures	1-8,3
Technological equipment and devices	14-50
Other fixtures and fittings	10-20

Where the carrying amount of an intangible or a fixed asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of the fair value less costs to sell and the value in use of the related intangible or fixed asset.

Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Such costs are depreciated over the remaining useful life of the related asset. When capitalising the cost of mounted spare parts, the carrying value of the part replaced is written off to the profit and loss account.

Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and are charged to the profit and loss account during the period in which they are incurred.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average price method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realisable value of inventories is lower than its cost, provisions are created to reduce the value of inventories to its net realisable value.

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

Inventory of finished goods is valued in accordance with net sale value.

(h) Accounts receivable and issued loans

Accounts receivable and issued loans are recorded in the balance sheet at their amortised cost less provisions for impairment. Provisions for impairment are established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provisions for impairment is the difference between the amortised cost and the recoverable amount. The amount of the provision is recognised in the profit and loss account.

(i) Operating leases – The Company as a lessor

Assets that are leased out under operating lease terms are recorded within fixed assets at historic cost or revalued amount less depreciation. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life using rates set for similar Company's assets. Rental income from operating lease including advances received is recognised on a straight-line basis over the period of the lease.

(j) Investments in associated companies

Investments in associated companies are accounted for at cost net of accumulated impairment loss. The Company recognises the income only to the extent the distribution of the profit accumulated after the acquisition date is received from the respective associated company. Received distributions in excess of such profit are regarded as recovery of the investment and are booked as a decrease of the cost of investment.

When there is objective evidence that the carrying amount of the investment in associated company has impaired, the impairment loss is calculated as a difference between the carrying amount of the investment and its recoverable amount. The recoverable amount is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss recognised in prior periods can be reversed only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized.

(k) Grants

Grants relating to the purchase of specific assets are recorded as deferred income and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets. Grants granted to cover the expenses are recognised as an income in the same period when respective expenses have arisen if all conditions associated with the receipt of grant have been fulfilled.

(l) Borrowings

Borrowings are recognised initially at the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account.

(m) Accrued unused annual leave expenses

Amount of accrual for unused annual leave is determined by multiplying the average daily wage of employees for the last six months of the reporting year by the amount of accrued but unused annual leave at the end of the reporting year.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash balances of current account with banks.

(o) Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

On July 28, 2017, a new Corporate Income Tax Law was adopted, which stipulates that from January 1, 2018, the corporate income tax is levied on profit that arose after 2017 if it is distributed or conditionally distributed profit arise.

From taxation year 2018, corporate income tax will be calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders). Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

The Company calculates and pays corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the profit or loss statement in the year for which it is assessed. Corporate income tax for the distributed profit and corporate income tax for the conditionally distributed profit is included in the profit and loss statement line item "Corporate income tax for the reporting year" and disclosed by the components in the notes to the financial statements.

(p) Related parties

Related parties are defined as Company's shareholders, members of the Board of Directors and Supervisory Board, their close relatives and companies in which they have a significant influence or control.

NOTES – PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

	2018 EUR	2017 EUR
(1) Cost of sales		
Supplementary materials	2 738	4 147
Salary expenses	15 416	23 514
State compulsory social insurance contributions	2 557	4 979
Costs of energy resources	5 571	15 409
Services	361	170
Depreciation of fixed assets	176 282	176 288
Real estate tax	43 537	43 537
Other production costs	5 512	1 671
	251 974	269 715
(2) Selling expenses		
Other selling expenses	-	51
	-	51
(3) Administrative expenses		
Salary expenses	5 255	6 636
State compulsory social insurance contributions	1 266	1 567
Office maintenance costs	1 191	1 705
Bank services	678	1 041
Payments to Stock exchange	7 120	7 120
Annual report expenses*	2 300	2 300
Legal services	3 288	-
Other administrative costs	1 006	870
	22 104	21 239
*other than audit, the certified audit company has not provided other services to the Company		
(4) Other operating income		
Remuneration for the use of intellectual property	49 500	15 000
Income from sales of materials	12 100	4 032
Income from sales of scrap metal	621	7 131
Proceeds from recovery of doubtful receivables	6 460	-
Received fines	11 600	-
Next period income referable to reporting period	86 894	86 894
Net gain on foreign exchange	621	-
Other income	77	290
	167 873	113 347
(5) Other operating expenses		
Provisions for bad and doubtful debts	-	82 924
Fines	2 260	2 633
Change in inventory	12 099	10 302
	14 359	95 859
(6) Interest expenses and similar expenses		
Net loss on foreign exchange	-	7 896
Interest charge	10 477	9 715
	10 477	17 611

NOTES – BALANCE SHEET AS AT 31 DECEMBER 2018 - ASSETS (continued)

(7) Intangible assets

	Patents, licences, trademarks and similar rights	Total
Cost	91	91
31.12.2018	91	91
Amortisation		
31.12.2017	14	14
Charge for 2018	18	18
31.12.2018	32	32
Net book value 31.12.2017	77	77
Net book value 31.12.2018	59	59

(8) Fixed assets

	Land	Buildings, engineering structures	Equipment and machinery	Other fixed assets	Total
Cost					
31.12.2017	88 826	3 839 771	750 863	6 689	4 686 149
31.12.2018	88 826	3 839 771	750 863	6 689	4 686 149
Depreciation					
31.12.2017	-	442 226	368 911	6 689	817 826
Charge for 2018	-	71 582	104 700	-	176 282
31.12.2018	-	513 808	473 611	6 689	994 108
Net book value 31.12.2017	88 826	3 397 545	381 952	-	3 868 323
Net book value 31.12.2018	88 826	3 325 963	277 252	-	3 692 041

(9) Investments in associated companies

	Investments in associated companies EUR	Total EUR
Cost		
01.01.2017	13 044	13 044
Net loss on foreign exchange	1 579	1 579
31.12.2017	11 465	11 465
Movement in value of investments		
01.01.2018		
Net gain on foreign exchange	540	540
31.12.2018	12 005	12 005
Net book value 31.12.2017	11 465	11 465
Net book value 31.12.2018*	12 005	12 005

* AS "Rīgas autoelektroaparātu rūpnīca" holds a 27.5% stake in the Belarus Joint Undertaking with limited responsibility "ETON-AVTO", legal address: Belarus, Minsk region, Zodino, Kuznecnaja 20

(10) Other loans

	31.12.2018 EUR	31.12.2017 EUR
At the beginning of reporting year	59 500	89 550
Loans repaid during the year	39 665	30 050
At the end of reporting year	19 835	59 500
Including :		
- short-term portion	15 900	15 900
- long-term portion – receivable after 1 up to 5 years	3 935	43 600
	19 835	59 500

(11) Inventories

Raw materials and consumables		
- Raw materials	5 169	5 202
- Consumables	-	12 099
	5 169	17 301
Finished goods and goods for sale	28 238	34 289
	28 238	34 289

(12) Trade debtors

Trade debtors	58 063	101 217
Provisions for doubtful debtors	30 020	36 480
	28 043	64 737

(13) Other debtors

	31.12.2018 EUR	31.12.2017 EUR
Loans issued to associated companies	15 900	15 900
VAT overpaid	-	282
	<u>15 900</u>	<u>16 182</u>

The management of the Company has evaluated other receivables and acknowledged that they are actually recoverable in full value.

* see note 10.

(14) Deferred expenses

LMT warranty deposit	34	34
Use of domain	-	10
Real estate insurance	515	732
	<u>549</u>	<u>776</u>

(15) Cash and bank

Cash at bank	747	666
	<u>747</u>	<u>666</u>

NOTES – BALANCE SHEET AS AT 31 DECEMBER 2018 - LIABILITIES (continued)

(16) Share capital

Share capital is 4 991 712,60 EUR. There are 3 565 509 shares. Nominal value per share is 1,40 EUR.
 Neither the members of the Board, nor the members of the Supervisory Council own the shares of the Company.

Information pursuant to the requirements set out in Financial Instrument Market Law section 56.¹ - information to be additionally included in the financial statements:

Regulatory requirements	Compliance
Information on the capital structure, share categories, the rights and obligations arising from each category of the shares and the percentage of the share capital, by specifying separately the number of the shares which are not included in regulated markets	Total amount of issued shares are 3 565 509. 1 762 786 are bearer' shares, which are circulated in the regular market. 1 802 723 are registered shares, which are not involved in regulated markets. All the shares have equal rights.
Details on the restrictions applicable to share transfers or the need to get the consent of the Company or other shareholders for the alienation of the shares	None
Persons who have directly or indirectly acquired a substantial holding in the Company, as well as their interests	AS "Baltijas Holdings" 43,9% SIA "Tehprojekts" 43,9%
Shareholders who have special control rights; description of the rights	None
The manner in which the Company will use the voting rights arising from the shares of employees if they are not used by employees themselves	Such category of shares does not exist
Voting limitations in case of the maximum voting rights are set, independently of the amount of voting shares owned, as well as the shareholder rights to share of profit, which is not related to the shares directly proportionally owned by them and other similar limitations	None
Shareholders' agreement, which is known to the Company and can result in restrictions on the transfer of the shareholders' equity or voting rights to other persons, including the terms and conditions providing for a prior approval of such transfer	None
Terms governing the election of Board members, changes in the composition of the Board and amendments of Articles of Association	In accordance with the Articles of Association and legislative requirements.
The authority of the members of the board, including the authority to issue or to repurchase shares	The authority of the members of the board is determined in the Commercial Law. The members of the Board are not authorised to issue or to repurchase shares without the authorisation of the shareholders' meeting.
All significant agreements and contracts, concluded by the Company under which in the case of change of the control they will become effective, the term of which will expire or which will be modified, as well as the effect of their entry into force, termination or amendment	None
All agreements between the Company and its members of the board, providing for the payment of compensation in the event of the loss of the office, when they are dismissed without sufficient case or when they are dismissed after expressing the offer to repurchase the shares.	None

(17) Loans from credit institutions

	31.12.2018 EUR	31.12.2017 EUR
Loan from AS Meridian Trade Bank		
- Short-term portion of the loan	60 000	60 000
- Long-term portion of the loan – repayable within 1 - 5 years	103 389	163 389
	163 389	223 389

In April 2016, the Company received a loan of EUR 315,000. The loan shall be repaid by 25 September 2021. Interest rate is 7,275% a year plus EURIBOR. Credit repayment and interest payments shall be made once a month.

Real estate on Klijānu Street, Riga is pledged as security in favour of Meridian Trade Bank. On 31 December 2018 its balance value is EUR 3 414 789 (on 31 December 2017: EUR 3 486 371). Respective collateral contract is concluded on 18 April 2016.

(18) Deferred income

The company has received KPFI (Climate change financial instrument) funding and has implemented contracts with LR Environment Protection and Regional Development Ministry and SIA Vides investīciju fonds for projects of reconstruction of the office building according to low energy consumption requirements, as well as for industrial building and administrative buildings to improve energy efficiency. Received co-financing of capital investments is treated as deferred income and gradually included in revenues during the useful life of fixed assets.

	31.12.2018 EUR	31.12.2017 EUR
Reconstruction of the office building according to low energy consumption requirements	928 334	946 777
Reduction of greenhouse effect gas emissions, improving energy efficiency in the industrial building	505 966	555 881
Improving of energy efficiency in the administrative building	344 829	363 365
	1 779 129	1 866 023
Including: Long - term deferred income	1 692 235	1 779 129
Short - term deferred income	86 894	86 894

(19) Trade creditors

For materials and components	684	3 662
For received services	9 193	7 415
	9 877	11 077

(20) Taxes and the state compulsory social insurance contributions

Personal income tax	687	5 289
The compulsory state social insurance contributions	1 116	7 853
Business risk duty	3	4
Value added tax	78	-
Real estate tax	15 185	8 061
	17 069	21 207

(21) Other creditors

Salaries	12 554	17 195
Other creditors	10	23
	12 564	17 218

(22) Accrued liabilities

In the reporting year received services, on which the invoice is not yet received on the balance date	2 397	2 417
Accrued unused annual leave expenses	2 636	1 718
	5 033	4 135

(23) Average number of employees

Board	3	3
Supervisory Council	5	5
Other employees	4	7
	<u>12</u>	<u>15</u>

The Board and the Supervisory Council members do not receive remuneration for their duties in the Company.

(24) Subsequent events

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2018.

The Financial statements of the Company set out on pages 8 to 22 were signed on 26 March 2019 by:



Ēriks Kaža
Chairman of the Board



Gunārs Lubis
Member of the Board

Report is prepared by the chief accountant Dace Lāma.



Dace Lāma
AS "Rīgas autoelektroaparātu rūpnīca"
Chief accountant

26 March 2019

Independent Auditor's Report

To the shareholders of AS "Rīgas autoelektroaparātu rūpnīca"

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AS "Rīgas autoelektroaparātu rūpnīca" ("the Company") set out on pages 8 to 22 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2018,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AS "Rīgas autoelektroaparātu rūpnīca" as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note (c) of the financial statements, which indicates that the Company incurred a net loss of EUR 113 664 during the year ended 31 December 2018 and, as of that date, the Company's current liabilities exceeded its current assets by EUR 112 790. As stated in Note (c), these events or conditions, along with other matters as set forth in Note (c), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the *Material Uncertainty Related to Going Concern* section and Emphasis of Matter section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	Audit procedures applied to the key audit matters
<p>Valuation of fixed assets</p> <p>As disclosed in the balance sheet of the Company, the total of the Company's fixed assets is EUR 3 692 041 as at 31 December 2018.</p> <p>The most significant fixed assets of the Company comprise its real estate that the Company intends to use by renting.</p> <p>Fixed assets is a significant balance sheet item therefore the assessment of the recoverable amount of the fixed assets is deemed to be a key audit matter.</p>	<p>We conducted interviews with the management of the Company on the intended future use of the Company's fixed assets and we identified that regular discussions with potential clients to rent the assets take place, including signing of letters of intent.</p> <p>We surveyed the fixed assets and we identified that, as stated in the report of the management, significant investments to the real estate included in the fixed assets have been made, including that the buildings have been insulated and autonomous heating system has been installed.</p> <p>We conducted the assessment of the valuation report by independent valuation specialists to assess if there have been no material adverse developments in the real estate market between the date of the valuation and 31 December 2018.</p> <p>We conducted the assessment of the accuracy and completeness of the depreciation calculation.</p>

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages 4 to 5 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying Annual Report,
- the Statement of Corporate Governance, as set out on page 7 of the accompanying Annual Report,

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and
-

appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

We were appointed by those charged with governance on to audit the financial statements of AS "Rīgas autoelektroaparātu rūpnīca" for the year ended 31 December 2018. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2017 to 31 December 2018.

We confirm that as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014 paragraph 5, clause 1. We also remained independent of the audited entity in conducting the audit.

Revidentu birojs Gatis Sviklis Lāsma Svikle SIA
Zvērinātu revidentu komercsabiedrība
Licence Nr. 181

The responsible certified auditor on the audit resulting in this independent auditors' report is Gatis Sviklis.



Gatis Sviklis
Certified auditor in charge
Certificate No. 202

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Certified audit company licence Nr. 181
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Latvia

Riga, Latvia
26 March 2019
